

POPULAR ANNUAL **FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2019

Riverside, California



Dear Reader,

The City of Riverside is pleased to present our Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2019. Our PAFR provides an overview of the City's financial position in a manner that is easy to understand. The information in this report is based on the audited results presented in the City's Comprehensive Annual Financial Report (CAFR). This report also includes information about the City's Measure Z Fund activity and outstanding debt organizational structure.

It is important to note, this PAFR is unaudited and is presented on a non-GAAP basis*. This means that the presentation of financial data in this report differs from the GAAP basis presentation in the City's CAFR. The differences are as follows: the use of prescribed accounting methods and financial statement formats; the presentation of segregated funds; and the disclosure of all material financial and non-financial matters in notes to the financial statements.

We hope that you find this report helpful and encourage you to access the City's website (www.RiversideCA.gov/Finance) or contact the Finance Department at (951) 826-5660 for more detailed information about the City's finances.

Sincerely,

Edward Enriquez
Chief Financial Officer/Treasurer

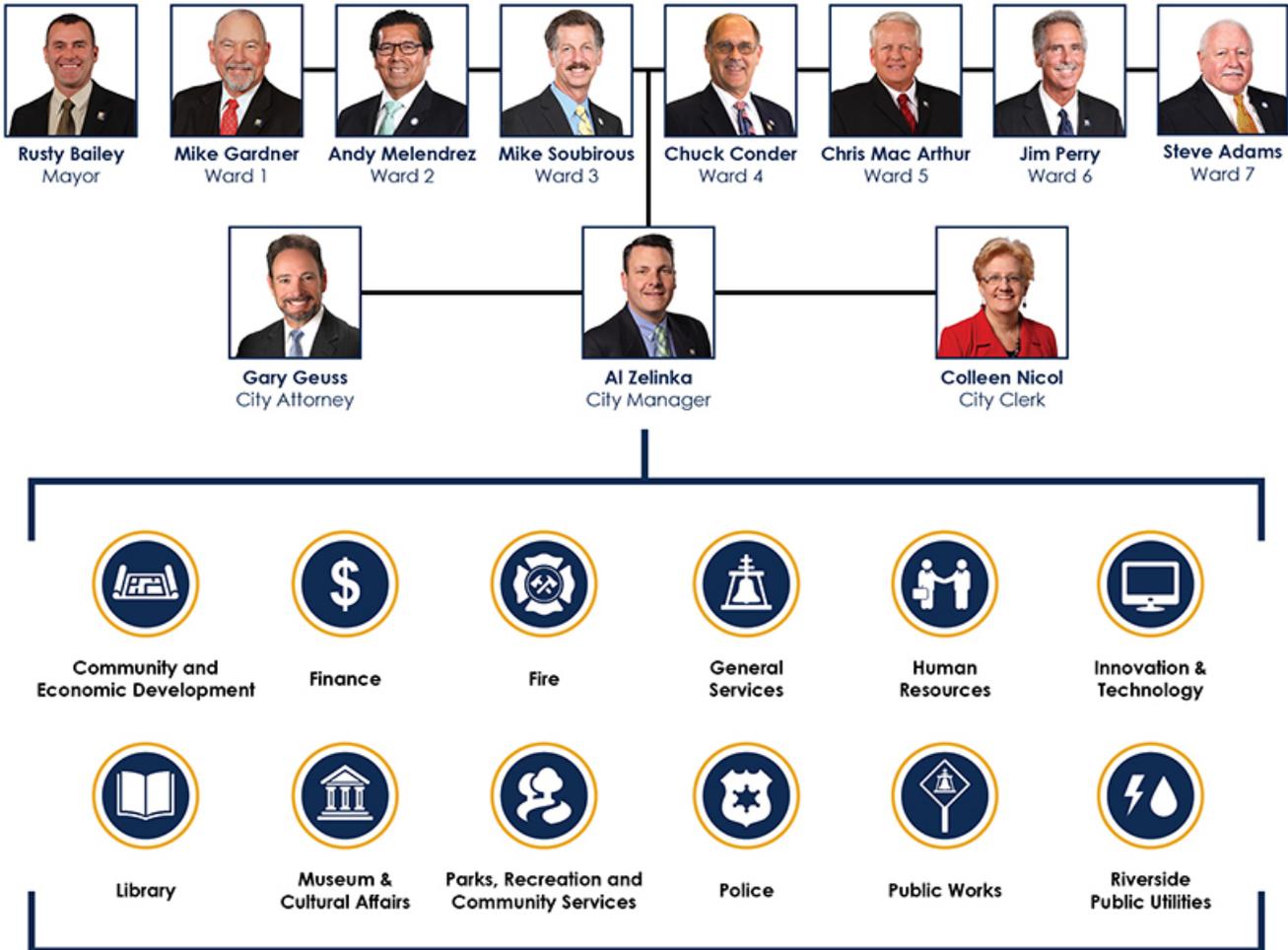
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* Generally Accepted Accounting Principles (GAAP) is a combination of authoritative standards and the commonly accepted way of recording and reporting accounting information. To review the audited GAAP-based, full disclosure financial statements, please refer to the City's CAFR, which is available on the City's website at www.RiversideCA.gov/Finance/CAFR

ABOUT THE CITY AND ITS LEADERSHIP

The City of Riverside operates under the council-manager form of government. Under this organizational structure, the City Council appoints a City Manager to act as the Chief Operating Officer. The City Council sets policy direction and the City Manager implements those policies. The Mayor is elected at-large, while Council members are elected by voters in each of seven separate wards. The Mayor shall be the presiding officer at all meetings of the City Council and shall have a voice in all its proceedings but shall not vote except to break a City Council tie-vote. The Mayor shall be the official head of the City for all ceremonial purposes.



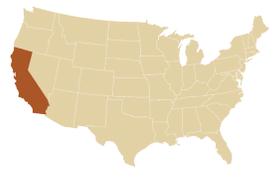
The City of Riverside, incorporated on October 11, 1883, is in the western portion of Riverside County, about 60 miles east of Los Angeles. The City currently occupies a land area of 81.5 square miles.

The City is a part of Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.5 million, is larger than 24 states. The population of the City is 328,101 which places it as the 12th largest in California.



12th largest city in California

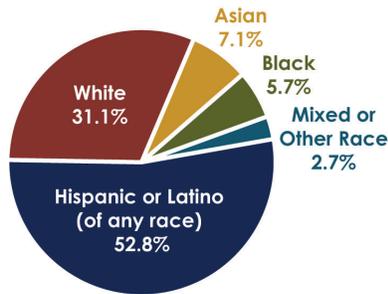
59th largest city in the United States



CITY DEMOGRAPHICS AND KEY STATISTICS

CITY DEMOGRAPHICS

 **\$420,000**
Median Sale Price in Riverside
 3.7% increase from Prior Year
 Source: California Association of Realtors
 June 2019




Average Household Size: 3.4*

Unemployment Rate: 3.9%
 Source: June 2019 Labor Force Data California
 Employment Development Department


29.9% of the Population 25 years & over have a college degree*
 (Associates, Bachelor's, Graduate/Professional)



Median Age: 31.3*

*Source: United States Census Bureau, 2017 American Community Survey 5-Year Estimates
 **Source: California State Department of Finance, January 2019 Population Estimates



Average Household Income: \$78,001*

CITY KEY STATISTICS

 **3 Police Stations & 5 Police Substations**

 **Police**

 **2 Helicopters**

 **1 Fixed-Wing Airplane**

 **557 Police Personnel (Sworn & Non-Sworn)**

 **14 Fire Stations & 1 Training Facility**

 **55 Active Apparatus**

 **245 Fire Personnel**

 **5,584 Fire Inspections**

 **37,739 Calls Answered**

 **Fire**

 **Culture & Recreation**

 **66,846 Facility Rentals**

 **8 Library Branches**

 **11 Community Centers**

 **54,069 Recreation Classes**

 **2,988 Acres of Parks**

 **46 Playgrounds & 44 Softball/Baseball Diamonds**

 **Public Works**

 **30,445 Streetlights**

 **872.10 Streets (miles)**

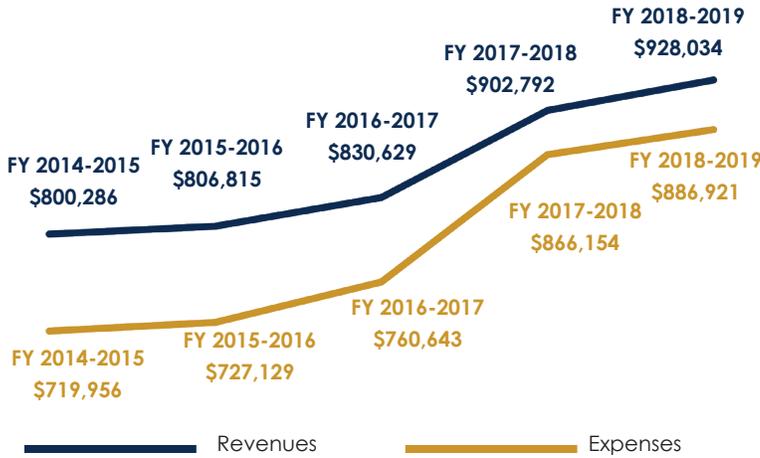
 **392 Signalized Intersections**

 **16.5 Street Resurfacing (miles)**

WHAT'S NEW: FINANCIAL HIGHLIGHTS

Overall, revenues and expenses have been trending upward. For the year ended June 30, 2019, revenues exceeded expenses by more than \$41 million. This had a positive impact on the City's financial position.

FIVE-YEAR REVENUES VS EXPENSES - CITYWIDE (in thousands of dollars)



\$284 Million

General Fund
FY 2018-2019
Final Budget

\$280 Million

General Fund
FY 2019-2020
Original Budget*

Long-Term Financial Planning

To promote responsible long-term financial planning, the City has transitioned to a two-year budget cycle that is developed within the context of a five-year financial plan.

In June 2019, the City's second Biennial Budget and Five-Year Financial Plan was approved by City Council.

*excludes Measure Z spending



2,502.8 Full-time Equivalent City employees provided services to the community



2 New Financial Policies adopted by City Council:

- Measure Z Reserve Policy (\$5 million Reserve)
- Pension Funding Policy



1 General Fund Reserve Goal of 20% of expenditures met

General Fund and Debt Restructuring

To provide greater transparency regarding grants/restricted programs and debt, the City made changes to its fund structure. Grants/restricted programs are now reported in a separate fund and debt has been allocated to the appropriate funds so that funds reflect its proportional share. An overview of the changes made this Fiscal Year 2018-2019 are below.

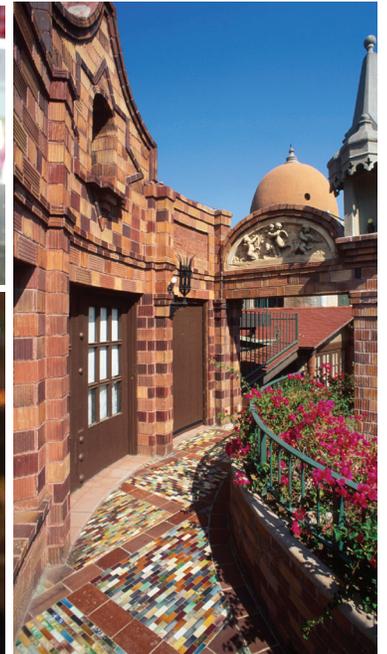


THE CITY'S FINANCIAL POSITION

The Statement of Net Position financial statement presents information about all of the City's assets, liabilities, deferred outflows (e.g., prepaid items), and deferred inflows (e.g., advance collections). The City's net financial position is the balance of all assets and deferred outflows, less all liabilities and deferred inflows. 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. For the fiscal year ended June 30, 2019, the Citywide net position improved by over \$41 million.

STATEMENT OF NET POSITION - CITYWIDE (In thousands of dollars)

CITY ASSETS - WHAT WE OWN	2018	2019
Current Assets consisting mainly of cash and amounts owed to the City	\$982,484	\$1,163,898
Net Capital Assets consisting primarily of buildings, equipment, and vehicles	3,220,574	3,230,624
TOTAL CITY ASSETS	\$4,203,058	\$4,394,522
Deferred Outflows of Resources, positive effect on Net Position	224,124	191,725
Total City Assets and Deferred Outflows	\$4,427,182	\$4,586,247
CITY LIABILITIES - WHAT WE OWE	2018	2019
Current Liabilities consisting of all amounts the City owes, except for debt	\$179,889	\$243,907
Non-Current Liabilities consisting of long-term debt owed, including pension obligations	2,279,386	2,301,346
TOTAL CITY LIABILITIES	\$2,459,275	\$2,545,253
Deferred Inflows of Resources, negative effect on Net Position	46,241	78,215
Total City Liabilities and Deferred Inflows	\$2,505,516	\$2,623,468
CITY NET FINANCIAL POSITION	\$1,921,666	\$1,962,779



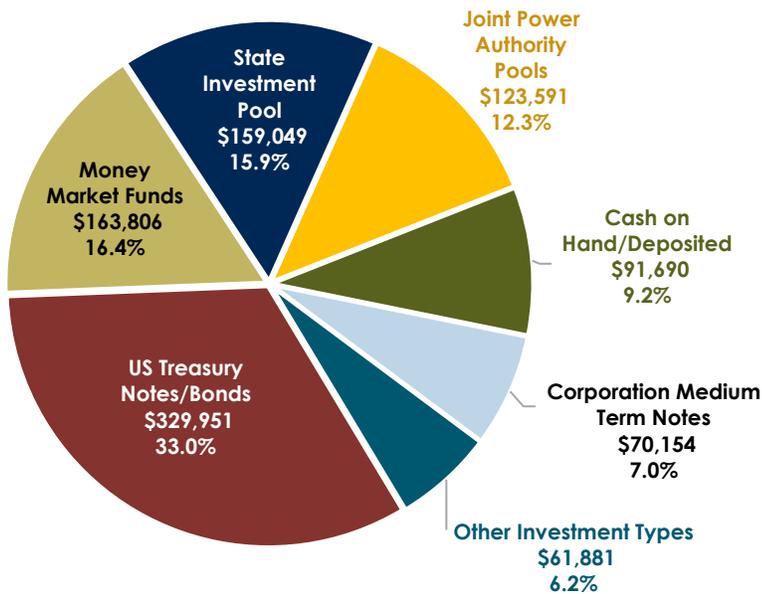
THE CITY'S ASSETS AND INVESTMENTS

INVESTMENT MANAGEMENT AND FUNDS ALLOCATION

The prioritized objective of the City's investment program is to preserve principal, ensure enough liquidity, and generate a market rate of return. The City's investments comply with California Government Code Section 53601 guidelines for permissible investment types and limits. In addition, all investments comply with the City Council's adopted investment policy which mitigates the City's risk. The chart below reflects the types of investments held by the City or its Fiscal Agent as of June 30, 2019.

INVESTMENT TYPE • \$1,000,122

(In thousands of dollars)



1.722 %
June 2018

2.168 %
June 2019

Average Yield to Maturity

Yield to maturity is the total return of investment anticipated on a bond if the bond is held until it matures. This figure is expressed as an annual rate. Based on information prepared by the City's investment consultant Public Trust Advisors at year-end, the City's average yield to maturity continues to trend in a positive direction.

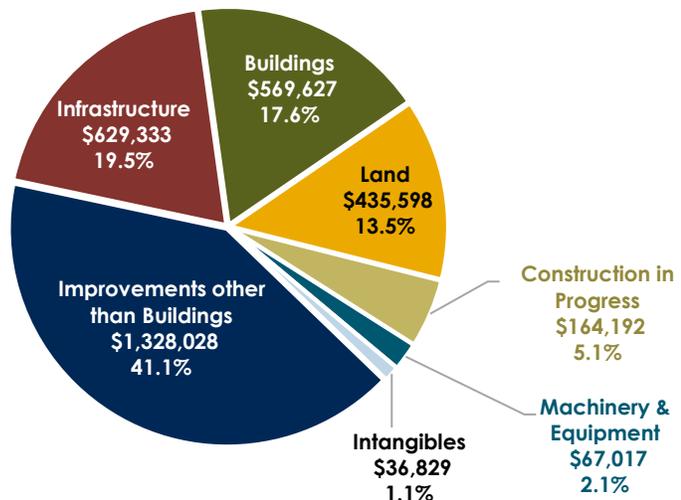
CAPITAL ASSETS, NET OF DEPRECIATION

\$3,230,624

(In thousands of dollars)

Major capital improvements included projects for road (\$19 million), fire equipment and vehicles (\$12 million), sewer tertiary treatment plant (\$8 million), water utility upgrades (\$27 million), and electric utility upgrades (\$36 million).

Construction in progress was primarily related to the Riverside Transmission Reliability Project (RTRP) and upgrades to the Utilities' Spring Substation.



To review more comprehensive information about the City's funds in the audited GAAP-based, full disclosure financial statements, please refer to the City's CAFR which is available on the City's website at www.RiversideCA.gov/Finance/CAFR

WHAT THE CITY OWES

As of June 30, 2019, the City had outstanding long-term bond debt totaling \$1.5 billion. A five-year history of the long-term debt for governmental and business-type activities is below. The \$117 million increase over the last fiscal year was due to lease revenue bonds for the Main Library Project and storm drain improvements.

Long-Term Bond Debt Outstanding*
(In thousands of dollars)

FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
\$1,590,008	\$1,543,245	\$1,478,820	\$1,416,505	\$1,533,336

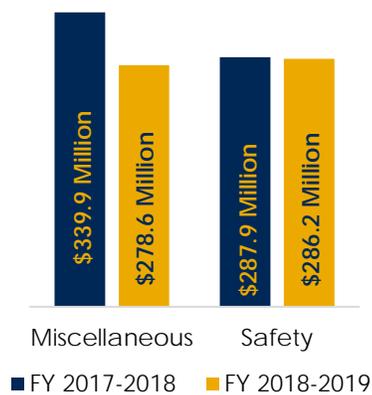
* Excludes debt issued by the City that is not a financial obligation of the City such as the former Redevelopment Agency debt.

The City issued bonds to support spending for construction, capital asset purchases/improvements and unfunded pension liability.

Water, Electric, and Sewer Revenue Bonds \$1,241.7 million	Issued to acquire, purchase, construct, or improve major capital facilities. The revenue generated by the facility or activity supporting the facility is pledged as security for the repayment of debt.	  
Certificates of Participation \$128.9 million	Used as a lease-purchase financing mechanism for public buildings such as the Convention Center.	
Pension Obligation Bonds \$65.3 million	Used to pay some or all the pension plan's unfunded pension liability. The City's net pension liability as of June 30, 2019 was \$564.8 million, a portion of which is funded with Pension Obligation Bonds.	
Lease Revenue Bonds \$88.3 million	Used to finance public improvements such as City Hall and Park improvements. Paid using lease revenue.	
General Obligation Bonds \$9.2 million	Issued for the construction or acquisition of major capital assets. The security pledged for the bonds is the general taxing power of the government	

Net Pension Liability*

Miscellaneous vs Safety Employees

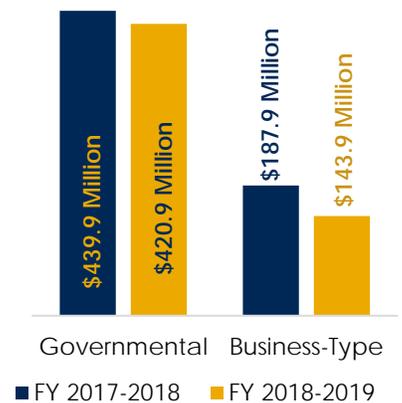


The largest impact to the City's long-term financial stability relates to the increase in pension costs from CalPERS. Pension costs make up 8% of the City's total budget and 16% of the operating budget, and to a large extent are outside staff's direct control. Recent projections indicate that pension costs are expected to rise by as much as 73% by Fiscal Year 2029-2030. For more information about how the City is handling the CalPERS challenge, please visit:

RiversideCa.gov/CityManager/CalPERSChallenge

Net Pension Liability by Fund Type

Governmental vs Business-Type Activities



*Based on Governmental Accounting Standards Board Pronouncement No. 68 Generally Accepted Accounting Principles reporting requirements which differs from the annual CalPERS actuarial report which contains information regarding the current financial status of the City's retirement plans and employer funding requirements.

STATEMENT OF ACTIVITIES

The Statement of Activities presents the City's revenues and expenses in a format that reflects the financial burden for each of the City's functions. All changes are reported as soon as the underlying event for the change occurs, regardless of the timing of the related cash flow.

For the fiscal year ended June 30, 2019, the City's governmental and business-type activities resulted in an increase of net position totaling more than \$41.1 million. The table below provides an overview of the effect of the City's functions on its net financial position.

STATEMENT OF ACTIVITIES - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (In thousands of dollars)

Program Revenues	2018	2019
Charges for services	\$582,281	\$584,901
Operating grants and contributions	25,922	27,059
Capital grants and contributions	44,996	38,057
Total Program Revenues	\$653,199	\$650,017
General Revenues	2018	2019
Sales Tax	\$120,338	\$130,645
Property Tax	63,515	69,478
Utility Users Tax	27,498	28,009
Franchise Tax	4,972	5,256
Transient Occupancy Tax	6,793	7,163
Intergovernmental, unrestricted	172	156
Investment Income	9,126	26,988
Miscellaneous	17,179	10,322
Total General Revenues	\$249,593	\$278,017
Total Program and General Revenues	\$902,792	\$928,034
Program Expenses	2018	2019
General Government	\$45,360	\$51,139
Public Safety	216,772	201,942
Highways and Streets	42,544	43,770
Culture and Recreation	38,362	31,200
Interest on Long-Term Debt	12,414	10,045
Electric	333,061	347,804
Water	68,281	70,912
Sewer	54,136	70,137
Civic Entertainment	19,995	24,151
Refuse	22,082	24,205
Other Business-Type Activities	13,147	11,616
Total Program Expenses	\$866,154	\$886,921
INCREASE IN NET POSITION	\$36,638	\$41,113
Net Position	2018	2019
Net Position, Beginning	\$1,886,646	\$1,921,666
Less prior period adjustment for new accounting standard*	(1,618)	-
Add increase in net position	36,638	41,113
Net Postion, Ending	\$1,921,666	\$1,962,779

* The Government Accounting Standards Board (GASB) added a new standard for reporting Other Postemployment Benefits (OPEB). A prior period adjustment was made to reflect the new standard applied to previous fiscal year.

CITY VISION, ACTIVITIES AND SPENDING

The City of Riverside is committed to providing high quality municipal services to ensure a safe, inclusive, and livable community. "Seizing Our Destiny" is Riverside's vision for the future.

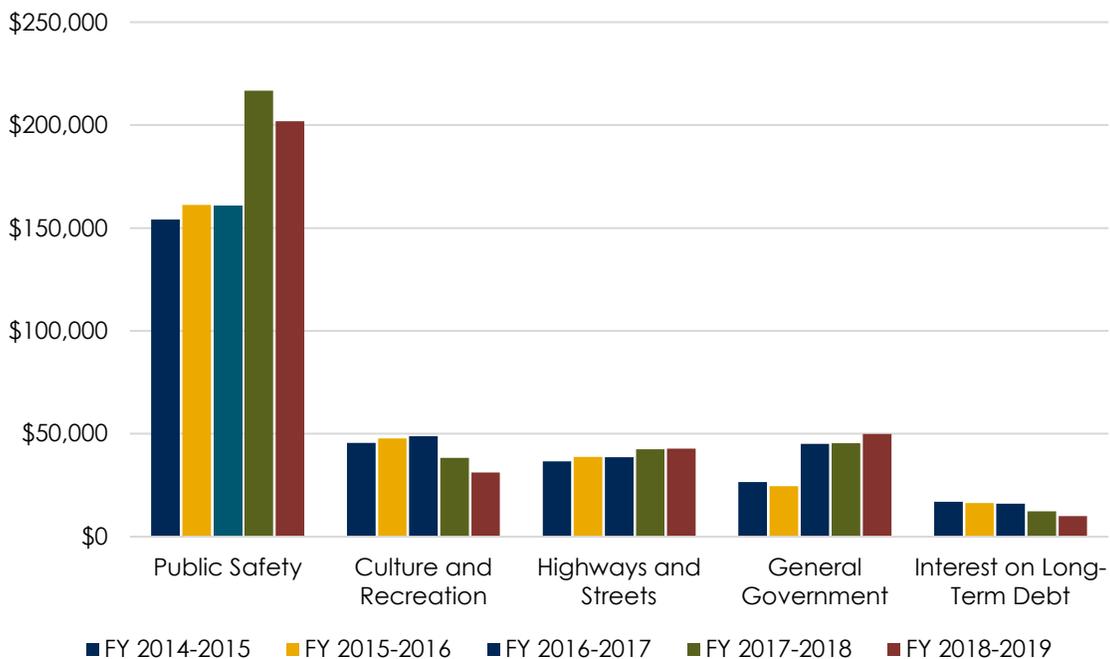
The City provides a full range of services which include general government, public safety, highway and street maintenance, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation.



SPENDING: GOVERNMENTAL ACTIVITIES

The City's governmental activities include general government, public safety, highways and streets, and culture and recreation. These activities are principally supported by general revenues including taxes and investment income. The table below reflects a five-year history of spending for these activities.

FIVE-YEAR SPENDING HISTORY – GOVERNMENTAL ACTIVITIES
(In thousands of dollars)



Public Safety expenditures reflect the costs associated with providing police and fire services to residents and visitors.

Culture and Recreation expenditures enrich the quality of life in Riverside through recreational and cultural activities as well as support the educational and informational needs of the community.

Highways and Streets expenditures are related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

General Government expenditures are for the administration offices, including City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, General Services, and Innovation Technology.

Interest on Long-Term Debt expenditures are for the interest expense associated with debt financing.

GOVERNMENTAL ACTIVITY: FINANCIAL HIGHLIGHTS

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 recorded in another fund. Fund balance highlights are below.

FUND BALANCE OVERVIEW – GENERAL FUND

Excludes Measure Z Activity
(In thousands of dollars)



FY 2018-2019 Fund Balance

\$78,668



Non-Spendable
(e.g. Deposits & Inventory)
\$949



Committed (Fund use determined by formal Council or Board Approval)
\$60,916*



Unassigned
(Available for Use)
\$3,666



Restricted (Fund use restricted for a specific purpose)
\$3,411



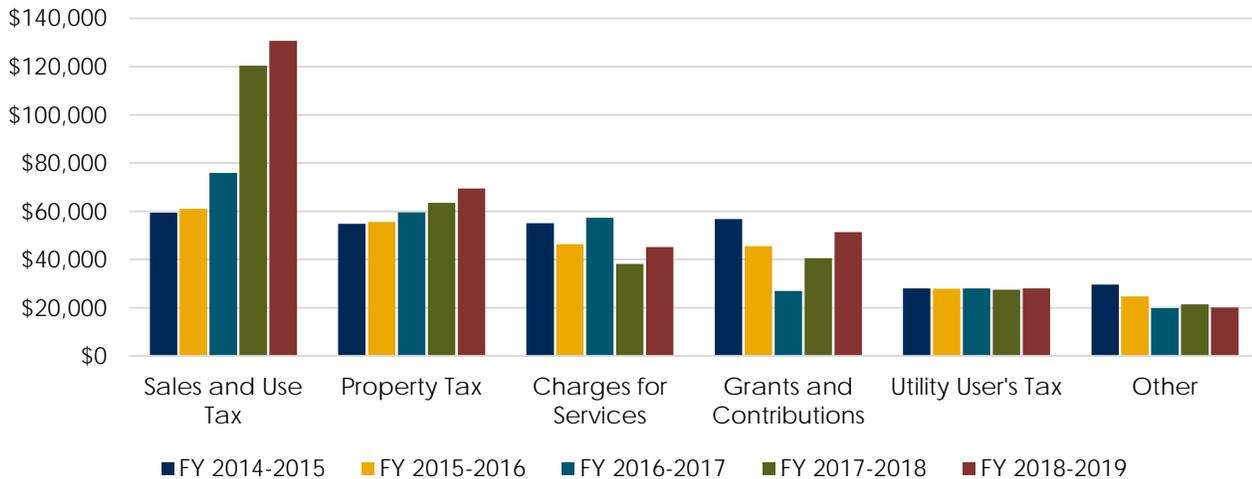
Assigned (Fund use intended for a specific purpose)
\$9,726

* 20% Reserve (\$56,000) and set aside for unfunded accrued liability (\$4,916)

Functions of the City can be separated into two categories, those that are principally supported by taxes and intergovernmental revenues (governmental activities) and those that are intended to recover all or a significant portion of its costs through user fees and charges (business-type activities).

FIVE-YEAR REVENUE HISTORY – GOVERNMENTAL ACTIVITIES

(In thousands of dollars)



Sales and Use Tax – consumable tax placed on retail sales, leases or rentals of most goods, and any taxable services as mandated.

Property Tax – legally enforceable liens on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10.

Charges for Services – revenue from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the service.

Grants and Contributions (operating and capital) – revenue arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Utility User's Tax - 6.5% usage tax on telephone, electricity, gas, water, and cable. The tax is collected by the utility company as part of its regular billing procedure and then remitted to the City.

Other - includes transit occupancy tax, franchise fees and investment income.

MEASURE Z REVENUE AND SPENDING

In May 2017, the City began receiving revenue for the Measure Z additional one-cent transaction and use tax authorized by voters during the November 2016 election. In Fiscal Year 2018-2019, the City received more than \$62.3 million in Measure Z revenue. Unspent revenue will be used for approved purposes in future fiscal years.

Public Safety \$14.8 Million

*Police/Fire Personnel,
Aircraft & Vehicles*



Financial Discipline/ Responsibility \$4.2 Million

*General Fund Reserves,
Pension Bond Obligation
Debt Payoff*



Quality of Life \$3.7 Million

*Streets, Tree Trimming, Ward
Action Team*



Technology \$0.4 Million

*City Technology
Needs*



**FISCAL YEAR 2018-2019
SPENDING
\$43.6 MILLION**



Facility Capital Needs \$7.1 Million

*Main Library Construction, Eastside
Library, Annual Deferred Maintance*



Critical Operating Needs \$13.4 Million

*Homeless Services, Opearations, Funding Gap,
General Plan Update*

To review the most current Measure Z information, please visit: riversideca.gov/transparency/budget-finance/

BUSINESS-TYPE ACTIVITIES: FINANCIAL HIGHLIGHTS

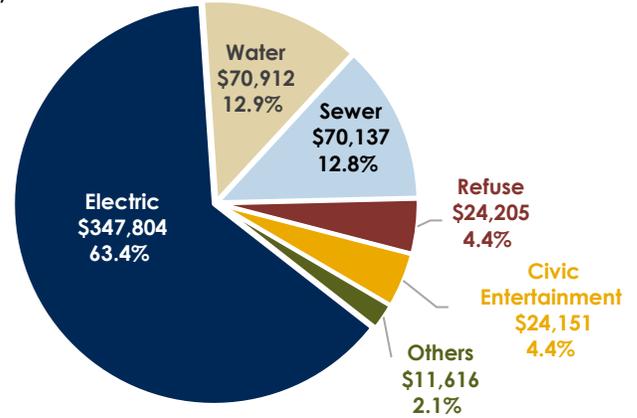
EXPENSES: BUSINESS-TYPE ACTIVITIES

The business-type activities of the City include Electric, Water, Sewer, Refuse, Civic Entertainment, and others (Public Parking, Airport and Transportation services).

2019 SPENDING – BUSINESS-TYPE ACTIVITIES

(In thousands of dollars)

Electric is the largest business-type function in the City with \$347.8 million in spending during Fiscal Year 2018-2019. Water and Sewer business activities have the next largest level of spending with more than \$141 million during the fiscal year (\$71 and \$70 million, respectively).



The Electric Fund accounts for the activities of the City's electric distribution operations. To give an overview of the overall financial health of the fund, a five-year history of the fund balance is below. The total includes non-spendable assets and funds that are restricted for specific purposes. Fund balance does not reflect funds available for new electric distribution operations spending.



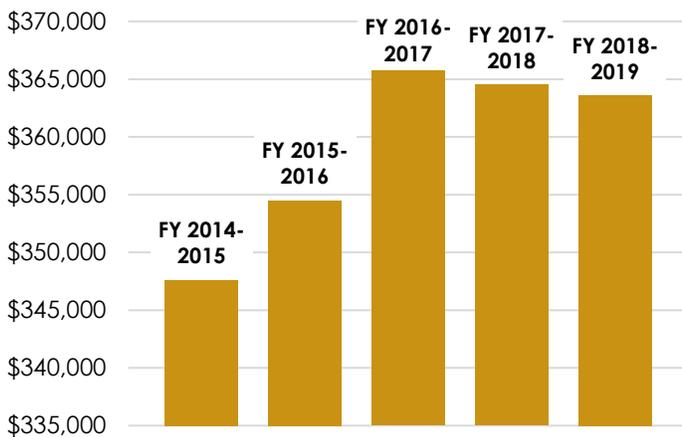
FUND BALANCE – ELECTRIC FUND

(In thousands of dollars)



CHARGES FOR SERVICES - ELECTRIC

(In thousands of dollars)



*kWh = kilowatt hours



7,375 Average usage (kWh*) per residential customer

\$16.11 average price (\$/kWh*) per residential customer



110,480 Active Electric Meters - includes Residential, Commercial, and Industrial

2,150 millions of Kilowatt-hours (kWh*) sales



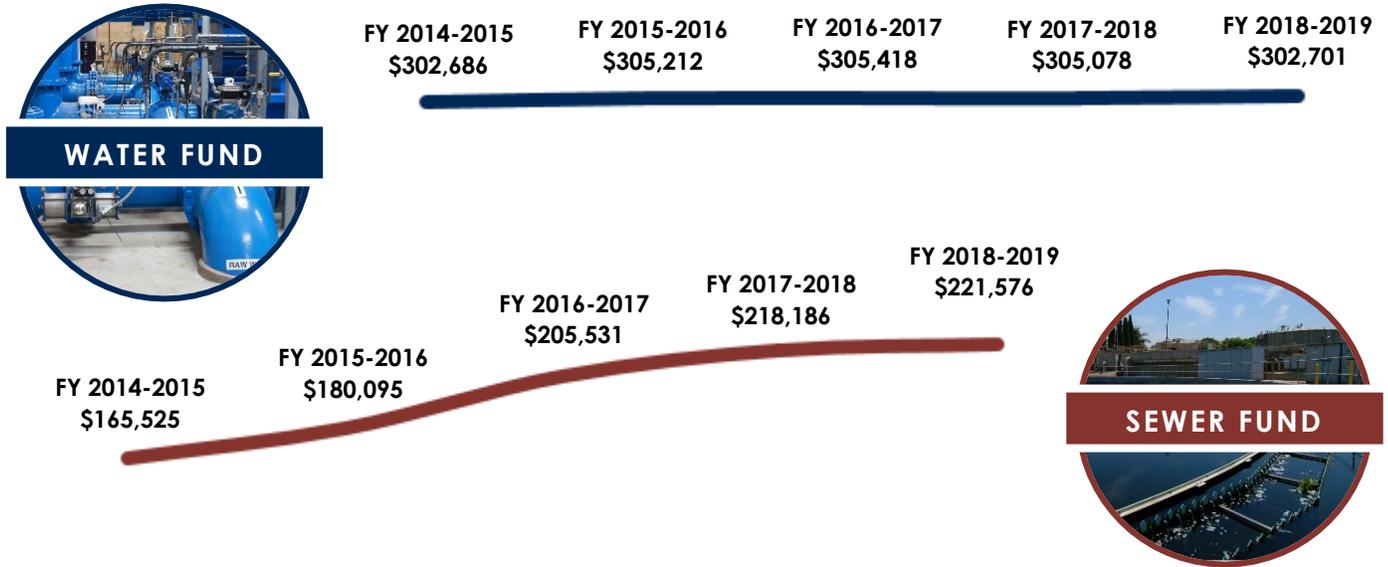
475 employee positions approved to provide Electric – related services

BUSINESS-TYPE ACTIVITIES: FINANCIAL HIGHLIGHTS (CONTINUED)

The Water Fund accounts for the activities of the City's water distribution operations and the Sewer Fund accounts for the activities of the City's sewer systems. To give an overview of the overall financial health of the fund, a five-year history of the fund balance is below. The total includes non-spendable assets and funds that are restricted for specific purposes. Fund balance does not reflect funds available for new water and sewer operations spending.

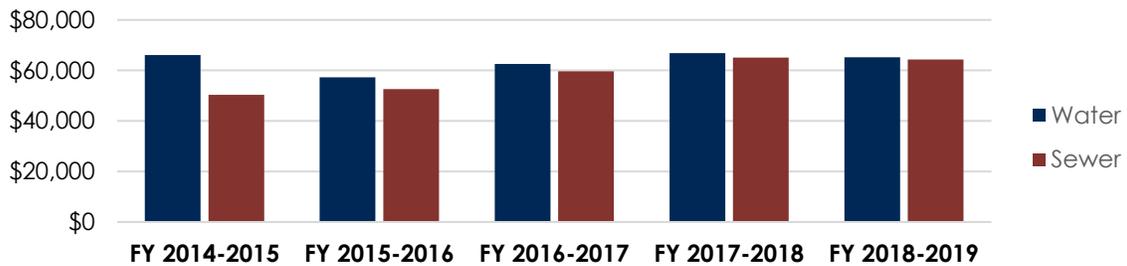
FUND BALANCE – WATER AND SEWER FUNDS

(In thousands of dollars)



CHARGES FOR SERVICES - WATER AND SEWER

(In thousands of dollars)



178,024 gallons average per residential customer

\$2.50 average price (\$/CCF*) per residential customer



19.3 billion gallons in water sales



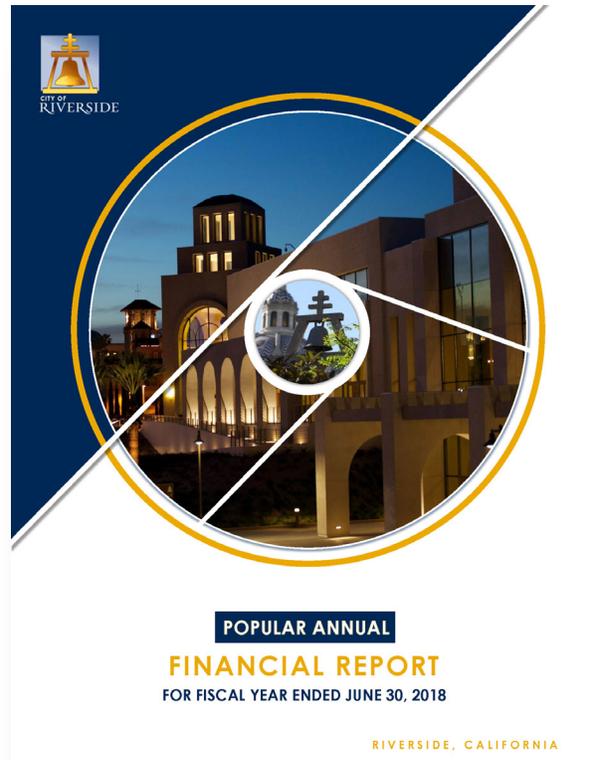
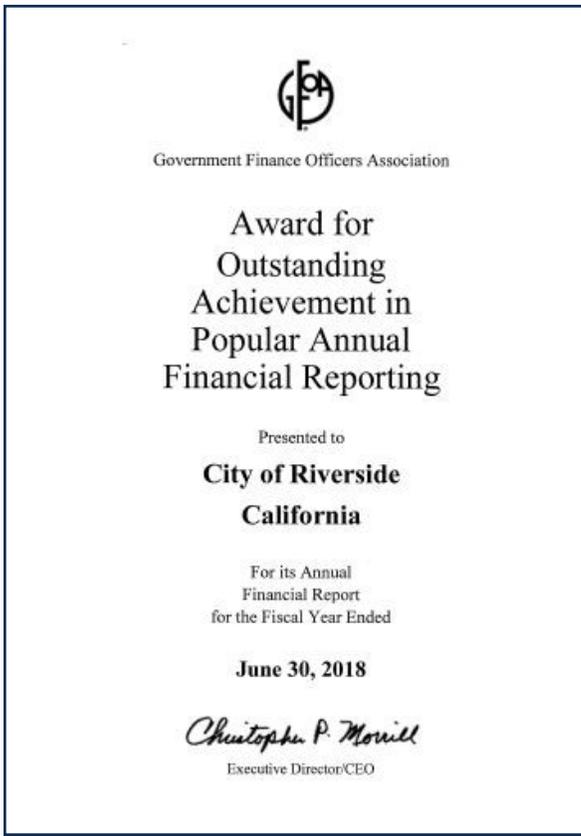
17,540 New Connections



26.86 Average Daily Sewage Treatment (millions of gallons)

*CCF = Centum Cubic Feet = 748 gallons

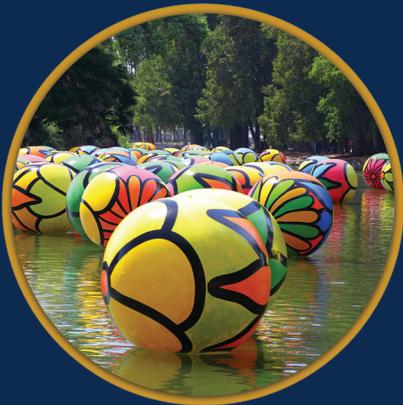
GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) PAFR AWARD



Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Report to the City of Riverside for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. The Award for Outstanding achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Riverside received its second Popular Award for the fiscal year ended June 30, 2018. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA to determine its eligibility for another award.



City of Riverside, City Hall
3900 Main Street
Riverside, CA 92522

ExploreRiverside.com
City of Arts & Innovation