

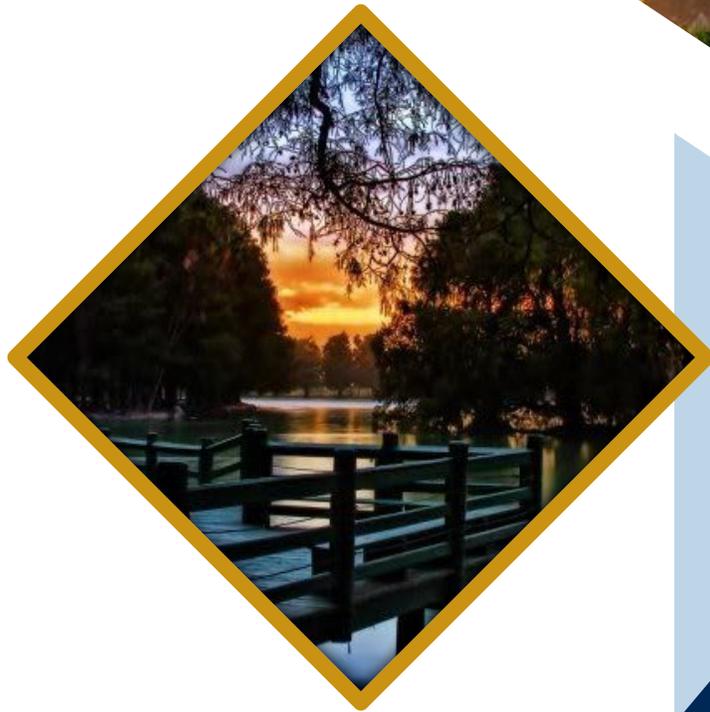


CITY OF
RIVERSIDE

POPULAR ANNUAL

FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2020



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, 2020. 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 economic outlook 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/City 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 mile 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 328,155 which places it as the 12th largest in California.



12th
largest city in
California

58th

largest
incorporated
city in **the United States**
by population



CITY DEMOGRAPHICS AND KEY STATISTICS

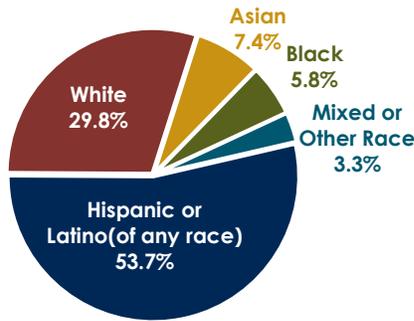
CITY DEMOGRAPHICS



\$490,000

Median Sale Price in Riverside

Source: California Association of Realtors
November 2020



Average Household Size: 3.43*

Unemployment Rate: 14.8%

Source: June 2020 Labor Force Data
California Employment Development Department – County of Riverside data



41.8% of the Population 25 years & over have a college degree*
(Associates, Bachelor's, Graduate/Professional)



Median Age: 31.6*

2019 Estimated Population

328,155

Source: California Department of Finance



Average Household Income: \$85,486*

* Source: United States Census Bureau, 2019 American Community Survey 5-Year Estimates

CITY KEY STATISTICS



Police



3 Police Stations &
4 Police Substations



571 Police Personnel
(Sworn & Non-Sworn)



Fire



14 Fire Stations
1 Training Facility



248 Fire Personnel



37,999 Calls Answered



Culture & Recreation



8 Library Branches



2,988 Acres of Parks



11 Community Centers



46 Playgrounds &
44 Softball/Baseball Diamonds



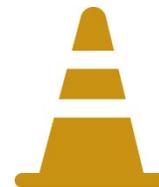
Public Works



30,489 Streetlights



872.35 Streets (miles)



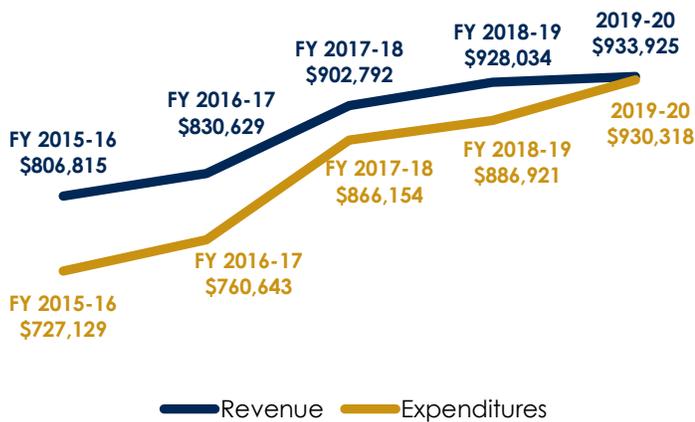
18.8 Street Resurfacing (miles)

WHAT'S NEW: FINANCIAL HIGHLIGHTS

Overall, revenue and expenditures have been trending upward. For the year ended June 30, 2020, revenue exceeded expenditures by more than \$3.6 million. This had a positive impact on the City's overall financial position. While overall revenue increased slightly, the 4.9% increase in expense was primarily attributed to pension costs.

FIVE-YEAR REVENUES VS EXPENDITURES – CITYWIDE

In thousands of dollars



\$280.4 Million

**General Fund
2019-20 Budget
Final Budget***

\$271.4 Million

**General Fund
2020-21 Budget
Original Budget***

Long-Term Financial Planning

To promote responsible long-term financial planning, the City transitioned to a two-year budget cycle that is developed within the context of a five-year financial plan. Due to the COVID-19 pandemic, the usual two-year budget was replaced with a single year emergency budget for Fiscal Year 2020-21.

In June 2020, the emergency budget was approved by City Council. The City will return to a two-year budget cycle in Fiscal Year 2021-22.

*excludes Measure Z spending



2,532.27 Full-Time Equivalent City Employees providing services to the community



1 Riverside 2025 Strategic Plan updated and approved by City Council



1 General Fund Reserve aspiration goal of 20% of expenditures reaffirmed by City Council and met (\$54.3 million).



1 Priority Based Budgeting Strategy implementation process initiated.

\$432 million in Pension Obligations Bonds (POB) issued to help mitigate rising pension costs.

THE COVID-19 PANDEMIC



The last quarter of the fiscal year was dramatically impacted by the COVID-19 shutdown and shelter-in-place directive issued by Governor Newsom on March 4, 2020.

On March 13, 2020, the City of Riverside declared a local emergency and non-essential facilities were closed to the public. The intensity of focused efforts to "bend the curve" of COVID-19 have placed stress on the fiscal health of California cities, including the City of Riverside.

While the state provided some relief through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the City continues to seek and secure additional Federal and State grants to assist with the cost of complying with the stay-at-home orders from the State and local officials.

THE CITY'S FINANCIAL POSITION

The Statement of Net Position financial statement presents information about 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, 2020, the City's net position improved by over \$3.6 million.

STATEMENT OF NET POSITION – ALL FUNDS

In thousands of dollars

City Assets – What We Own	2019	2020
Current Assets consisting mainly of cash and amounts owed to the City	\$1,163,898	\$1,171,736
Net Capital Assets consisting primarily of buildings, equipment, and vehicles	3,230,624	3,221,726
TOTAL CITY ASSETS	\$4,394,522	\$4,393,462
Deferred Outflows of Resources, positive effect on Net Position	191,725	627,142
Total City Assets and Deferred Outflows	\$4,586,247	\$5,020,604
City Liabilities – What We Owe	2019	2020
Current Liabilities consisting of all amounts the City owes, except for debt	\$243,907	\$220,927
Non-Current Liabilities consisting of long-term debt owed, including pension obligations	2,301,346	2,776,535
TOTAL CITY LIABILITIES	\$2,545,253	\$2,997,462
Deferred Inflows of Resources, negative effect on Net Position	78,215	56,756
Total City Liabilities and Deferred Inflows	\$2,623,468	\$3,054,218
CITY NET FINANCIAL POSITION	\$1,962,779	\$1,966,386



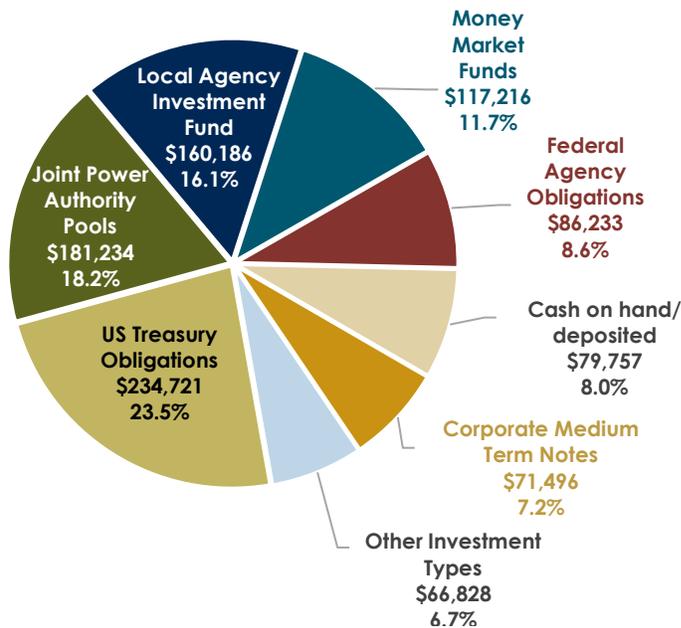
THE CITY'S ASSETS AND INVESTMENTS

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, 2020.

INVESTMENT TYPE • \$997,671

In thousands of dollars



2.168 %
June 2019

1.20 %
June 2020

Average Yield to Maturity

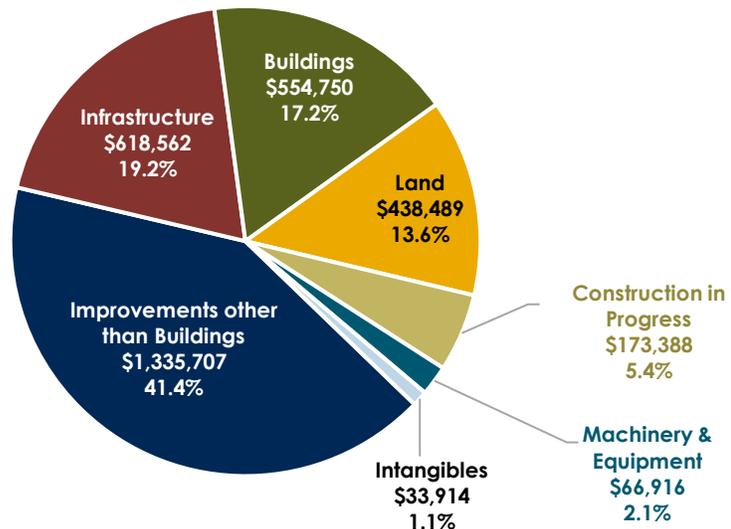
Yield to maturity is the total return of investment anticipated on a bond if the bond is held until it matures. This figure is expressed as an annual rate. Based on information prepared by the City's investment consultant Trust Advisors at year-end, the City's average yield to maturity decreased significantly when compared to the previous year. The decrease reflects the impact of COVID-19 on investments.

CAPITAL ASSETS, NET OF DEPRECIATION

\$3,221,726

(In thousands of dollars)

Major capital improvements included projects for road (\$12 million), sewer mains (\$20 million), water utility (16.5 million), and electric utility capital improvements (\$40.3 million).



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, 2020, the City had outstanding long-term debt totaling \$1.9 billion. A five-year history of the long-term debt for governmental and business-type activities is below. The \$378.4 million increase over the previous fiscal year was due to \$432 million in Pension Obligation Bonds (POB) issued to help mitigate rising pension costs.

Long-Term Bond Debt Outstanding*

In thousands of dollars

FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019	FY 2019-2020
\$1,543,245	\$1,478,820	\$1,416,505	\$1,533,336	\$1,911,768

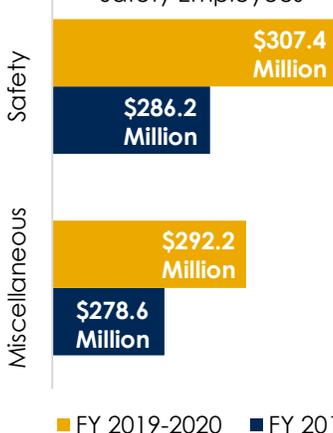
*Excludes debt issued by the City that is not a financial obligation of the City such as the former Redevelopment Agency debt.

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

Water, Electric, and Sewer Revenue Bonds \$1,212.9 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 \$123.3 million	Used as a lease-purchase financing mechanism for public buildings such as the Convention Center.	
Pension Obligation Bonds \$484.3 million	Used to pay some or all the pension plan's unfunded pension liability. The City's net pension liability as of June 30, 2020 was \$599.6 million*, a portion of which is funded with Pension Obligation Bonds.	
Lease Revenue Bonds \$83.4 million	Used to finance public improvements such as City Hall and Park improvements.	
General Obligation Bonds \$7.9 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

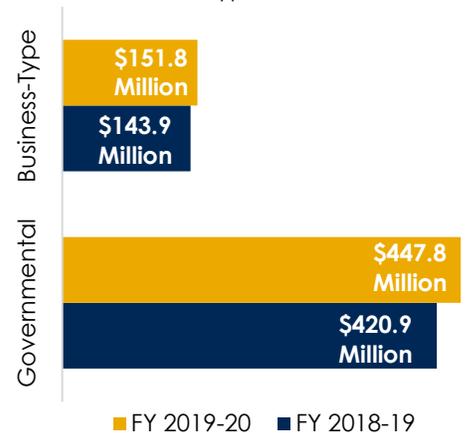


The largest impact to the City's long-term financial stability relates to the increase in pension costs from CalPERS. Over the next five years (fiscal years 2020-2021 through 2022-23), the City anticipates its annual retirement expenditures to increase by 18.1% from approximately \$87.1 million to \$102.9 million. 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 revenue 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, 2020, the City's governmental and business activities resulted in an increase of net position totaling more than \$3.6 million. The table below provides an overview of the effect of the City's functions on its net financial position.

STATEMENT OF ACTIVITIES – ALL FUNDS

In thousands of dollars

Program Revenue	2019	2020
Charges for services	\$584,901	\$585,005
Operating grants and contributions	27,059	25,252
Capital grants and contributions	38,057	33,924
Total Program Revenue	\$650,017	\$644,181
General Revenue	2019	2020
Sales Tax	\$130,645	\$128,653
Property Tax	69,478	72,609
Utility Users Tax	28,009	29,044
Franchise Tax	5,256	5,443
Transient Occupancy Tax	7,163	5,959
Intergovernmental, unrestricted	156	656
Investment Income	26,988	30,023
Miscellaneous	10,322	17,357
Total General Revenue	\$278,017	\$289,744
TOTAL PROGRAM AND GENERAL REVENUES	\$928,034	\$933,925
Program Expenses	2019	2020
General Government	\$51,139	\$63,651
Public Safety	201,942	222,061
Highways and Streets	43,770	46,983
Culture and Recreation	31,200	37,400
Interest on Long-Term Debt	10,045	13,181
Electric	347,804	350,667
Water	70,912	73,742
Sewer	70,137	62,961
Civic Entertainment	24,151	21,584
Refuse	24,205	26,549
Other Business-Type Activities	11,616	11,539
TOTAL PROGRAM EXPENSES	\$886,921	\$930,318
INCREASE IN NET POSITION	\$41,113	\$3,607
Net Position	2019	2020
Net Position, Beginning	\$1,921,666	\$1,962,779
<i>Add increase in net position</i>	<i>41,113</i>	<i>3,607</i>
NET POSITION, ENDING	\$1,962,779	\$1,966,386

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.

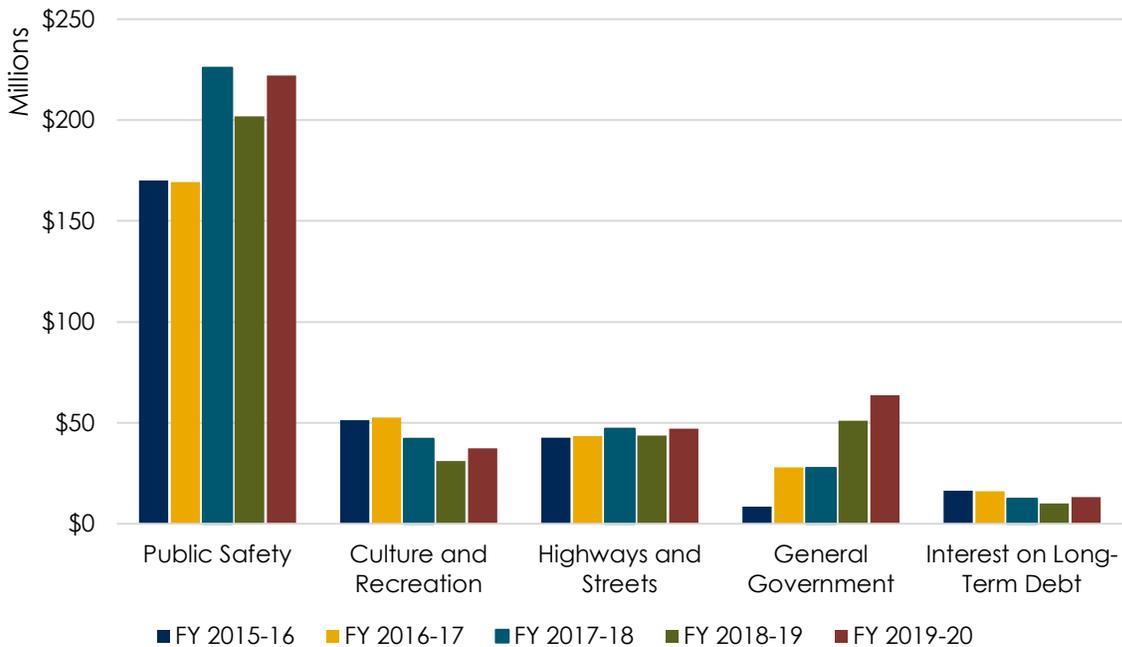


SPENDING: GOVERNMENTAL ACTIVITIES

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

FIVE-YEAR SPENDING HISTORY – GOVERNMENTAL

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 2019-20 Fund Balance

\$87,027



Non-Spendable
(e.g., Deposits & Inventory)

\$1,361



Committed (Fund use determined by formal Council or Board Approval)

\$54,280



Restricted (Fund use restricted for a specific purpose)

\$10,699



Assigned (Fund use intended for a specific purpose)

\$5,046



Unassigned
(Available for Use)

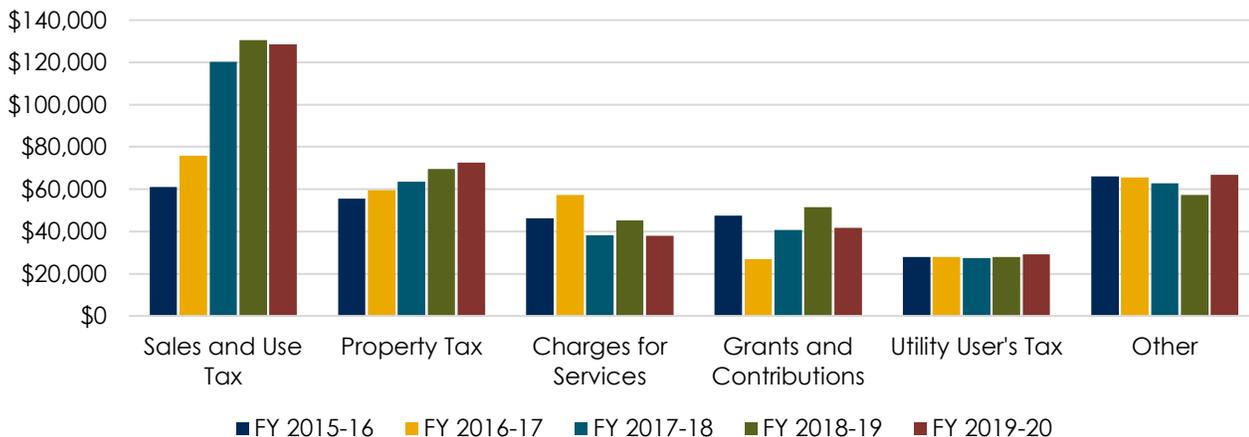
\$15,641*

* On January 19, 2021, City Council voted to internally restrict the Unassigned Fund Balance for potential future issues.

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 their costs through user fees and charges (business-type activities).

FIVE-YEAR REVENUE HISTORY – GOVERNMENTAL

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 lien 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 – revenues that arise 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) – revenues 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 consists of 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 sales and use tax authorized by voters during the November 2016 election. In Fiscal Year 2019-20, the City received more than \$62.4 in Measure Z revenue. Unspent revenue will be used for approved purposes in future fiscal years.

Public Safety
\$17.9 Million
*Police/Fire Personnel,
 Aircraft & Vehicles*



**Fiscal Discipline/
 Responsibility**
\$1.7 Million
*General Fund Reserves,
 Pension Bond Obligation
 Debt Payoff*



Quality of Life
\$4.1 Million
*Streets, Tree Trimming,
 Ward Action Team*

Technology
\$0.6 Million
*City Technology
 Needs*



**FISCAL YEAR 2019-20
 SPENDING**
\$49.6 Million



Facility Capital Needs
\$6.3 Million
*Main Library Construction, Eastside
 Library, Annual Deferred Maintenance*



Critical Operating Needs
\$19.0 Million
*Homeless Services, Operations
 Funding Gap, General Plan update*

BUSINESS-TYPE ACTIVITIES: FINANCIAL HIGHLIGHTS

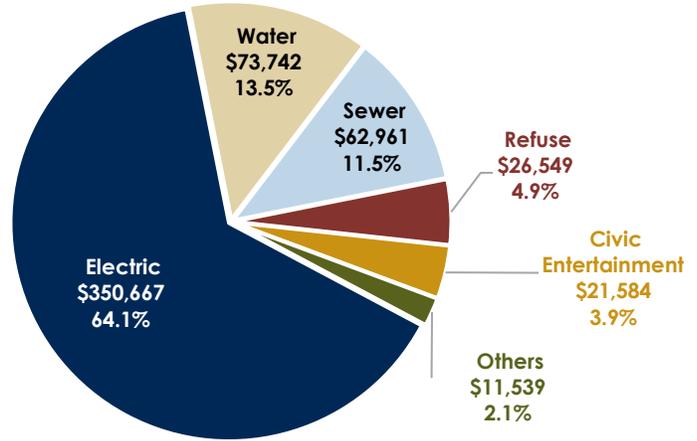
EXPENSES: BUSINESS-TYPE ACTIVITIES

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

2020 SPENDING – BUSINESS-TYPE ACTIVITIES

(In thousands of dollars)

Electric is the largest business-type function in the City with \$350.7 million in spending during Fiscal Year 2019-20. Water and Sewer business activities have the next largest level of spending with more than \$136.7 million during the fiscal year (\$73.7 and \$63 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

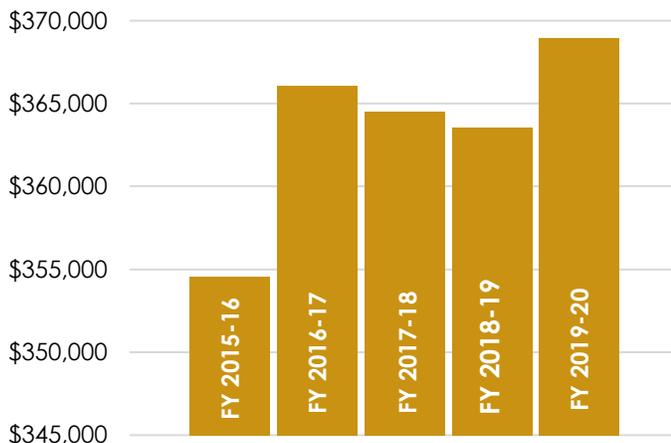
In thousands of dollars



\$16.77 average price (cents/kWh) per residential customer

CHARGES FOR SERVICE - ELECTRIC

In thousands of dollars



111,161 Active Electric Meters - includes Residential, Commercial, and Industrial



475.25 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

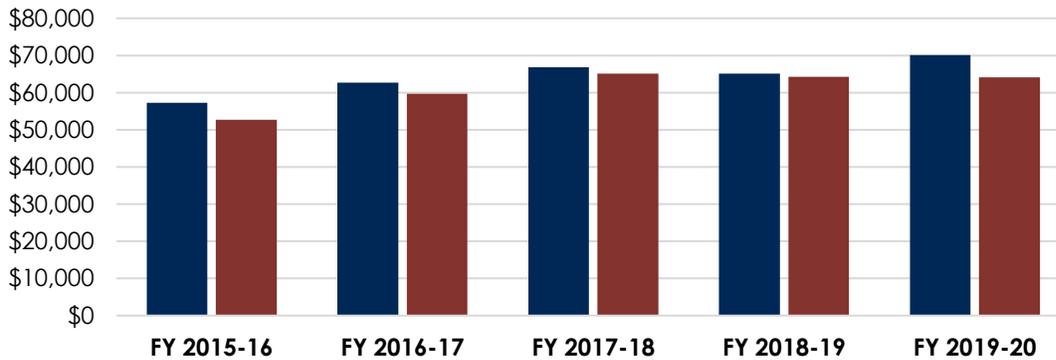
FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
\$305,212	\$305,418	\$305,078	\$302,701	\$300,635

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
\$180,095	\$205,531	\$218,186	\$221,576	\$228,532



CHARGES FOR SERVICE - WATER AND SEWER

In thousands of dollars



\$2.67 average price (\$/CCF*) per residential customer



183,260 gallons average per residential customer

*CCF = Centum Cubic Feet = 748 gallons

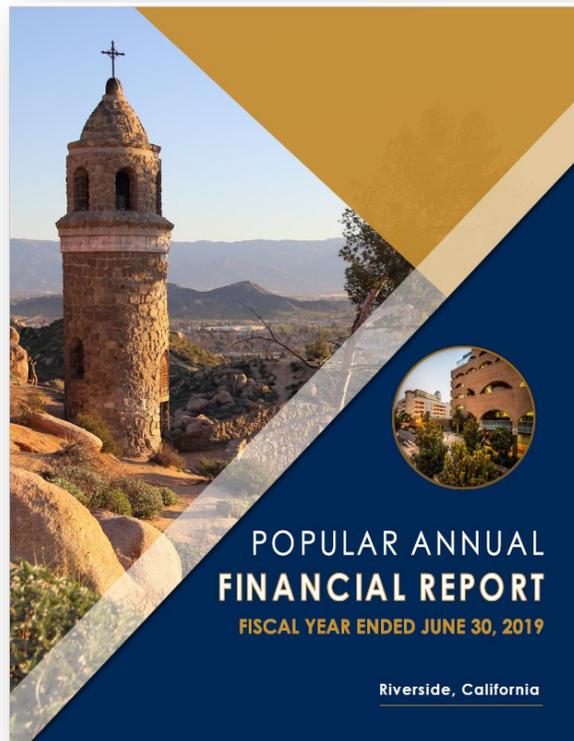
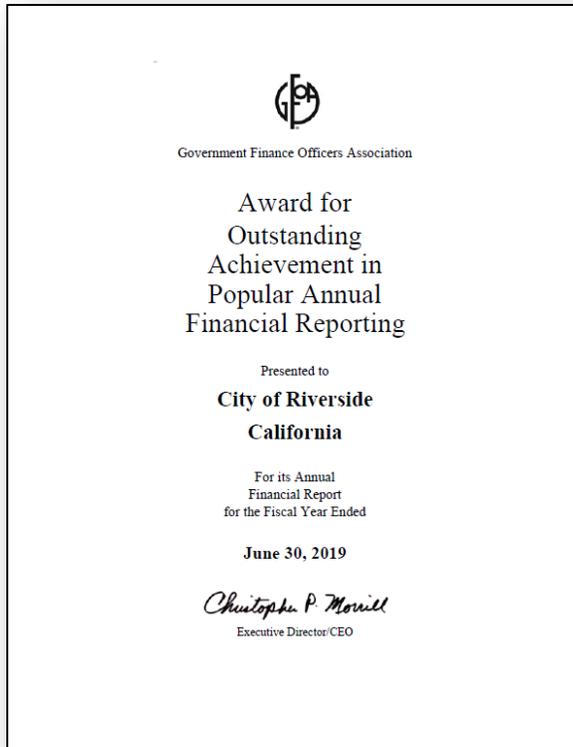


17,593 New Connections



25.22 Average Daily Sewage Treatment (millions of gallons)

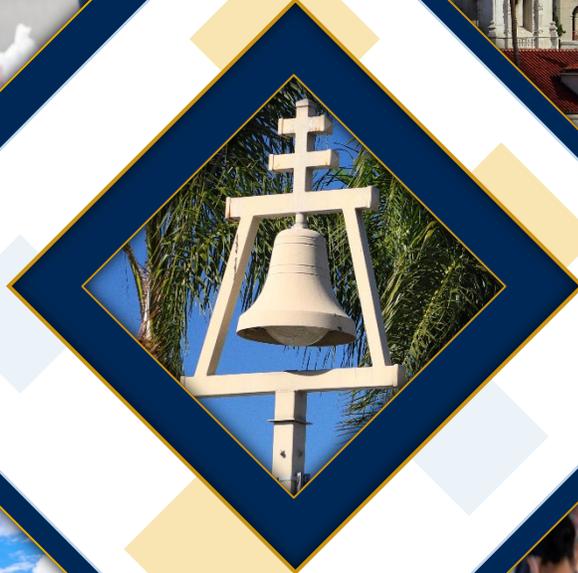
GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) PAFR AWARD



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, 2019. 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 third Popular Award for the fiscal year ended June 30, 2019. 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
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Riverside, CA 92522
ExploreRiverside.com
City of Arts & Innovation