

## 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, 2022. 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, Airport, Refuse, Transportation, Public Parking, and Civic Entertainment Funds.

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 18 - 19 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 assets, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unrestricted fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, and General Debt Service Fund which are major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 86 - 94 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2022. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 20 - 23 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, Airport, Refuse, Transportation, Public Parking and Civic Entertainment services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business-type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The five remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 96 - 104 in this report.

The basic proprietary fund financial statements can be found on pages 25 - 29 of this report.

**Fiduciary fund** 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 30 - 31 of this report.

**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 32 of this report.

**Governmental Accounting Standards Board No. 87, Lease (GASB 87)** For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to Notes 1, 5, 6, and 27.

**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.

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets:</b>						
Current and other assets	\$ 711,511	\$ 503,107	\$ 856,015	\$ 724,367	\$ 1,567,526	\$ 1,227,474
Capital and leased assets, net	1,330,850	1,337,100	1,975,600	1,976,364	3,306,450	3,313,464
<b>Total assets</b>	<b>2,042,361</b>	<b>1,840,207</b>	<b>2,831,615</b>	<b>2,700,731</b>	<b>4,873,976</b>	<b>4,540,938</b>
<b>Deferred Outflows of Resources</b>	<b>67,430</b>	<b>100,355</b>	<b>41,648</b>	<b>70,694</b>	<b>109,078</b>	<b>171,049</b>
<b>Liabilities:</b>						
Current liabilities	146,784	112,061	71,696	57,503	218,480	169,564
Long-term liabilities	664,444	854,428	1,480,313	1,610,535	2,144,757	2,464,963
<b>Total liabilities</b>	<b>811,228</b>	<b>966,489</b>	<b>1,552,009</b>	<b>1,668,038</b>	<b>2,363,237</b>	<b>2,634,527</b>
<b>Deferred Inflows of Resources</b>	<b>204,023</b>	<b>5,745</b>	<b>176,142</b>	<b>4,549</b>	<b>380,165</b>	<b>10,294</b>
<b>Net Position</b>						
Net investment in capital assets	1,176,215	1,170,232	774,469	756,116	1,950,684	1,926,348
Restricted	199,456	164,809	85,666	78,885	285,122	243,694
Nonspendable	3,582	-	-	-	3,582	-
Unrestricted/(deficit)	(284,713)	(366,713)	284,977	263,837	264	(102,876)
<b>Total net position</b>	<b>\$ 1,094,540</b>	<b>\$ 968,328</b>	<b>\$ 1,145,112</b>	<b>\$ 1,098,838</b>	<b>\$ 2,239,652</b>	<b>\$ 2,067,166</b>

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,239,652 at June 30, 2022, an increase of \$172,486 from June 30, 2021.

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

An additional portion of the City's net position 13% 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, \$(284,713) net deficit is held by the governmental activities and \$284,977 is held by the business-type activities.

Unrestricted net position in the amount of \$264, a net position increase of 100% from prior year, is the change in resources available to fund City programs to citizens and debt obligations to creditors. The positive increase in unrestricted net position is primarily the result of the reporting of the City's net pension asset, which was a liability in prior year, in accordance with an accounting standard issued by the Government Accounting Standards Board (GASB) that relates to pension activity; Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27."

Governmental activities increased the City's net position by \$126,212 to \$1,094,540 for the year ended June 30, 2022.

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, 2022 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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(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 41,072	\$ 34,106	\$ 598,474	\$ 555,267	\$ 639,546	\$ 589,373
Operating grants and contributions	50,378	64,405	5,866	3,976	56,244	68,381
Capital grants and contributions	38,508	28,284	20,527	12,273	59,035	40,557
General revenues:						
Sales taxes	173,933	150,321	-	-	173,933	150,321
Property taxes	79,790	71,986	-	-	79,790	71,986
Other taxes and fees	47,183	41,905	-	-	47,183	41,905
Intergovernmental, unrestricted	661	499	-	-	661	499
Investment income	(7,613)	4,969	(13,324)	681	(20,937)	5,650
Miscellaneous	3,880	5,988	12,639	11,986	16,519	17,974
<b>Total revenues</b>	<b>427,792</b>	<b>402,463</b>	<b>624,182</b>	<b>584,183</b>	<b>1,051,974</b>	<b>986,646</b>
<b>Expenses:</b>						
General government	66,937	97,927	-	-	66,937	97,927
Public safety	169,742	219,136	-	-	169,742	219,136
Highways and streets	41,125	42,034	-	-	41,125	42,034
Cultural and recreation	38,885	37,693	-	-	38,885	37,693
Interest on long-term debt and fiscal charges	19,806	19,083	-	-	19,806	19,083
Electric	-	-	349,004	366,165	349,004	366,165
Water	-	-	69,303	71,738	69,303	71,738
Sewer	-	-	59,060	61,029	59,060	61,029
Airport	-	-	1,944	2,326	1,944	2,326
Refuse	-	-	28,449	28,428	28,449	28,428
Transportation	-	-	3,758	4,623	3,758	4,623
Public Parking	-	-	4,566	4,684	4,566	4,684
Civic Entertainment	-	-	21,804	11,885	21,804	11,885
<b>Total expenses</b>	<b>336,495</b>	<b>415,873</b>	<b>537,888</b>	<b>550,878</b>	<b>874,383</b>	<b>966,751</b>
Increase (decrease) in net position	91,297	(13,410)	86,294	33,305	177,591	19,895
Extraordinary items	-	-	(5,748)	-	(5,748)	-
Transfers, net	34,915	34,879	(34,915)	(34,278)	-	601
<b>Changes in net position</b>	<b>126,212</b>	<b>21,469</b>	<b>45,631</b>	<b>(973)</b>	<b>171,843</b>	<b>20,496</b>
<b>Net Position:</b>						
Beginning of year, as previously stated	968,328	866,575	1,098,838	1,099,811	2,067,166	1,966,386
Prior period adjustment	-	80,284	643	-	643	80,284
Beginning of year, as restated	968,328	946,859	1,099,481	1,099,811	2,067,809	2,046,670
<b>End of year</b>	<b>\$ 1,094,540</b>	<b>\$ 968,328</b>	<b>\$ 1,145,112</b>	<b>\$ 1,098,838</b>	<b>\$ 2,239,652</b>	<b>\$ 2,067,166</b>

**Governmental Activities** - Total change in net position for governmental activities increased by \$104.7 million while prior fiscal year increased by \$21.5 million. Key elements of this year's activity in relation to the prior year are as follows:

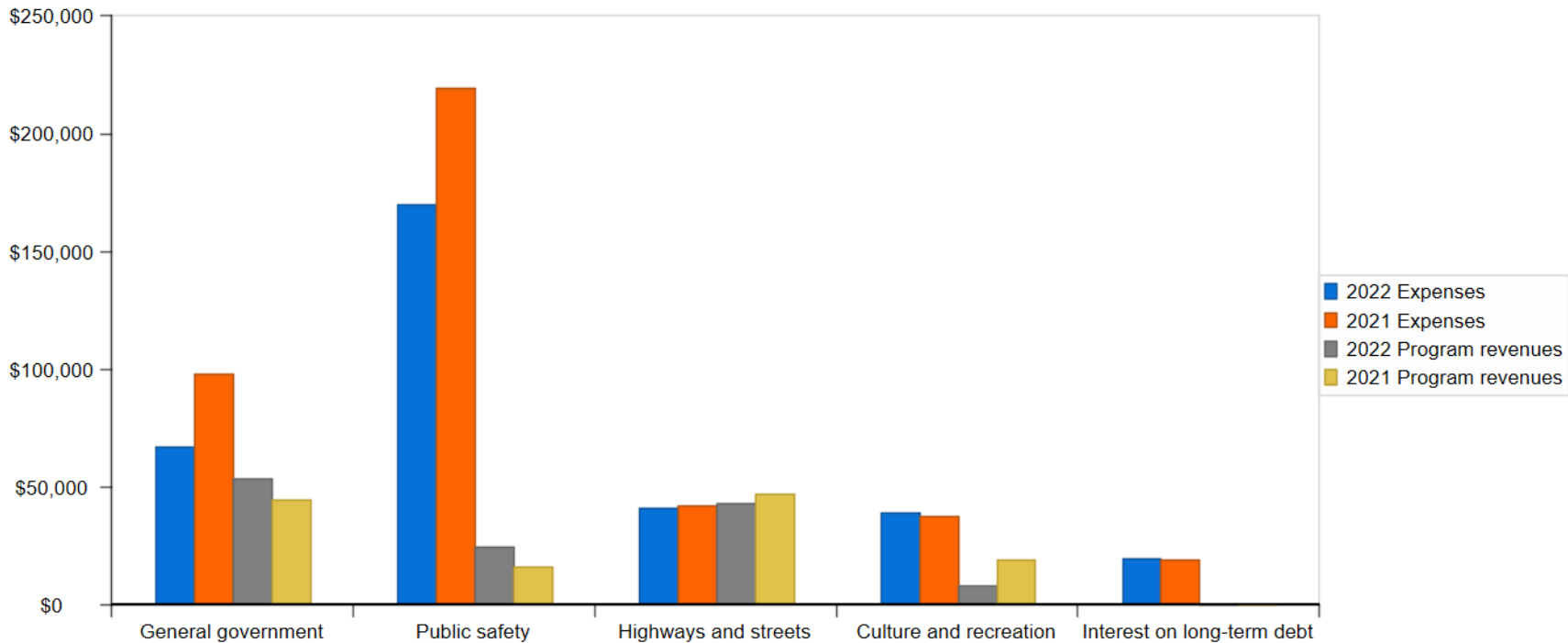
**Revenues:**

- While variances between years exist for the various revenue categories, the total net increase was approximately \$25.3 million or 6%. Precipitated by an infusion of federal stimulus funding and inflationary factors and is largely attributable to the increase to sales taxes of \$23.6 million which was primarily from increased sales price of fuel and service stations; autos and transportation; general consumer goods; building and construction; and restaurants and hotels. The increase of property taxes of \$7,804 was mainly due to increased property values and sales. Program revenue groupings were updated in fiscal year 2022 and are the primary reason for the \$14,027 decrease in operating grants and contributions and the \$10,224 increase in capital grants and contributions.

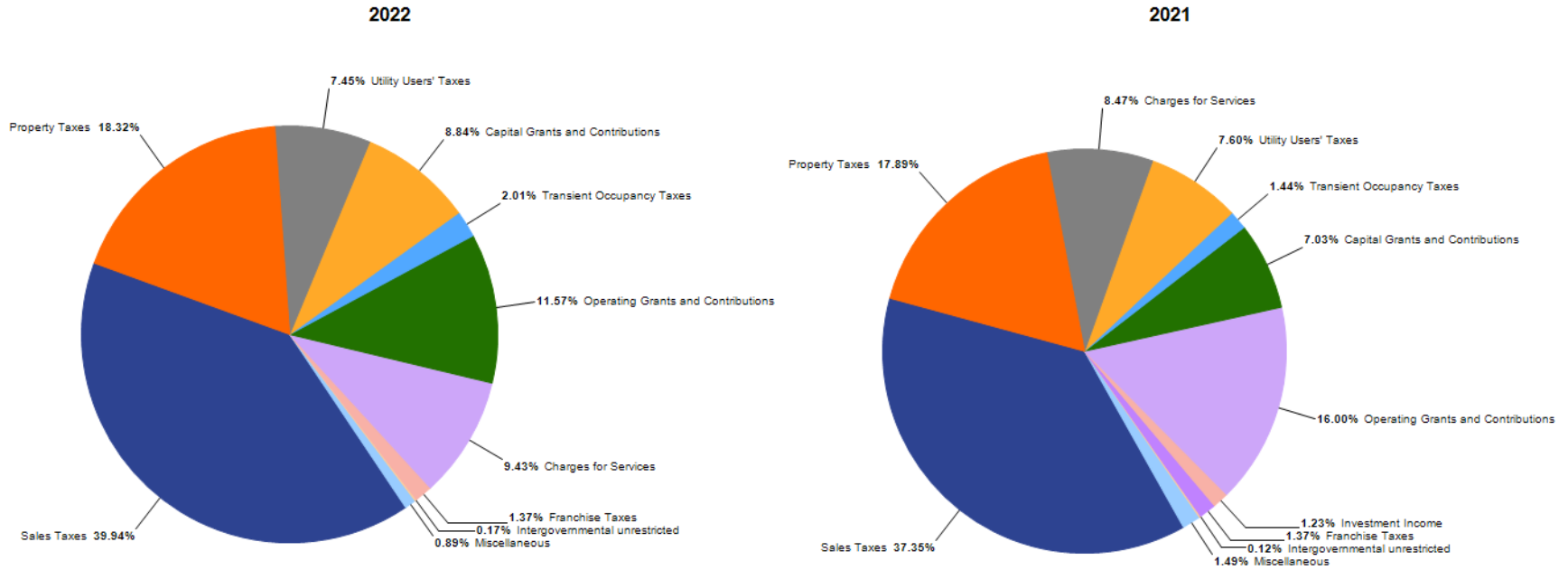
**Expenses:**

- While variances between years exist for the various expense functions, the total net decrease was approximately \$79.4 million or 19%. This is primarily related to one time expenditures in fiscal year 2021 for the Parada II Litigation settlement of \$24 million and various grant expenditures for the CARES grant, which were nonrecurring in fiscal year 2022, as well as a decrease to personnel related costs of \$48 million resulting from the elimination of the prior year net pension liability and generation of a net pension asset in fiscal year 2022.

**Program Revenues and Expenses - Governmental Activities - Fiscal Year Comparison 2022 vs. 2021**



## Revenues by Source - Governmental Activities - Fiscal Year Comparison 2022 vs. 2021



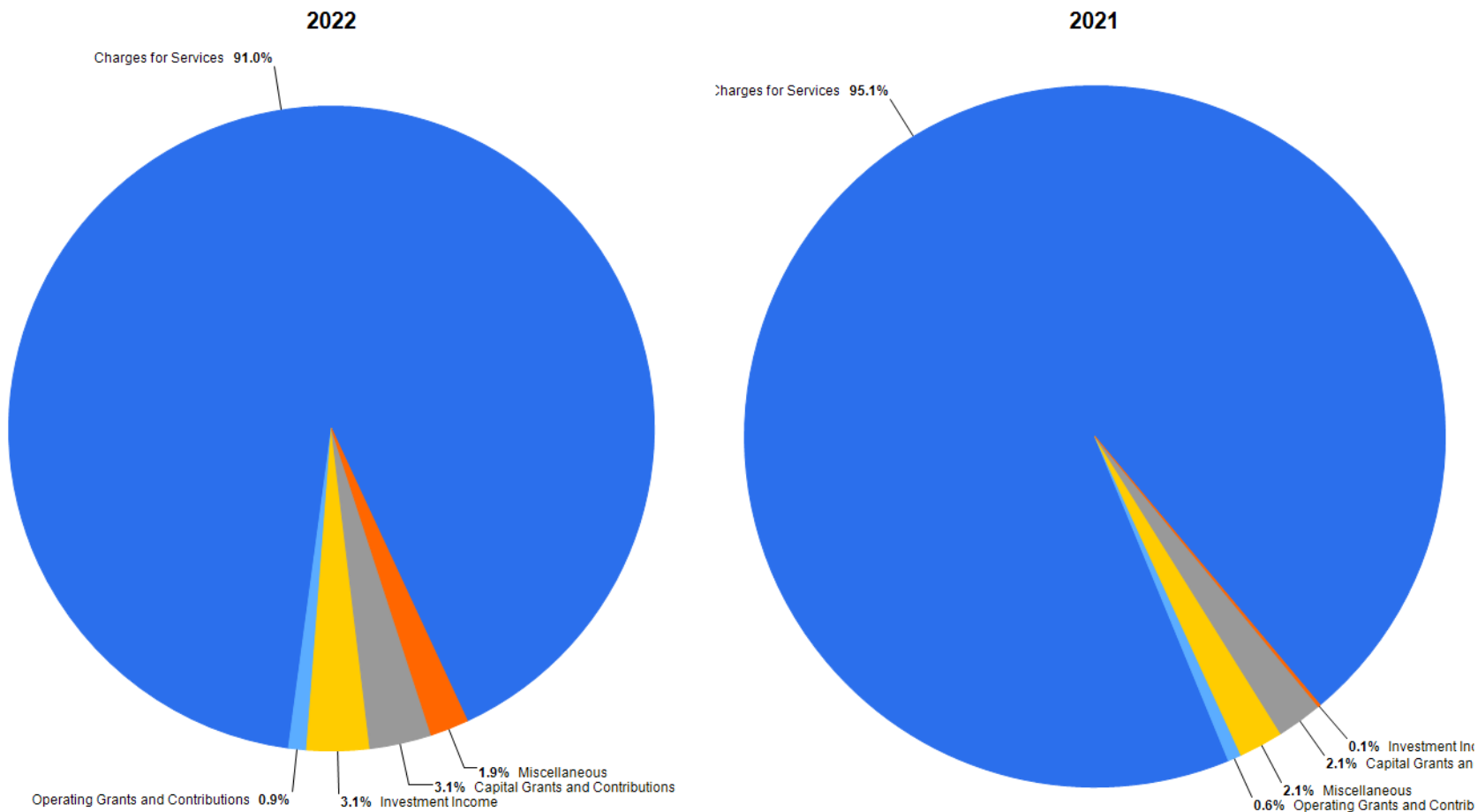
\* Zero Data, Investment Income

**Business-Type Activities** - Total net position for business-type activities increased by \$46.3 million while prior fiscal year decreased by \$973. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services slightly increased from prior year resulting in an increase of \$43.2 million or 8%. Electric Fund charges for services increased by \$21.8 million primarily due to the rate plan increases and decreased uncollectibles. The Civic Entertainment Fund charges for services increased by \$10.5 million due to the reopening of various entertainment venues caused by the COVID-19 pandemic.

- Overall expenses decreased by \$13.0 million or 2.4%. The Electric Fund, Water Fund and Sewer Fund had decreased operating expenses of \$16.3 million, \$2.2 million and 1.3 million, respectively, primarily due to reduction in personnel related costs resulting from the elimination of the prior year net pension liability and generation of a net pension asset in fiscal year 2022.

**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 Fund, Capital Outlay Fund, and Non-Major Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

(in thousands)

	General Fund		Capital Outlay Fund		General Debt Service Fund		Non-Major Governmental Funds		Total Governmental Funds	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Assets</b>	<b>\$ 280,565</b>	<b>\$ 201,980</b>	<b>\$ 57,636</b>	<b>\$ 54,804</b>	<b>\$ 13,231</b>	<b>\$ 13,165</b>	<b>\$ 201,206</b>	<b>\$ 169,940</b>	<b>\$ 552,638</b>	<b>\$ 439,889</b>
<b>Liabilities</b>	<b>\$ 42,541</b>	<b>\$ 38,774</b>	<b>\$ 4,612</b>	<b>\$ 3,674</b>	<b>\$ 1,552</b>	<b>\$ 1,873</b>	<b>\$ 96,882</b>	<b>\$ 67,553</b>	<b>\$ 145,587</b>	<b>\$ 111,874</b>
<b>Deferred inflows of resources</b>	<b>10,806</b>	<b>3,559</b>	<b>520</b>	<b>772</b>	<b>-</b>	<b>-</b>	<b>49,832</b>	<b>47,556</b>	<b>61,158</b>	<b>51,887</b>
<b>Fund Balances</b>										
Nonspendable	2,087	1,870	-	-	-	-	1,495	1,477	3,582	3,347
Restricted	30,715	10,697	52,504	50,358	11,679	11,292	54,212	53,354	149,110	125,701
Committed	82,801	62,400	-	-	-	-	-	-	82,801	62,400
Assigned	41,707	24,890	-	-	-	-	-	-	41,707	24,890
Unassigned	69,908	59,790	-	-	-	-	(1,215)	-	68,693	59,790
<b>Total fund balances</b>	<b>227,218</b>	<b>159,647</b>	<b>52,504</b>	<b>50,358</b>	<b>11,679</b>	<b>11,292</b>	<b>54,492</b>	<b>54,831</b>	<b>345,893</b>	<b>276,128</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 280,565</b>	<b>\$ 201,980</b>	<b>\$ 57,636</b>	<b>\$ 54,804</b>	<b>\$ 13,231</b>	<b>\$ 13,165</b>	<b>\$ 201,206</b>	<b>\$ 169,940</b>	<b>\$ 552,638</b>	<b>\$ 439,889</b>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$345,893 an increase of \$69,765 compared to the prior year. Additionally, 1% of the fund balance \$3,582 is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$149,110 or 43% of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. Committed fund balance of \$82,801 or 24% of the fund balance was set aside for economic contingencies. Committed for economic contingencies consists of 20% of the 2022-23 General Fund adopted expenditure budget of \$306 million or \$61,000, \$5,000 for General Fund – Measure Z, \$10,801 for future capital projects, and \$6,000 for balancing measures. \$41,707 or 12% 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 \$68,693 or 20% is *unassigned*, meaning it is available for spending at the City's discretion. The City's governmental funds reported combined total assets of \$552,638 at June 30, 2022, an increase of \$112,749 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$206,745, an increase of \$42,984 from prior year.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$227,218, in comparison to \$159,647 in the prior year. The increased in fund balance is primarily due to increased sales and use tax as well as the decrease in grant expenditures. The Capital Outlay Fund is used to account for the acquisition or construction of major capital facilities. The total fund balance was \$52,504, compared to \$50,358 in prior year. The increased was due to decreased capital projects. The General Debt Service Fund accounts for the accumulation of resources and payment of long-term debt principal and interest. The total fund balance was \$11,679, compared to \$11,292 in prior year. The Non-Major Governmental Funds fund balance was \$54,492, compared to \$54,831 in prior year.

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

Unrestricted net position of the Electric, Water and Sewer Funds at the end of the year amounted to \$194,443, \$17,675, and \$74,034, respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was \$201,521, \$6,220, and \$63,285, respectively. The decrease in unrestricted net position of the Electric Fund \$(7,078) was primarily attributable to a reduction of investment income due to a market value adjustment done at fiscal year end as prescribed by accounting standards. The increase in unrestricted net position of the Water Fund \$11,455 was primarily attributable to positive operating results. The increase in unrestricted net position for the Sewer Fund \$10,749 is primarily a result of increased charge for services and reduced personnel service costs.

### General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance to Final Budget Positive (Negative)
<b>Revenues</b>	<b>\$ 285,299</b>	<b>\$ 308,880</b>	<b>\$ 329,317</b>	<b>\$ 20,437</b>
<b>Expenditures:</b>				
Current:				
General government	19,669	30,867	8,197	22,670
Public safety	196,249	202,627	193,369	9,258
Highways and streets	21,854	22,763	17,935	4,828
Culture and recreation	35,270	35,043	30,882	4,161
Capital outlay	3,630	20,301	3,262	17,039
Debt service	-	-	771	(771)
<b>Total expenditures</b>	<b>276,672</b>	<b>311,601</b>	<b>254,416</b>	<b>57,185</b>
Excess/(deficiency) of revenues over/(under) expenditures	8,627	(2,721)	74,901	77,622
<b>Other Financing Sources/(Uses):</b>	<b>(7,393)</b>	<b>(18,425)</b>	<b>(7,330)</b>	<b>11,095</b>
Net change in fund balance	1,234	(21,146)	67,571	88,717
<b>Fund Balance:</b>				
Beginning of year, as previously stated	159,647	159,647	159,647	-
<b>End of year</b>	<b>\$ 160,881</b>	<b>\$ 138,501</b>	<b>\$ 227,218</b>	<b>\$ 88,717</b>

The primary reason for final budgeted revenues and expenditures increasing from the Original Budget is due to increased sales and use tax as well as increased Measure Z funding for encumbrance rollovers, carryover budgets and capital projects.

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

Actual expenditures were less than final budgeted amounts by approximately \$57.2 million. This is primarily associated with unspent appropriations for projects that were not completed during the year (which are carried over to the next fiscal year) as well as the cost saving efforts by City Departments.

### Capital Assets and Debt Administration

**Capital Assets** - The City's investment in capital assets for governmental and business-type activities as of June 30, 2022 amounted to \$3,304,620 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's net capital assets for the current fiscal year was \$8,844; a decrease of \$7,302 for governmental activities and a decrease

of \$1,542 for business-type activities primarily caused by depreciation expense exceeding capital asset additions.

Major capital improvements during the current fiscal year included ongoing projects: Consisting primarily of roads of \$22.5 million; Storm drains of \$8.6 million; and the Youth Innovation Center of \$7.1 million for governmental activities. \$26.4 million in Electric Utility capital improvements primarily related to transformer replacements, improvements to communications network, underground improvements, metering infrastructure, and major streetlight projects; \$15.2 million in Water Utility projects primarily related to main replacements, system expansion, transmission pipelines, distribution facilities, and well projects; and The Cheech Marin Center of \$11 million grant funded for business-type activities.

Additional information on the City's capital assets can be found in Note 5 on page 47 of this report.

**City of Riverside's Capital Assets**  
(net of depreciation)  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 376,787	\$ 376,616	\$ 100,111	\$ 100,111	\$ 476,898	\$ 476,727
Construction in progress	52,051	30,820	128,123	126,187	180,174	157,007
Buildings	106,726	111,601	465,740	473,476	572,466	585,077
Improvements other than buildings	103,649	107,316	1,216,016	1,213,090	1,319,665	1,320,406
Machinery and equipment	32,060	33,113	32,994	32,712	65,054	65,825
Intangibles	-	-	31,838	30,788	31,838	30,788
Infrastructure	658,525	677,634	-	-	658,525	677,634
<b>Total</b>	<b>\$ 1,329,798</b>	<b>\$ 1,337,100</b>	<b>\$ 1,974,822</b>	<b>\$ 1,976,364</b>	<b>\$ 3,304,620</b>	<b>\$ 3,313,464</b>

**Right to Use Assets** - The City's investment in right to use assets for governmental and business-type activities as of June 30, 2022 amounted to \$1,830 (net of accumulated amortization). This investment includes right to use land, buildings and machinery and equipment, which were added due to the implementation of GASB issued Statement No. 87, Leases.

Additional information on the City's right to use assets can be found in Note 5 on page 47 of this report.

**City of Riverside's Right to Use Assets**  
(net of amortization)  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land - right to use	\$ -	\$ -	\$ 238	\$ -	\$ 238	\$ -
Buildings - right to use	617	-	273	-	890	-
Machinery and equipment - right to use	435	-	267	-	702	-
<b>Total</b>	<b>\$ 1,052</b>	<b>\$ -</b>	<b>\$ 778</b>	<b>\$ -</b>	<b>\$ 1,830</b>	<b>\$ -</b>

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$1,997,595 which includes bonded debt of \$1,779,938.

**City of Riverside's Long-Term Debt**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Lease revenue bonds	\$ 68,855	\$ 72,471	\$ 6,625	\$ 7,059	\$ 75,480	\$ 79,530
General obligation bonds	4,987	6,478	-	-	4,987	6,478
Pension obligation bonds	338,264	352,824	110,718	116,227	448,982	469,051
Certificates of participation	85,477	90,215	25,912	27,213	111,389	117,428
Revenue bonds	-	-	1,139,100	1,176,605	1,139,100	1,176,605
Loans payable	-	457	-	-	-	457
Notes payable	-	-	59,948	64,678	59,948	64,678
Contracts payable	-	-	933	1,067	933	1,067
Financed purchased	22,294	14,922	2,176	2,354	24,470	17,276
Compensated absences	29,994	30,901	11,855	12,005	41,849	42,906
Claims and judgments	78,790	76,603	-	-	78,790	76,603
Landfill capping	-	-	9,820	10,419	9,820	10,419
Lease liability	1,060	-	787	-	1,847	-
<b>Total</b>	<b>\$ 629,721</b>	<b>\$ 644,871</b>	<b>\$ 1,367,874</b>	<b>\$ 1,417,627</b>	<b>\$ 1,997,595</b>	<b>\$ 2,062,498</b>

The City's total debt decrease by \$64,903 or 3.2% during the current fiscal year. The net decrease is primarily related to payments on long-term debt.

The City's Water Utility maintains "AA+" and "AA+" ratings, from S&P Global Ratings and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies for fixed rate bonds. The City's general obligation bond ratings from S&P Global Ratings and Fitch 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 \$907,813 at June 30, 2022, which applies only to general obligation debt. At June 30, 2022, the City had \$4,987 of general obligation debt, resulting in available legal debt capacity of \$902,826.

Additional information on the City's long-term debt can be found in Note 9 beginning on page 52 of this report.

**Economic Factors and Next Year's Budget**

- Unemployment in the City of Riverside is 3.2% compared to 5.6% for the prior year as of September, 2022. Unemployment decreased mainly due to the end of COVID-19 shutdowns.
- The largest impact to the City's long-term financial stability relates to pension costs from CalPERS.

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

- Retroactive retirement benefit enhancements for City employees between 2001 and 2006.
- Long-term investment returns not meeting expectations.
- Increased contributions resulting from the CalPERS anticipated discount rate, or assumed rate of return, over the past 15 years.
- CalPERS expects retirees to live longer.

As of June 30, 2022, CalPERS reported a preliminary negative 6.1% net return on investment in the 12-month period, which is above the fiscal year total fund policy benchmark of negative 7.0%. This return was far below the prior year positive return of 21.3%.

Volatile global financial markets, geopolitical instability, domestic interest rate hikes, and inflation all have had an impact on public market returns. CalPERS' investments in global public stocks returned negative 13.1%, while fixed income investments returned negative 14.5%. Public market investments make up roughly 79% of the CalPERS' total fund. CalPERS' private market investments fared much better, with private equity and real assets sectors returning 21.3% and 24.1%, respectively.

With CalPERS' discount rate of 6.8% and this year's preliminary return of negative 6.1%, the estimated overall funded status stands at 72%.

As of June 30, 2022, total fund annualized returns for the 5-year period stood at 6.7%, the 10-year period at 7.7%, the 20-year period at 6.9%, and the 30-year period at 7.7%.

CalPERS began to collect employer contributions toward the plan's unfunded liability as dollar amounts instead of prior method of a contribution rate combined with the normal cost rate effective July 1, 2018. Additionally, in the fiscal year 2019-20, The City issued a pension obligation bond to help reduce future pension contributions. The following lists the required unfunded liability contribution component per plan for fiscal year 2022-23:

- Miscellaneous Plan – Unfunded Liability Payment of \$11,466
- Safety Plan – Unfunded Liability Payment of \$12,416

On June 21, 2022, the City Council adopted the City's Fiscal Year 2022-24 Biennial Budget comprised of \$1.4 billion in funding for citywide operations including \$163 million for capital projects for fiscal year 2022-23 and \$1.3 billion in funding for citywide operations including \$115 million for capital projects for fiscal year 2023-24.

The General Fund Budget for fiscal year 2022-23 and 2023-24 of approximately \$306 million and \$311 million, respectively, was adopted. The fiscal year 2022-23 budget represents an increase from the prior year of approximately 6.6%.

### **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, California 92522.