NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: S&P: "A+"
Fitch: "AA-"
(See "CONCLUDING INFORMATION — Ratings" herein.)

In the opinion of Kutak Rock LLP, Special Counsel, based on existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain covenants, interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is exempt from current State of California personal income taxes, except that no opinion is expressed as to the exclusion from gross income of interest with respect to any Certificate during any period during which such Certificate is held by a person who is, within the meaning of Section 147(a) of the Internal Revenue Code of 1986, a "substantial user" of the facilities with respect to which the proceeds of the Certificates are used or is a "related person." Special Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Certificates, although Special Counsel observes that interest with respect to the Certificates is not a specific preference item for purposes of calculating the federal individual and corporate alternative minimum taxable income. For a more complete description, see "CONCLUDING INFORMATION – Tax Matters."

$20,660,000
CITY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
SERIES 2010
(Recovery Zone Facility Hotel Project)

Dated: Date of Delivery

Due: March 1; see inside cover

The Certificates will be executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Certificates will be in principal amounts of $5,000 or in any integral multiples of $5,000. Interest payable with respect to the Certificates will be payable on March 1 and September 1 of each year, commencing September 1, 2010, and principal payable on the Certificates will be paid on March 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest with respect to the Certificates will be paid by U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The Certificates are being executed and delivered to (i) provide funds for a loan by the City of Riverside (the "City") to the Redevelopment Agency of the City of Riverside (the "Agency"), (ii) finance construction of a portion of a public parking garage (including ground floor retail space), (iii) fund a reserve fund for the Certificates, (iv) capitalize a portion of the interest with respect to the Certificates, and (v) pay costs of executing and delivering the Certificates.

The Certificates are subject to optional, extraordinary and mandatory sinking fund prepayment prior to maturity. See "THE CERTIFICATES."

The Certificates evidence and represent undivided proportionate interests in the right to receive certain "Base Rental" payments (which are defined in this Official Statement to include principal and interest components equal to principal and interest with respect to the Certificates) to be made by the City for the right to the use of certain real property and improvements (the "Leased Premises") pursuant to that certain Lease and Option to Purchase, dated as of March 1, 2010 (the "Lease Agreement"), by and between the City, as lessee, and the Riverside Public Financing Authority (the "Authority"), as lessor. The City has covenanted in the Lease Agreement to make the Base Rental payments for the Leased Premises, to include all such Base Rental payments in each of its budgets and to make the necessary annual appropriations for all such Base Rental payments. The Base Rental payments are subject to abatement, however. See "SECURITY FOR THE CERTIFICATES" and "RISK FACTORS."

The City has solicited offers from municipal bond insurers to issue a policy insuring the payment when due of the principal of and interest with respect to the Certificates. If it receives any such offer, the City will determine whether to accept an offer at the time it prices the Certificates.

The obligation of the City to make Base Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental payments constitutes an indebtedness of the City, the State or any of their political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED "RISK FACTORS", FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE CERTIFICATES. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THIS OFFICIAL STATEMENT.

MATURITY SCHEDULE
(See inside cover page)

The Certificates are offered when, as and if sold, executed and delivered, subject to the approval as to their legality by Kutak Rock LLP, Los Angeles, California, Special Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Certificates in book-entry form, will be available for delivery to DTC in New York, New York, on or about March 30, 2010.

STONE & YOUNGBERG

Dated: March 16, 2010

MATURITY SCHEDULE
(Base CUSIP:† 768861)

Maturity Date (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2015	$ 415,000	4.000%	3.120%	103.982	GB6
2016	430,000	4.000	3.600	102.113	GC4
2017	445,000	4.000	3.930	100.417	GD2
2018	465,000	4.000	4.200	98.661	GE0
2019	485,000	5.000	4.400	103.542 C	GF7
2020	510,000	5.000	4.600	102.343 C	GG5
2021	535,000	5.000	4.750	101.455 C	GH3
2022	560,000	4.750	4.850	99.098	GJ9
2023	585,000	4.750	4.950	98.103	GK6
2024	615,000	5.000	5.050	99.500	GL4
2025	645,000	5.000	5.150	98.447	GM2
2026	675,000	5.000	5.250	97.320	GN0
2027	710,000	5.125	5.350	97.511	GP5
2028	745,000	5.250	5.430	97.949	GQ3
2029	785,000	5.250	5.500	97.078	GR1
2030	830,000	5.375	5.550	97.901	GS9

$11,225,000 5.500% Term Certificates due March 1, 2040, Yield: 5.800% CUSIP:† GT7

C: Priced to par call on March 1, 2017.

CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Ronald O. Loveridge, *Mayor*
Mike Gardner*, Ward 1*
Andy Melendrez*, Ward 2*
Rusty Bailey*, Ward 3*
Paul Davis*, Ward 4*
Chris Mac Arthur*, Ward 5*
Nancy Hart*, Ward 5*
Steve Adams*, Ward 7*

CITY STAFF

Bradley J. Hudson, *City Manager*
Paul C. Sundeen, *Assistant City Manager, Chief Financial Officer*
Belinda J. Graham, *Assistant City Manager*
Tom DeSantis, *Assistant City Manager*
Colleen J. Nicol, *City Clerk*
Brent A. Mason, *Assistant Director of Finance*
Gregory P. Priamos, Esq., *City Attorney*

SPECIAL SERVICES

Special Counsel
Kutak Rock LLP
Los Angeles, California

Trustee
U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Certificates.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Trust Agreement, the Lease Agreement or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Certificates are Exempt from Securities Laws Registration. The issuance and sale of the Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Stabilization of Prices**.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

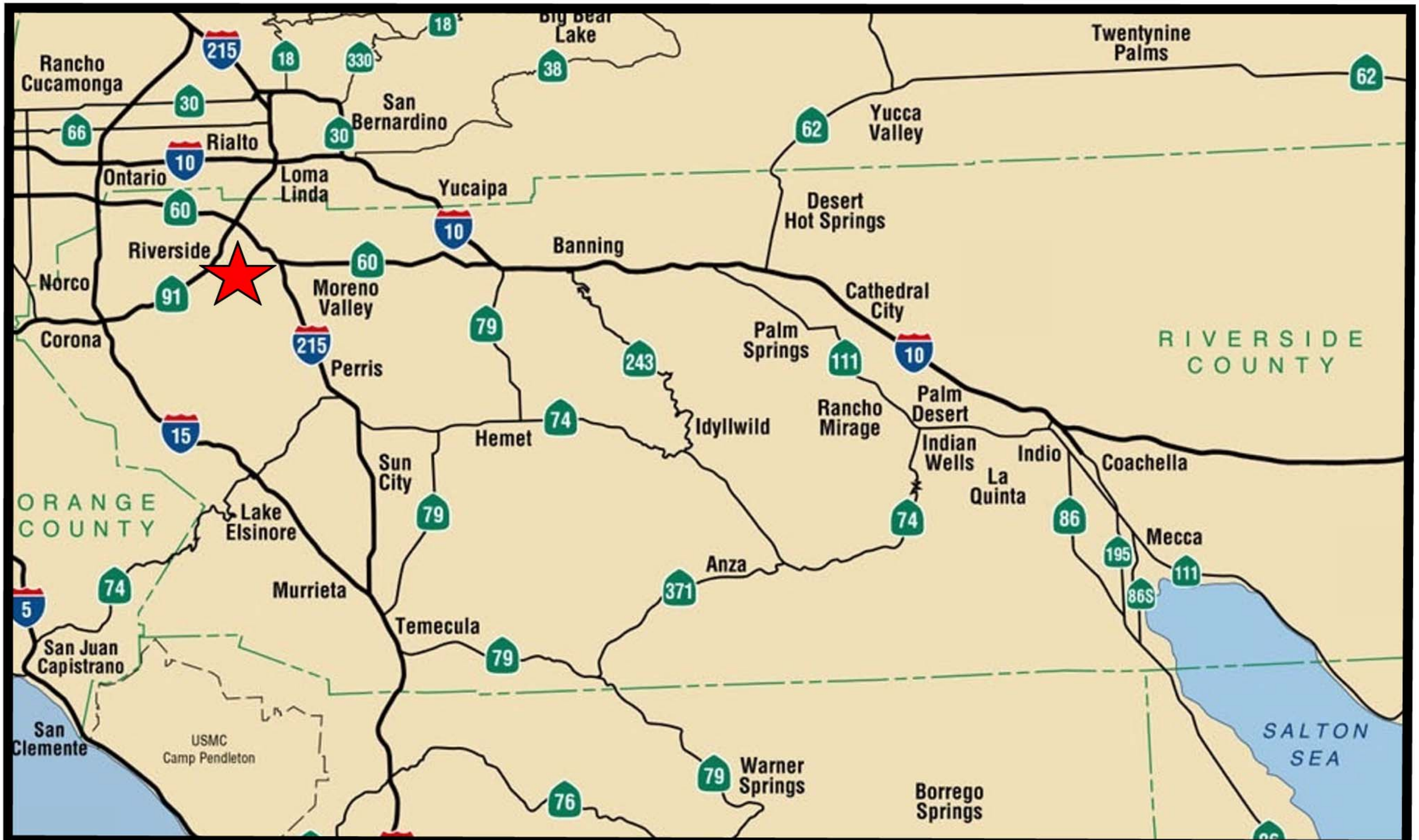
City Website. The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

TABLE OF CONTENTS

City of Riverside

(Riverside County, California)

Regional Location Map



$20,660,000
CITY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
SERIES 2010
(Recovery Zone Facility Hotel Project)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Certificates being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement.

General

The purpose of this Official Statement (which includes the cover page and the Appendices) is to provide information concerning the execution and delivery of the captioned certificates of participation (the "**Certificates**").

The City

The City of Riverside (the "**City**") was incorporated in 1883 and operates under a charter originally adopted in 1907. The City operates under a council-manager form of government, and is governed by a seven-member City Council elected by wards with four-year staggered terms. The Mayor is elected at large for a four-year term. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council.

The City encompasses approximately 81.5 square miles in the western portion of Riverside County (the "**County**"), approximately 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City is the county seat of the County. The current population of the City as of January 1, 2009 is approximately 300,430. For other selected information concerning the City, see "APPENDIX A - City of Riverside General Demographic and Financial Information."

Authority for the Certificates

The Certificates are being executed and delivered pursuant to the provisions of a Trust Agreement, dated as of March 1, 2010 (the "**Trust Agreement**"), among the City, the Riverside Public Financing Authority (the "**Authority**") and U.S. Bank National Association, as trustee (the "**Trustee**").

Purpose

The proceeds of the sale of the Certificates will be used, together with other available moneys, to (i) provide funds to the City to make a loan (the "**Agency Loan**") to the Redevelopment Agency of the City of Riverside (the "**Agency**"), which the Agency will use to make a loan (the "**Developer Loan**") to MetroRiverside, LLC (the "**Developer**"), to facilitate the design, development, construction and equipping of a new 125-room hotel in the City's downtown (the "**Facilities**"), (ii) finance the construction of a portion of a public parking garage (including ground floor retail space), (iii) fund a reserve fund for the Certificates, (iv) capitalize interest with respect to the Certificates through the earlier of (A) April 1, 2012, and (B) completion of the Facilities, and (v) pay costs of delivering the Certificates. See "THE FINANCING PLAN."

Security for the Certificates

Base Rental Payments. The Certificates evidence and represent undivided proportionate interest in the right to receive certain lease payments ("**Base Rental**") and prepayments to be made by the City to the Authority for the right to use and occupy certain real property and improvements (the "**Leased Premises**") (see "THE LEASED PREMISES" below). The Leased Premises will be leased by the City to the Authority pursuant to a Site and Facilities Lease, dated as of March 1, 2010 (the "**Site Lease**") and, then, sub-leased to the City by the Authority pursuant to a Lease and Option to Purchase, dated as of March 1, 2010 (the "**Lease Agreement**"), between the City, as lessee, and the Authority, as lessor.

In accordance with the Lease Agreement, the City is required to pay to the Trustee specified Base Rental payments for the Leased Premises which are designed to be sufficient to pay the principal and interest with respect to the Certificates. See "APPENDIX B - Summary of Principal Legal Documents."

The City has covenanted in the Lease Agreement to take all such actions as may be necessary to include all Base Rental payments in each of its annual budgets for the General Fund during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Base Rental payments and Additional Rental. The covenants of the City constitute duties imposed by law. In addition, the City has covenanted to maintain, or cause to be maintained, insurance on the Leased Premises. See "SECURITY FOR THE CERTIFICATES – Insurance." However, the Base Rental payments are subject to abatement in certain circumstances. See " - Abatement" below.

Pursuant to the Trust Agreement, the Authority has assigned to the Trustee for the benefit of the Owners of the Certificates its right to receive Base Rental payments from the City and its right to exercise certain remedies under the Lease Agreement.

Bond Insurance. The City has solicited offers from municipal bond insurers to issue a policy insuring the payment when due of the principal of and interest with respect to the Certificates. If it receives any such offer, the City will determine whether to accept an offer at the time it prices the Certificates.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Certificate Fund or the Reserve Fund established under the Trust Agreement; (b) amounts received in respect of rental interruption insurance or title insurance; and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments will be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to the Leased Premises, there is substantial interference with the use or right of possession by the City of the Leased Premises. The amount of abatement will be such that the resulting Base Rental and Additional Rental represents fair rental value for the use and possession of the portion of the Leased Premises of which the City has beneficial use and occupancy. See "RISK FACTORS – Abatement."

Prepayment

The Certificates are subject to optional, extraordinary and mandatory prepayment as described herein.

Limited Obligations

The obligation of the City to make Base Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental payments constitutes an indebtedness of the City, the State or any of their political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Summaries Not Definitive

The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See "APPENDIX B - Summary of Principal Legal Documents" for summaries of certain of such definitions.

Copies of the documents described in this Official Statement will be available at the Director of Finance's office, City of Riverside, 3900 Main St. 4th Floor, Riverside, CA 92501.

Continuing Disclosure

The City has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the City by not later than nine months after the end of the City's Fiscal Year (presently June 30) in each year commencing with its report for fiscal year 2009-10 (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City is contained in "APPENDIX E - Form of Continuing Disclosure Certificate."

Failure of the City to provide the required information at the required time may have a negative impact on the value of the Certificates in the secondary market.

The City has not failed to comply in any material respect with previous undertakings under the Rule in the past five years.

FINANCING PLAN

The Facilities

Agency Loan; Developer Loan. Proceeds of the Certificates will be used by the City to make the Agency Loan to the Agency. The Agency will use the proceeds of the Agency Loan to make the Developer Loan to the Developer. The Developer will use the proceeds of the Developer Loan to finance construction of the Facilities.

The Facilities are a 125-room Hyatt Place hotel project anchoring a mixed-use urban village known as Fox Plaza. Fox Plaza, which will be located at the corner of Fifth Street and Market Street in the City, directly across from the Riverside Convention Center and a Marriot Hotel, is expected to also include residences, street-front retail and a parking garage when completely developed. Fox Plaza is part of a City-wide, $1.7 billion renovation effort, known as the "Riverside Renaissance Initiative," which includes a renovation of the historic Fox Theater.

The Facilities will be the first part of Fox Plaza (other than the Fox Theater) to be built. Construction of the Facilities and 77 spaces of surface parking is scheduled to begin in the third quarter of calendar year 2010 and is scheduled to be complete in the first quarter of calendar year 2012. Subsequently, the surface parking lot will be developed with street-front retail, a small residential component and a mixed-use garage.

The Facilities are fully-entitled and are in the final stages of design.

Excess Proceeds. In the event the amount available to fund the Developer Loan is in excess of the amount needed to finance construction of the Facilities, the City will use the excess proceeds to finance a portion of the cost of construction of a three-story parking structure consisting of approximately 400 parking spaces and approximately 12,000 square feet of ground-floor retail space in a new City-owned public parking garage known as "**Garage 7**." The City currently estimates that the total cost of acquisition and construction of Garage 7 will be approximately $21 million. The City currently anticipates that 51 of the parking spaces will be leased in perpetuity to the Developer for use in connection with operation of the Facilities.

Security for the Base Rental Payments. None **of the following are security for the Base Rental payments or the Certificates: (i) the Facilities, (ii) Garage 7 or any income received from the City as a result of the operation of Garage 7 or the related retail space, (iii) the Developer's payments to the Agency in repayment of the Developer Loan or (iv) the Agency's payments to the City in repayment of the Agency Loan**.

Recovery Zone Facility Bonds

The Certificates are "**recovery zone facility bonds**," which is a new category of a tax-exempt exempt facility private activity bond. Under the federal tax law rules applicable to recovery zone facility bonds, at least 95% of the net proceeds of the Certificates must be used for "**recovery zone property**" (defined below); net proceeds are sale proceeds less amounts deposited in a reasonably required reserve fund. Up to 5% of net proceeds may be spent for costs (including costs of issuance) that are not for recovery zone property. In addition, the Certificates must receive an allocation of volume cap; the City allocated all of its recovery zone facility bond volume cap to the Certificates pursuant to a resolution adopted by the City Council on March 2, 2010.

“**Recovery zone property**” means depreciable capital property located in a “**recovery zone**” that meets the following requirements:

- The property is constructed, reconstructed, renovated or acquired by purchase by the taxpayer (the Developer in the case of the Hyatt Hotel and the 51 parking spaces in Garage 7; tenants in the case of the retail portion of Garage 7) after the date the recovery zone was designated,

- The original use of the property in the recovery zone commences with the taxpayer, and

- Substantially all of the use of the property is in the recovery zone and is in the active conduct of a qualified business by the taxpayer in the recovery zone.

The City has concluded that the Facilities and the portions of Garage 7 that could be financed with excess proceeds meet all of the requirements for “recovery zone property”

“Recovery zone” means any area (i) designated by the City as having significant poverty, unemployment, rate of home foreclosures or general distress, (ii) designated by the City as economically distressed by reason of the closure or realignment of a military installation pursuant to the Defense Base Closure and Realignment Act of 1990 or (iii) for which a designation as an empowerment zone or renewal community is in effect. The City designated the geographic area of the City as a recovery zone by Resolution No. 21903 adopted by the City Council on September 8, 2009.

As described in “CONCLUDING INFORMATION – Tax Matters,” the City, the Developer and the Agency must comply with certain federal tax law requirements in order for the interest with respect to the Certificates to be excluded from gross income for federal tax law purposes. Each of the City, the Developer and the Agency has covenanted to comply with those requirements.

Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the Certificates are anticipated to be applied as follows:

SOURCES:	
Principal Amount of Certificates	$20,660,000.00
Less Net Original Issue Discount	(538,765.75)
Less Underwriter's Discount	(173,300.00)
Total Sources	$19,947,934.25
USES:	
Agency Loan	$16,070,781.37
Reserve Fund	1,492,087.50
Costs of Issuance Fund[(1)]	229,000.00
Capitalized Interest Fund[(2)]	2,156,065.38
Total Uses:	$19,947,934.25

(1) Includes fees of Special Counsel, rating agency costs, title insurance premium and other costs of issuing the Certificates.

(2) Represents gross-funded capitalized interest on the Certificates through the earlier of (A) April 1, 2012, and (B) completion of the Facilities.

Schedule of Base Rental Payments

The table below shows the scheduled annual Base Rental payments established by the Lease Agreement.

Year Ending March 1	Principal	Interest	Annual Total
2011 (1)		$ 989,816.42	$ 989,816.42
2012 (1)		1,076,537.50	1,076,537.50
2013		1,076,537.50	1,076,537.50
2014		1,076,537.50	1,076,537.50
2015	$ 415,000	1,076,537.50	1,491,537.50
2016	430,000	1,059,937.50	1,489,937.50
2017	445,000	1,042,737.50	1,487,737.50
2018	465,000	1,024,937.50	1,489,937.50
2019	485,000	1,006,337.50	1,491,337.50
2020	510,000	982,087.50	1,492,087.50
2021	535,000	956,587.50	1,491,587.50
2022	560,000	929,837.50	1,489,837.50
2023	585,000	903,237.50	1,488,237.50
2024	615,000	875,450.00	1,490,450.00
2025	645,000	844,700.00	1,489,700.00
2026	675,000	812,450.00	1,487,450.00
2027	710,000	778,700.00	1,488,700.00
2028	745,000	742,312.50	1,487,312.50
2029	785,000	703,200.00	1,488,200.00
2030	830,000	661,987.50	1,491,987.50
2031	870,000	617,375.00	1,487,375.00
2032	920,000	569,525.00	1,489,525.00
2033	970,000	518,925.00	1,488,925.00
2034	1,025,000	465,575.00	1,490,575.00
2035	1,080,000	409,200.00	1,489,200.00
2036	1,140,000	349,800.00	1,489,800.00
2037	1,200,000	287,100.00	1,487,100.00
2038	1,270,000	221,100.00	1,491,100.00
2039	1,340,000	151,250.00	1,491,250.00
2040	1,410,000	77,550.00	1,487,550.00
Total	$20,660,000	$22,287,866.42	$42,947,866.42

(1) Interest with respect to the Certificates is capitalized through the earlier of (i) April 1, 2012 and (ii) completion of the Facilities.

THE LEASED PREMISES

Leased Premises

"**Leased Premises**" is defined in the Lease Agreement as the following real property and improvements:

Arlington Branch Library: The Arlington Branch Library, constructed in 1909 and expanded in 2008, is a 13,000+ square foot library located at 9556 Magnolia Avenue in the Arlington Neighborhood. The 2008 expansion increased the size and functionality of the existing approximately 4,000 square foot library facility and incorporated an adjacent historic fire house building into the library.

The original 1909 Arlington Branch Library building now includes a community meeting room and expanded children's library. Rehabilitation work included seismic retrofitting of the historical structures, re-roofing, new heating, ventilation, and air conditioning systems, upgraded restrooms, state of the art audio and visual systems, and a fire suppression system. The new wing provides space for the adult, periodicals, teen, and audio-visual collections as well as numerous computers. Patron parking has also been expanded to provide convenient parking for library users.

The Arlington Branch Library renovations were designed and implemented in accordance with the 2001 California Building Code (the "**CBC**"). The building is protected by a fire sprinkler and fire alarm systems. All systems are designed in accordance with the applicable requirements of the National Fire Prevention Association ("**NFPA**") (1997), California Fire Code (2001 edition), and the U.S. Fire Administration's National Fire Academy ("**NFA**") (1999 edition). The building security features include alarm and surveillance camera systems.

Casa Blanca Branch Library: The Casa Blanca Branch Library, constructed in 2002 and extensively remodeled in 2009, is a 10,000+ square foot library located at 2985 Madison Street in the Casa Blanca Neighborhood. The remodeled Casa Blanca Library improved the functionality of the existing library facility through a redesign of the floor plan as well as the installation of new shelving, carpeting, signage, surveillance cameras, and electrical upgrades.

The remodeled Casa Blanca Library building now includes a family learning center with two times the former capacity for adult and children's computers (18 for adults and 12 for children). The Casa Blanca Library was designed and constructed in accordance with the 2001 CBC. The building is protected by a fire sprinkler and fire alarm systems. All systems are designed in accordance with the applicable requirements of the NFPA (1997), California Fire Code (2001 edition), and the NFA (1999 edition). The building security features include alarm and surveillance camera systems.

Sycamore Canyon Fire Station (Number 13). The Sycamore Canyon Fire Station (Number 13) was constructed in 2007 and measures 7,161 square feet. The Fire Station is located in the Sycamore Canyon Industrial Park area of the City, which is one of the primary industrial areas of the City. The new state-of-the-art fire station includes a two-bay fire truck apparatus with workshop and storage area, an exercise and training room, a kitchen and eating facility, four large bedrooms to accommodate two per room, one captain room with personal lavatory, three bathrooms for the firefighting personnel, and one public restroom in the lobby for public use. A large lobby and communication center, a washer and dryer room, and a television and conference room provide comfort and service. The Sycamore Canyon Fire Station was designed and constructed in accordance with the 2001 CBC.

The building is protected by a fire sprinkler and fire alarm systems, as well as a First-in Fire Station Alerting System in all rooms including the kitchen and lobby. All systems are designed in accordance with the applicable requirements of the NFPA (1997), California Fire Code (2001 edition), and the NFA (1999 edition). The building security features include a security metal gate at the rear of the building, a cobra lock door system to enter the building at the push of a button, and a sensor-monitored apparatus bay door operating system. The station is equipped with a fire alerting system that, when activated, turns off all operating systems (from televisions to kitchen stoves) and alerts all fire personal that an emergency call has been received.

Canyon Crest Fire Station (Number 14). The Canyon Crest Fire Station (Number 14) was constructed in 2007 and measures 7,161 square feet; it is identical in design and construction to the Sycamore Canyon Fire Station. The Fire Station is located in the Canyon Crest area of the City, which is an established residential and commercial area.

Release of Property; Substitution

Under the Lease Agreement, the City has the option to amend, modify, release, transfer, change or substitute other land, facilities or improvements for the Leased Premises, provided that the City satisfies all of the requirements set forth in the Lease Agreement and the Trust Agreement. See “APPENDIX B - Summary of Principal Legal Documents.”

The City is not entitled to any reduction, diminution, extension or other modification of the Base Rental payments as a result of an amendment, modification, release, transfer, change or substitution.

THE CERTIFICATES

General

The Certificates will be delivered in the form of fully registered Certificates, without coupons, in denominations of $5,000 or any integral multiple of $5,000, and will be dated the date of delivery to the original purchaser. The Certificates will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The Certificates, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("**DTC**"). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments on the Certificates will be made directly to DTC, and disbursement of such payments to the DTC "Participants" (as defined in Appendix F) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in Appendix F) will be the responsibility of the Participants, as more fully described in "Book-Entry Only System" below.

Interest with respect to the Certificates is payable on March 1 and September 1 of each year, commencing September 1, 2010, and continuing to and including the date of maturity or prepayment, whichever is earlier.

Principal represented by the Certificates is payable on March 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement.

Any Certificate may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and the payment of such reasonable transfer fees as the Trustee may establish.

Certificates may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may charge the Owner a reasonable sum for each new Certificate executed and delivered upon any exchange and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee is not required to register the transfer or exchange of any Certificate during the period the Trustee is selecting Certificates for prepayment or any certificate selected for prepayment.

Prepayment of the Certificates

Optional Prepayment. The Certificates maturing on or after March 1, 2018, are subject to optional prepayment prior to maturity on or after March 1, 2017, at the option of the City, as a whole or in part on any date, from amounts deposited with the Trustee by the City in furtherance of the exercise of the City's option to purchase the Authority's interest in the Leased Premises or any Leased Component in accordance with the Lease Agreement and from any other available funds, at a prepayment price equal to the principal amount to be prepaid, without premium, plus accrued but unpaid interest to the prepayment date.

Extraordinary Prepayment. The Certificates are subject to mandatory prepayment prior to maturity in whole or in part on the first practicable date, at a prepayment price equal to the principal amount thereof plus accrued but unpaid interest without premium from the net proceeds of insurance (other than rental interruption insurance) or eminent domain proceedings not required to be used for repair, reconstruction or replacement of the Leased Premises deposited by the Trustee in the Prepayment Account in the Certificate Fund.

Mandatory Sinking Fund Prepayment. The Certificates with a maturity date of March 1, 2040 are subject to mandatory prepayment in part, by lot, prior to their maturity date on March 1, 2031 and on each March 1 thereafter, to and including March 1, 2040 from sinking fund installments, at the principal amount to be prepaid, without premium, plus accrued interest to the prepayment date, in the principal amounts and on the dates set forth below:

$11,225,000 Certificates Maturing March 1, 2040

Prepayment Date (March 1)	Principal Amount of Certificates to be Prepaid
2031	$ 870,000
2032	920,000
2033	970,000
2034	1,025,000
2035	1,080,000
2036	1,140,000
2037	1,200,000
2038	1,270,000
2039	1,340,000
2040 (Maturity)	1,410,000

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all outstanding Certificates are to be prepaid (other than pursuant to mandatory sinking fund prepayment), the Trustee will select Certificates for prepayment among maturities as directed by the City (which direction will be accompanied by a written certificate of a City Representative to the effect that: (a) the Base Rental payable under the Lease Agreement, as amended in connection with such prepayment, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates as and when due following such prepayment; and (b) the Base Rental payable under the Lease Agreement, as amended in connection with such prepayment, is not in excess of the fair rental value of the Leased Premises in any Lease Year following such prepayment), and within a maturity by lot. Prepayment by lot will be in the manner determined by the Trustee.

Notice of Prepayment. When prepayment is authorized or required, the Trustee will give notice ("**Prepayment Notice**") that specifies: (a) the date of prepayment; (b) the place or places where the prepayment will be made, including the name and address of any paying agent; (c) the prepayment price; (d) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (e) the numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificates to be prepaid in part only, the amount of such Certificates to be prepaid; (f) the interest rate and stated maturity date of each Certificate to be prepaid in whole or in part; (g) that on the specified date there will become due and payable upon each Certificate or portion of a Certificate being prepaid the prepayment price, together with interest accrued to the prepayment date, and that from and after the prepayment date interest with respect to the Certificate will cease to accrue and be payable.

At least 30 but not more than 60 days prior to the prepayment date, the Prepayment Notice will be given by the Trustee to the respective Owners of the Certificates designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such Prepayment Notice is given. The failure of any Owner to receive such Prepayment Notice or any defect in such Prepayment Notice will not affect the validity of the prepayment of any Certificates. Any notice which is mailed as described above will be conclusively presumed to have been given, whether or not the Owner of any Certificates which are to be prepaid receives the notice. The notice of prepayment for any optional prepayment may contain a statement to the effect that the prepayment of the Certificates is conditioned upon the receipt by the Trustee of amounts equal to the prepayment price of the Certificates to be prepaid on or before the prepayment date, and such optional prepayment will be so conditioned.

Book-Entry System

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – Book-Entry Provisions."

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

SECURITY FOR THE CERTIFICATES

General

Base Rental Payments. In the Lease Agreement, the City agrees to pay the Base Rental payments to the Authority as rental for the use and occupancy of the Leased Premises. The Base Rental payments are denominated into components of principal and interest that correspond to the components of principal and interest with respect to the Certificates.

The City covenants in the Lease Agreement to take such action as may be necessary to include all Base Rental payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental payments. However, the obligation of the City to make Base Rental payments (other than to the extent that funds to make Base Rental payments are available in the Certificate Fund or Reserve Fund, or otherwise available from an insurance or eminent domain award) may be abated in whole or in part if the City does not have use and possession of all or part of the Leased Premises.

Assignment of Rights to the Trustee. The Authority, pursuant to the Trust Agreement, has assigned its rights, including its right to receive Base Rental payments and its remedies under the Lease Agreement, to the Trustee for the benefit of the Owners of the Certificates.

Certificates. Each Certificate evidences and represents an undivided interest in the Base Rental payments due under the Lease Agreement on the payment date or prepayment date of such Certificate.

Base Rental Payments

Base Rental payments are required to be made by the City under the Lease Agreement on the fifteenth day of the month prior to each Interest Payment Date.

Base Rental payments are required to be deposited in the Base Rental Account maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will withdraw from the Base Rental Account the amount of the Base Rental then due and will apply such amounts to make principal and interest payments due with respect to the Certificates.

Appropriation; Use of Leased Premises

The City covenants in the Lease Agreement to take such action as may be necessary to include all Base Rental payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental payments. The Lease Agreement provides that this covenant shall be deemed to be and shall be construed to be a duty imposed by law, and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the budget and appropriation covenant.

The obligation of the City to make Base Rental payments and Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental payments or Additional Rental payments constitutes an indebtedness of the City, the

State or any of their political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Reserve Fund

A Reserve Fund is established under the Trust Agreement, will initially be funded from proceeds of the Certificates (see "ESTIMATED SOURCES AND USES OF FUNDS"), and must be maintained in an amount (the "**Reserve Requirement**") equal to the least of (i) 10% of the principal amount of the Outstanding Certificates, (ii) maximum Base Rental payments required to be paid in any Lease Year, or (iii) 125% of the average annual Base Rental with respect to Outstanding Certificates.

Amounts in the Reserve Fund are to be used only for the payment of Base Rental payments to the extent amounts in the Certificate Fund are insufficient or in the event of a full or partial defeasance of the Certificates.

See "APPENDIX B - Summary of Principal Legal Documents" for more information about the Reserve Fund.

Assignment; Recourse on Default

Pursuant to the Trust Agreement, the Authority assigns to the Trustee for the benefit of the Owners of the Certificates its rights and remedies under the Lease Agreement, including its rights to receive amounts payable by the City under the Lease Agreement.

If the City defaults on its obligations under the Lease Agreement, the Trustee, as assignee of the Authority, may exercise any and all remedies authorized by law or granted to the Authority pursuant to the Lease Agreement. The Lease Agreement expressly authorizes the Trustee, as assignee of the Authority, to re-enter the Leased Premises for the purpose of removing persons and personal property and of re-letting the Leased Premises and, at its option, to terminate the Lease Agreement. In the event the Trustee, as assignee of the Authority, does not elect to terminate the Lease Agreement, it may enforce the Lease Agreement and hold the City liable for all Base Rental payments and the performance of all conditions under the Lease Agreement. Any re-entry and re-letting will not effect a surrender of the Lease Agreement. The City, in the event of default, waives all rights to any rentals received by the Trustee through re-letting of the Lease Agreement. See "RISK FACTORS - Bankruptcy"; "- Limitation as Enforcement of Remedies" and "- No Acceleration" herein for a discussion of factors potentially limiting the available remedies in the event of a default. See also "APPENDIX B- Summary of Principal Legal Documents."

Insurance

The Lease Agreement requires the City to maintain certain insurance with respect to the Leased Premises (see "APPENDIX B - Summary of Principal Legal Documents"), including the policies described in the following paragraphs.

General Liability. The City is obligated to maintain commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Leased Premises. The insurance must afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury or death of each person in each accident or event and $3,000,000 for personal injury or death of two or more persons in each accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $250,000 on a per loss basis in any one year), or such greater amount as may from time-to-time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose. The commercial general liability coverage may be maintained in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in the form of self-insurance or a risk pooling arrangement by the City.

Workers' Compensation. The Lease Agreement requires the City to maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under applicable law, or in lieu thereof, workers' compensation insurance to cover all persons employed by the City in connection with the Leased Premises and to cover full liability for compensation under applicable law. The City's workers' compensation insurance may be satisfied by self-insurance.

Property Insurance. The Lease Agreement obligates the City maintain a policy or policies of property insurance against loss or damage to the Leased Premises known as "all risk," ***excluding*** earthquake and flood. The City is obligated to maintain the property insurance with respect to the Leased Premises at any time in an amount not less than the aggregate principal amount of Outstanding Certificates. The property insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed $250,000. Flood and earthquake riders will be purchased by the City if the City, in its reasonable discretion, determines that coverage is available from reputable insurers at commercially reasonable rates.

Rental Interruption or Use and Occupancy Insurance. The Lease Agreement requires the City to maintain rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the property insurance described above in an amount sufficient at all times to pay the total rent payable under the Lease Agreement with respect to the Leased Premises for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under the policy must not be less than the amount equal to two years' maximum Base Rental. The City's rental interruption insurance obligation may not be satisfied by self insurance.

Rental interruption insurance will not cover interruption of Base Rental payments due to damage caused by earthquake or flood if the City does not maintain earthquake or flood insurance on the Leased Premises.

Title Insurance. Upon the execution and delivery of the Certificates the City will provide one or more CLTA leasehold title insurance policies in the aggregate amount of not less than the initial principal amount of the Certificates with respect to the City's leasehold interest in the Site.

Application of Insurance Proceeds. All insurance policy claims payments received under the property insurance, title insurance and rental interruption policies described above, will be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of general liability and workers' compensation insurance, other than self-insurance, will be deposited with the City.

No assurance can be given that insurance proceeds will be adequate to avoid an interruption of Base Rental payments. Under such a situation, an abatement of Base Rental payments is likely to occur. See "RISK FACTORS – Abatement" below.

Additional Rental

The City is responsible for all improvement, repair and maintenance of the Leased Premises, for the payment of all utility services supplied to the Leased Premises, and for the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the City or any assignee or lessee thereof.

The City will also pay all taxes and assessments of any type or nature payable during the Term of the Lease Agreement.

The City has also agreed in the Lease Agreement to pay all amounts required to restore amounts on deposit in the Reserve Fund to the Reserve Requirement, although this payment obligation is also subject to abatement. See "RISK FACTORS – Abatement" below.

Loan Payments and the Facilities Are Not Available as Security

None of the following, as described in "FINANCING PLAN – The Facilities," are security for the Base Rental payments or the Certificates: (i) the Facilities, (ii) the Developer's payments to the Agency in repayment of the Developer Loan or (iii) the Agency's payments to the City in repayment of the Agency Loan.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Certificates. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Certificates. There can be no assurance that other risk factors will not become evident at any future time.

General Considerations – Security for the Certificates

The obligation of the City to make the Base Rental payments does not constitute a debt of the City or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated, subject to abatement, under the Lease Agreement to pay the Base Rental payments from any source of legally available funds and the City has covenanted in the Lease Agreement that it will take such action as may be necessary to include all rental payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such rental payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Base Rental payments.

The City's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the City to pay the Base Rental payments when due. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Covenant to Budget and Appropriate

Under the Lease Agreement, the City has covenanted to take such actions as are necessary to include the Base Rental payments and the estimated Additional Rental in its annual budgets and to make the necessary annual appropriations for all Base Rental payments. Such covenant is deemed to be a duty imposed by law, and it is the duty of the public officials of the City to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable such entity to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenant. Upon execution and delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of Appendix D) to the effect that, subject to certain limitations and qualifications, the Lease Agreement constitutes a valid and binding obligation of the City.

See, however, "- Abatement" below.

Additional Obligations of the City

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental payments may be decreased. If the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental payments and other payments due under the Lease Agreement.

Eminent Domain

If the Leased Premises is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Leased Premises is taken permanently, or if the Leased Premises or any part thereof is taken temporarily, under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (2) there will be a partial abatement of Base Rental payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Base Rental payments, in an amount to be agreed upon by the City and the Authority such that the resulting Base Rental payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Premises. The City covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) redeem the Certificates in whole, if all of the Leased Premises is condemned; or (ii) redeem a pro rata share of Certificates, in the event that less than all of the Leased Premises is condemned.

Abatement

The Leased Premises is currently operational as two public libraries and two City fire stations. The Lease Agreement provides that the amount of Base Rental payments will be subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Leased Premises. The amount of such abatement will be agreed upon by the City and the Authority such that the resulting Base Rental payments represent fair consideration for the use and occupancy of the portions of the Leased Premises not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the City, in the Lease Agreement, waives any right to terminate the Lease Agreement by virtue of any such damage and destruction.

However, there will be no abatement of Base Rental payments to the extent that the proceeds of an eminent domain or insurance award (including proceeds of rental interruption insurance maintained by the City under the Lease Agreement) are available to pay Base Rental payments, or to the extent that moneys are available in the Base Rental Fund or the Reserve Fund, it being declared in the Lease Agreement that such proceeds and amounts constitute special funds for the payment of the Base Rental payments.

Following the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement for payment of Base Rental payments, or in the event that casualty or rental interruption insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Premises or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full.

Limited Recourse on Default; No Acceleration

If the City defaults on its obligation to make Base Rental payments, there is no available remedy of acceleration of the total Base Rental payments due over the term of the Lease Agreement. The City will only be liable for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Due to the specialized nature of the Leased Premises, no assurance can be given that the Trustee will be able to re-let any portion of the Leased Premises so as to provide rental income sufficient to make principal and interest payments with respect to the Notes in a timely manner, and the Trustee is not empowered to sell the Leased Premises for the benefit of the owners of the Certificates. In addition, due to the governmental function of the Leased Premises, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against local agencies in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of interest on the Certificates from federal or state income taxation.

Substitution or Release of Leased Premises

As described above (see "THE LEASED PREMISES - Release of Property; Substitution"), the Lease Agreement permits the City to substitute additional real property and/or improvements for existing Leased Premises upon compliance with certain conditions set forth in the Lease Agreement. It is presently the City's intention to release roughly __acres of land from the leased asset that includes the Casa Blanca Library.

In the case of both substitution and release of Leased Premises, the Lease Agreement requires with respect to the value of the remaining Leased Premises that its value is at least equal to the Base Rental payable under the Lease Agreement after the release or substitution. Consequently, a portion of the Leased Premises could be replaced with less valuable property, or could be released altogether. Such replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental payments were to occur subsequent to such substitution or release.

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 218," for information about certain risks to the City's general fund revenues under Articles XIIIC and Article XIIID of the California Constitution.

Geologic, Topographic and Climatic Conditions

General. The value of the Leased Premises, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods), climatic conditions (such as droughts) and fires.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements, including improvements of the Leased Premises. Some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the Leased Premises, as well as public and private improvements within the City in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Seismic. The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active faults. The San Jacinto Fault, the Glen Helen Fault, the San Andreas Fault and the Lytle Creek Fault are all located within the vicinity of the City. Although the City believes that no active or inactive fault lines pass through the City, if there were to be an occurrence of severe seismic activity in the City, there could be an abatement or adverse impact on the City's ability to pay the Base Rental payments.

The City is not obligated to maintain earthquake insurance with respect to the Leased Premises. The structural design of each of the Leased Premises complies with the 2001

California Building Code. The Arlington Branch Library is constructed using a masonry, structural steel and wood system. The Casa Blanca Branch Library is constructed using a masonry and steel system. The structural system of the two fire stations is a lateral force resisting system with light frame bearing walls composed of wood structural shear panel and sits on a concrete slab.

Flood. Southern California's unpredictable seasonal ranges of rainfall, coupled with geographic and geologic conditions, make the City particularly vulnerable to flooding, especially during winter months. Increasing conversion of natural areas to pavement and less pervious ground covers makes the effects of storms more intense and potentially damaging. Flash floods, mudslides and creek flooding have all occurred in the City, claiming lives and damaging property. The impacts of flooding can also damage the drinking water supply, create power outages and damage homes and their contents.

Portions of the City are located adjacent to the Santa Ana River in a 100-year flood plain. With respect to the Leased Premises, only Fire Station #14 is in a 100-year flood plain. However, Fire Station #14 was built above estimated flood levels to minimize potential damage.

Wildfire Hazard Area. None of the Leased Premises are located in a "fire severity zone" based on current mapping; the two fire stations may be located in fire severity zones under revised mapping that is currently under consideration. See "THE LEASED PREMISES" for information about the fire-related design of the two fire stations.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay debt service with respect to the Certificates.

In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "**CERCLA**" or the "**Superfund Act**" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has any thing to do with creating or handling the hazardous substance.

The effect, therefore, should the Leased Premises or any substantial amount of property within the City be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of, and any liability incurred by, remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction in the value of the Leased Premises could adversely impact the fair rental value of the Leased Premises and potentially result in abatement of the Base Rental payments. In addition, reduction in the value of property in the City as a whole could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make Base Rental payments.

Impact of State Budget

The State of California is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the

City has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. The State's 2008-09 and 2009-10 budgets contain a number of measures that impact the finances of local agencies.

Information on Current State Budget Difficulties. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office the ("**LAO**") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

2008-09 State Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "**2008-09 Budget**"). The 2008-09 Budget resolved the $24.3 billion budget deficit identified in the May (2008) revision to the Governor's Proposed Budget. The 2008-09 Budget, as adopted, projected revenues of $103.027 billion in fiscal year 2007-08 and $101.991 billion in fiscal year 2008-09 (representing an increase of $1.837 billion in fiscal year 2007-08 and a decrease of $996 million in fiscal year 2008-09, compared with the May Revision), provided a modest reserve of $1.7 billion, but projected a deficit of $1.0 billion in fiscal year 2009-10.

Special Session - Revisions to 2008-09 Budget; 2009-10 Adopted State Budget. Through a series of legislative actions that occurred from November 5, 2008 through February 20, 2009, the State legislature and the Governor enacted a budget package addressing the 2008-09 Budget deficit, and adopting a budget for fiscal year 2009-10.

On March 13, 2009, the LAO updated its revenue forecast and projected that revenues would fall short of the assumptions in the 2009-10 Budget by $8 billion and that number of the adopted solutions—revenue increases and spending reductions—are of a short-term duration. Thus, without corrective actions, the State's huge operating shortfalls will reappear in future years—growing from $12.6 billion in 2010–11 to $26 billion in 2013.

On May 7, 2009, the LAO reported that, as result of the budget and cash pressures of recent months, the General Fund's "cash cushion"—the monies available to pay State bills at any given time—currently is projected to end fiscal year 2008-09 at a much lower level than normal. Without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State would not be able to pay many of its bills on time for much of fiscal year 2009-10.

May 14, 2009 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. On May 14, 2009, the Governor released the May Revision, which included two alternative proposals to revise the State budget to address the State's increasing deficit. The specific proposal to be considered depended, in part, on the result of certain statewide ballot measures decided by the voters on the May 19, 2009 special election ballot.

Because State voters rejected the three propositions on the special election ballot that would have helped balance the State's budget, the Governor estimated a budget shortfall of $21 billion in 2009-10.

Governor Declares Fiscal Emergency. The Governor announced on July 1 that the budget deficit had grown by $2 billion to $26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the State's deficit. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOUs, to several classes of creditors, including certain local governments.

2009-10 State Budget Amendments; Proposition 1A Borrowing. On July 24, 2009, the California legislature approved amendments to the 2009-10 Budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall. The Governor signed the budget plan on July 28, 2009. Total general fund spending in fiscal year 2009-10 will be more than $84 billion, down from nearly $91.7 billion in fiscal year 2008-09 and nearly $103 billion in fiscal year 2007-08. The budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009-10, including (among many others) $2 billion borrowed from cities' and counties' property tax collections under provisions of Proposition 1A (approved by the voters in 2004), but the State must repay the borrowing with interest within three years.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and some economists believe that they produce a significant budget shortfall next year. Additionally, borrowing revenues from local governments is likely to result in litigation.

Impact of Proposition 1A Borrowing. The declaration by the State of California of a fiscal emergency under Proposition 1A and a subsequent take-away of the equivalent of 8% of fiscal year 2008-09 property related tax revenues from cities will have an impact of approximately $4,688,343 on the City. These tax revenues must be paid back by the State with interest within three years. The City does not believe any amendments to its fiscal year 2009-10 budget is required in response to the Proposition 1A take-away. The City participated in the Proposition 1A securitization program, pursuant to which it will receive the amount borrowed by the State in two payments (the first was received in January 2010 and the second is expected to arrive in May 2010).

Governor's Proposed 2010-11 Budget. The Governor submitted his proposed fiscal year 2010-11 Budget (the "**2010-11 Proposed Budget**") to the State Legislature on January 8, 2010. The 2010-11 Proposed Budget assumes that, without corrective action, the State will face a deficit of $19.9 billion, comprised of a shortfall of $6.6 billion from fiscal year 2009-10, a fiscal year 2010-11 shortfall of $12.3 billion and a proposed reserve of $1 billion. The 2010-11 Proposed Budget proposes initial spending reductions of $8.5 billion. Proposed reductions include program eliminations, further reductions to various health and human services programs, a $2.4 billion reduction to the anticipated level of funding for Proposition 98 (over a two-year period), substantial changes to employee compensation, and reductions to the Department of Corrections and Rehabilitation. In addition, the 2010-11 Proposed Budget relies on $6.9 billion in additional federal funding and proposes an additional $4.6 billion in spending reductions if the federal funding is not received. The 2010-11 Proposed Budget also includes $2.4 billion in increased revenues and requires external borrowing to meet cash needs during the fiscal year.

The Governor has called the Legislature to a special session to adopt $8.9 billion of the proposed $19.9 billion in budget solutions and to put measures on the June 2010 ballot to facilitate $1 billion in general fund budget relief from Proposition 10 early childhood development funds and Proposition 63 mental health funds.

LAO Report. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a $18.9 billion budget problem is reasonable but $3.1 billion lower than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relies heavily on federal relief, which the state is unlikely to receive in the amounts requested. The LAO concluded that the Legislature needs to assume that the federal relief will total billions less than the Governor budgets and that it needs to make many key decisions by the end of March in order to implement them for the next fiscal year.

2010-11 Special Session. On March 11, 2010, the California Legislature adjourned the special session called by the Governor. The Legislature adopted a package of bills that the Legislature said would reduce the deficit by more than $4 billion. Since then, the Governor vetoed two bills that contained a majority of the deficit reductions.

Future State Budgets*.* The City cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget. Decreases in such revenues may have an adverse impact on the City's ability to pay Base Rental payments.

Vehicle License Fees

Vehicle license fees ("**VLF**") imposed for the operation of vehicles on state highways are collected by the State Department of Motor Vehicles. VLFs were historically assessed in the amount of two percent of a vehicle's depreciated market value for the privilege of operating a vehicle on the State's public highways. Beginning in 1999, the VLF paid by vehicle owners was offset (or reduced) to the effective rate of 0.65 percent.

In connection with the offset of the VLF, the State Legislature authorized appropriations from the State General Fund to "backfill" the offset so that local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient State General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be underfunded.

In June 2003, the State Director of Finance ordered the suspension of VLF offsets due to a determination that insufficient State General Fund moneys would be available for this purpose, and, beginning in October 2003, the VLF paid by vehicle owners were restored to the two percent level. However, the offset suspension was rescinded by the Governor on November 17, 2003, and State offset payments to local governments resumed.

As part of the 2004 Budget Act negotiations, an agreement was made between the State and local government officials (the "**State-local agreement**") under which the VLF rate was permanently reduced from two percent to 0.65 percent. In order to protect local governments, the reduction in VLF revenue to cities and counties from this rate change was replaced by an increase in the amount of property tax they receive. Under the State-local agreement, for Fiscal Years 2004-05 and 2005-06 only, the replacement property taxes that cities and counties receive were reduced by $700 million. Commencing in Fiscal Year 2004-05, local governments began to receive their full share of replacement property taxes, and those replacement property taxes now enjoy constitutional protection against certain transfers by the State due to the approval of Proposition IA at the November 2004 election.

In fiscal year 2007-08, the City received $1,359,000 in VLF revenues and $23,755,000 in replacement property taxes from the State. In fiscal year 2008-09, the City received $1,088,000 in VLF revenues and $24,347,000 in replacement property taxes from the State. In fiscal year 2009-10, the City expects to received $1,550,000 in VLF revenues and $21,912,000 in replacement property taxes from the State.

Impact of Sales and Use Tax Redirection

As described in "APPENDIX A - City of Riverside General Demographic and Financial Information," the State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a corresponding amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Base Rental payments. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Base Rental payments, the City may not know the exact amount of revenue available to pay Base Rental payments

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

The opinions of counsel, including Special Counsel, delivered in connection with the execution and delivery of the Certificates will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In addition, failure by large property owners to pay property taxes when due may have an adverse impact on revenues available to pay Base Rental payments.

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See " CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIIIB of the State Constitution" below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State, or that the City Council (with voter approval) will not enact amendments to the City's Charter, in a manner that could result in a reduction of the City's revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIC and Article XIIID of the State Constitution."

Loss of Tax Exemption

As discussed under "FINANCING PLAN – Recovery Zone Facility Bonds" and "CONCLUDING INFORMATION - Tax Matters," the interest component of the Base Rental payments represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were delivered as a result of future acts or omissions of the City, the Agency or the Developer in violation of their covenants. Should such an event of taxability occur, the Certificates are not subject to early prepayment and will remain outstanding until maturity or until prepaid under one of the prepayment provisions contained in the Trust Agreement.

Secondary Market

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the State Constitution

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978 and has been amended on occasions, including most recently on November 7, 2000 to reduce the voting percentage required for the passage of school bonds. Section l(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section l(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on any (1) indebtedness approved by the voters prior to July 1, 1978, (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition and (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the proposition.

Section 2 of Article XIIIA defines "**full cash value**" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. See "Litigation Relating to Two Percent Limitation" below. Legislation implementing Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when it is purchased, newly constructed or undergoes a change in ownership. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIB of the State Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "**appropriations limit**" imposed by Article XIIIB which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, approved by the voters in July 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "**proceeds of taxes**," which consist of tax revenues, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

For Fiscal Year 2008-09 the City's appropriations limit was $234,666,210, and its actual appropriations in Fiscal Year 2008-09 were approximately $154,947,932. The City's appropriations limit for Fiscal Year 2009-10 is approximately $238,984,562. The City is subject to and is operating in conformity with Article XIIIB.

Article XIIIC and XIIID of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Risks Relating to Certain Special Assessments. With the exception of assessments levied in Street Lighting District No. 1 of the City (see "APPENDIX A – City of Riverside General Demographic and Financial Information – Special Assessments") and the water-related revenue transfer described below, none of the property-related fees or assessments currently collected by the City are deposited in the General Fund. If the City is unable to continue to collect these assessments, the services and programs funded with these assessments would have to be curtailed and/or the City General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the City's General Fund to continue to support these activities.

Water Utility Revenue Transfer Under the City Charter. In relevant part, Article XIIID declares that revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge.

In Howard Jarvis Taxpayers Association v. City of Fresno (March 23, 2005), the California Court of Appeal, Fifth District, was asked to consider a requirement by the City of Fresno that each municipal utility pay to the city, in lieu of property and other taxes normally placed upon private business, an amount designated by the City Council, i.e., an "in-lieu fee." The trial court declared invalid the City of Fresno municipal code insofar as it authorized the in-lieu fee for water, sewer, and solid waste utilities, and enjoined Fresno from collecting the in-lieu fee. The Court of Appeal affirmed the judgment, concluding that the in-lieu fee was invalid under Article XIIID on the basis that (i) water, sewer and trash fees are property-related fees subject to Proposition 218, (ii) although local agencies are entitled under Article XIIID to recover all of their costs for utility services through user fees, the amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel and (iii) the City of Fresno did not establish that the in-lieu fee approximates the cost of services the City of Fresno provides to the utilities. The California Supreme Court denied the Authority of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

More recently, the California Supreme Court, in Bighorn-Desert View Water Agency v. Verjil (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge.

Section 1304 of the Riverside City Charter requires the City's water enterprise (the "**Water Utility**") to transfer, in monthly installments, an amount not to exceed 11.5% of the gross operating revenues of the Water Utility ("**Revenue Transfer**"). This requirement has been in the City Charter since 1907, when the City's charter was approved and adopted by the electorate. Prior to 1968, the Water Utility was obligated to transfer, after all required expenditures had been made at the end of each fiscal year, all excess funds. In 1968, the electorate approved a change requiring a transfer of 11.5% of gross operating revenues. In 1977, the electorate approved a change to an amount "not to exceed" 11.5% of gross operating revenues.

The holdings in Bighorn and Fresno make it clear that the City's water service charges are property-related fees or charges that must comply with Article XIIID. This means that the revenues derived from these charges may not exceed the cost to the City of providing the related services. To the City's knowledge, no California appellate court has considered whether payments like the Revenue Transfer are a cost of providing the related service. As of the date of this Official Statement, no claim has been filed with the City regarding the legality of including the Revenue Transfer as a cost of providing the related services and no litigation has been threatened. The statute of limitations for filing a claim is one year from the date that the City collected a Water Service Charge that was used to make the Revenue Transfer payments. Further, under the court's holding in Ardon v City of Los Angeles, 174 Cal.App.4th 369 (2009) (under review), class claims are not permitted in local tax refund cases. The Court recognized the need for fiscal predictability and strict legislative control over refund claims at the local as well as State level and held that constitutional protections apply to general as well as specific claiming statutes, including the Government Claims Act, thus protecting tax refund claims asserted against local agencies.

If a court were to conclude that the Revenue Transfer is not a cost of providing the service of the Water Utility, then the Water Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the Revenue Transfers, and the Water Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Water Utility most likely would require the City to return the challenged Revenue Transfer and the Water Utility would be prohibited from making any future Revenue Transfers. In that situation, the City would prepare a cost study calculating the Water Utility's cost impact on the City, and the City would assess the Water Utility for such costs. It is unclear if such costs would equal the current Revenue Transfer.

In fiscal year 2008-09, the Revenue Transfer was in the amount of $5,276,000, and the City has budgeted for a fiscal year 2009-10 Revenue Transfer of $5,819,000.

Transfers from the City's Electric Enterprise. Although the City also makes a revenue transfer to the City's general fund from the City's electric utility, that transfer is not subject to Proposition 218, which expressly excludes electric rates from its scope. It is, however, subject to regulation under other provisions of State law. See " – Revenue Transfer from Electric Utility" below.

Reduction or Repeal of Taxes, Fees and Charges. Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's ability to pay Base Rental payments under the Project Lease could be adversely affected.

Revenue Transfer from Electric Utility

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the City's electric utility (the "**Electric Utility**"), after payment of Operating and Maintenance Expenses and debt service, are limited by Article XII of the City Charter, as approved by the voters and adopted by the City Council on November 15, 1977. Such transfers are limited to 12 equal monthly installments during each fiscal year constituting a total amount not to exceed 11.5% of the Gross Operating Revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor.

The transfers to the General Fund of the City for the fiscal year ending June 30, 2009 were $29.6 million, equal to approximately 10.5% of the prior fiscal year's Gross Operating Revenues. The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2010 is $32.6 million, equal to approximately 11.5% of the prior fiscal year's Gross Operating Revenues.

In general, California law (Government Code §50076) provides that any fee that exceeds the reasonable cost of providing the service or regulatory activity for which the fee is charged and which is levied for general revenue purposes is a special tax. To the City's knowledge, no California appellate court has considered whether payments like the transfers to the General Fund are a cost of providing the related service. As of the date of this Official Statement, no claim has been filed with the City regarding the legality of including the General Fund transfer as a cost of providing the related services and no litigation has been threatened.

The statute of limitations for filing a claim is one year from the date that the City collected the electric revenues that were used to make the General Fund transfer. Further, under the court's holding in Ardon v City of Los Angeles, 174 Cal.App.4th 369 (2009) (under review), class claims are not permitted in local tax refund cases. The Court recognized the need for fiscal predictability and strict legislative control over refund claims at the local as well as State level and held that constitutional protections apply to general as well as specific claiming statutes, including the Government Claims Act, thus protecting tax refund claims asserted against local agencies.

If a court were to conclude that the General Fund transfer is not a cost of providing the service of the Electric Utility, then the Electric Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the General Fund transfer, and the Electric Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the Electric Utility most likely would require the City to return the challenged General Fund transfer and the Electric Utility would be prohibited from making any future General Fund transfers.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

See the section entitled "RISK FACTORS – Impact of State Budget" in Appendix A for information about the State's fiscal year 2009-10 budget and a shift of local property revenues under Proposition 1A (which must be repaid within three years).

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with the 1988-89 fiscal year, will be allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIIIA, Article XIIIB, XIIIC and XIIID were each adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues.

CONCLUDING INFORMATION

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a purchase price of $19,947,934.25 (being the principal amount of the Certificates, *less* an Underwriter's discount in the amount of $173,300.00, *less* a net original issue discount of $538,765.75). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Certificates if any Certificates are purchased. The Underwriter intends to offer the Certificates to the public initially at the prices and/or yields set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Certificates to the public. The Underwriter may offer and sell Certificates to certain dealers (including dealers depositing Certificates into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Certificates to the public, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Certificates at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

Legal Opinion

Kutak Rock LLP, Los Angeles, California, Special Counsel, will render an opinion substantially in the form of Appendix D hereto with respect to the validity and enforceability of the City's obligations under the Lease Agreement and the validity of the Certificates. Special Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement.

Certain matters will passed upon for the City and the Authority by the City Attorney, and for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California.

Fees payable to Special Counsel and Underwriter's Counsel are contingent upon execution and delivery of the Certificates.

Tax Matters

In the opinion of Kutak Rock LLP, Special Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain covenants, interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is exempt from present State of California personal income taxes, except that no opinion is expressed as to the exclusion from gross income of interest on any Certificate for any period during which such Certificate is held by a person who, within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "**Code**"), is a "substantial user" of the facilities with respect to which the proceeds of the Certificates are used or is a "related person." A complete copy of the form of opinion of Special Counsel is set forth in Appendix D.

The opinion described in the preceding paragraph assumes compliance by the City, the Agency and the Developer with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause interest with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The City, the Agency and the Developer have covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

Special Counsel is further of the opinion that interest with respect to the Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income.

Certain requirements, agreements and procedures contained or referred to in the Trust Agreement, the Lease Agreement, the Tax Regulatory Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Certificates) may be taken under the circumstances and subject to the terms and conditions set forth in such documents. Special Counsel expresses no opinion as to any Certificate or the interest with respect thereto on or after any such change that occurs or action that is taken upon the advice or approval of Special Counsel other than Kutak Rock LLP.

The accrual or receipt of such interest may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Certificates issued prior to enactment. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Special Counsel are based upon existing legislation as of the date of execution and delivery of the Certificates and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

A copy of the proposed opinion of Special Counsel is set forth in APPENDIX D hereto.

Litigation

The City is not aware of any pending or threatened litigation concerning the validity of the Certificates or the Lease Agreement or challenging any action taken by the City or the Authority with respect to the Certificates or the Lease Agreement. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Lease Agreement or the Trust Agreement or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing. Although there are a number of lawsuits and claims pending and threatened against the City, it is the opinion of the City that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make Base Rental payments or otherwise meet its obligations under the Lease Agreement.

Ratings

Fitch Ratings ("**Fitch**") has assigned its municipal bond rating of "AA-" to the Certificates and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned its municipal bond rating of "A+" to the Certificates.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Certificates may have an adverse effect on the market price or marketability of the Certificates.

Miscellaneous

All of the descriptions of applicable law, the Lease Agreement, the Trust Agreement, the Leased Premises, the City, the Authority, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will realize.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF RIVERSIDE, CALIFORNIA

By: /s/ Bradley J. Hudson
City Manager

APPENDIX A

CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION

General

The City is the county seat of Riverside County (the "**County**") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the Counties of Riverside and San Bernardino and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the "**PMSA**"). The PMSA represents an important economic area of the State and of Southern California. It lays to the west and south, respectively, of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. As of January 1, 2009, Riverside County had a population of approximately 2,107,653 and San Bernardino County had a population of approximately 2,060,950. With a population of over 4.1 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas ("**MSAs**") in the United States. Riverside County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council.

Functions of the City government are carried out by approximately 2,700 full and part-time personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs 403 sworn officers and the Fire Department employs 231 sworn fire fighters operating out of 14 fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance, and building safety regulation and inspection.

Public Services. The City provides electric, water, sewer, refuse and transportation service to the City residents through municipal enterprises. The City also owns and operates a general aviation airport.

Public Works. Additional services include parkway and median maintenance improvements, refuse management, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

Leisure and Community Services. Among the City's cultural institutions and activities are a convention center, the Riverside Art Museum, a metropolitan museum, a number of libraries, an auditorium, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community; Riverside Community; and Kaiser Permanente.

Population

As of January 1, 2009 the population of the City was estimated to be 300,430, an increase of approximately 1.4% percent over the estimated population of the City in 2008. The following table presents population data for both the City and County.

Table 1
POPULATION

Year	City of Riverside	Riverside County
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2001	262,264	1,590,186
2002	270,944	1,653,847
2003	277,459	1,726,321
2004	281,775	1,807,624
2005	286,239	1,882,812
2006	288,933	1,962,801
2007	291,611	2,034,840
2008	296,191	2,078,601
2009	300,430	2,107,653

Sources: 1950-2000 U.S. Census; 2001-2009 California Department of Finance (Demographic Research Unit)

Accounting Policies and Financial Reporting

The accounts of the City are organized into separate funds to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City's general fund and other governmental fund types use the modified accrual basis of accounting. All of the City's other funds, including proprietary fund types and fiduciary fund types, use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the "Notes to the Basic Financial Statements" contained in APPENDIX C hereto.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City's current auditor (the "**Auditor**") is the firm of Mayer Hoffman McCann PC, Irvine California. The audited financial statements of the City for fiscal year 2008-09 are attached hereto as APPENDIX C. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit of the financial condition of the City*.

The City General Fund finances the legally authorized activities of the City not provided for in other restricted funds. General fund revenues are derived from such sources as taxes; licenses and permits, fines, forfeits and penalties; use of money and property; aid from other governmental agencies; charges for current services; and other revenue. General Fund expenditures are classified by the functions of general government, public safety, highways and streets, culture and recreation and community development.

City Financial Data

The following tables provide a five-year history of the City's Comparative Balance Sheet, General Fund revenues, expenditures, transfers, and ending fund balances.

Table 2
CITY OF RIVERSIDE
GENERAL FUND BALANCE SHEET (As of June 30)
(Amounts Expressed in Thousands)

	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
ASSETS:					
Cash and Investments (1)	$ 78,366	$ 92,004	$ 82,012	$ 64,347	$ 48,202
Cash and investments at fiscal agent (2)	63,165	38,271	15,778	13,042	12,355
Receivables (net)					
Interest	922	1,080	955	526	255
Property taxes	8,436	9,714	9,480(3)	8,316(3)	5,389
Sales taxes	9,103	10,664	10,221	8,032	6,295
Utilities billed	552	582	706	885	764
Accounts	3,110	3,611	4,140	5,323	7,803
Intergovernmental	5,066	4,012	6,585	4,576	3,803
Notes	70	70	70	246	277
Prepaid items	176	265	691	512	293
Due from other funds	6,921	8,266	7,435	5,911	15,981
Advances to other funds(2)	33,715	33,494	31,626	27,946	27,465
Land & Improvements held for resale	--	2,593	2,593	2,593	--
Total Assets	209,602	204,626	172,292	142,255	128,882
LIABILITIES:					
Accounts Payable	4,234	7,507	8,064	10,334	11,400
Accrued payroll	7,908	9,609	11,457	13,829	12,060
Retainage payable	382	303	164	647	44
Intergovermental	138	155	163	146	140
Deferred revenue	12,427	8,543	8,608(3)	6,094(3)	3,580(3)
Deposits(1)	28,564	33,226	30,727	20,367	24,062
Due to other funds	50	50	50	50	--
Advances from other funds(1)	2,146	13,743	18,293(4)	9,571	217
Total Liabilities	55,849	73,136	77,526	61,038	51,503
FUND BALANCE:					
Reserved (5)	44,487	62,523	50,631	36,025	41,400
Unreserved, designated for economic contingencies(6)	27,000	30,000	34,000	34,000	30,000
Unreserved, designated for future operations	59,593 (7)	35,487	7,288	10,253	2,888
Unreserved, designated for insurance	6,400				
Unreserved, undesignated	16,273	3,480	2,847	939	3,091
Total fund balances	153,753	131,490	94,766	81,217	77,379
Total Liabilities and Fund Balances	$209,602	$204,626	$172,292	$142,255	$128,882

(1) The reduction in "Cash and Investments" in fiscal years 2006-07 and 2007-08 and reductions in "Deposits" and "Advances from other funds" reflect efforts by the City to use money in its funds and accounts to repay interfund advances and repay City customers related to completed public works projects.
(2) Balance in fiscal year 2004-05 is attributable to the issuance of a pension obligation bond on behalf of Miscellaneous employees. The portion of the proceeds that was not applicable to the General Fund was treated as advanced to other City funds, which will repay the advance in connection with payment of debt service on the pension obligation bonds.
(3) In fiscal years 2006-07 and 2007-08, Property taxes receivable and Deferred revenue, which partially represents deferred property taxes, have been restated to reflect a presentation consistent with the current year presentation.
(4) The increase in advances from other funds in fiscal year 2006-07 is attributable to new borrowing to finance an expansion of the City's fiber optic network, repaving of the parking lot at the City's Corporation Yard, and acquisition of a parking lot for the City's Homeless Shelter. All such amounts have been paid.
(5) Reserved for encumbrances, long-term receivables, interest expense and advances to other funds.
(6) The City's policy is to maintain this fund in an amount equal to 15% of the next fiscal year's expenditures; moneys in the fund are available for use at the City Council's discretion.
(7) Proceeds of outstanding certificates of participation that are designated for specific purposes. See "-Long-Term Obligations".
Source: City Audited Financial Statements (except as noted).

Table 3
CITY OF RIVERSIDE
STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND FUND BALANCES
(Fiscal Year Ending June 30)
(Amounts Expressed in Thousands)

	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09
Revenues:					
Taxes	$ 116,018	$ 129,824	$135,390	$135,991	$126,838
Licenses and permits	7,374	8,370	7,821	7,144	6,381
Intergovernmental[(1)]	15,366	14,315	12,069	10,628	10,802
Charges for services	11,291	11,526	11,903	11,325	9,003
Fines and forfeitures	1,783	1,908	2,559	4,573	4,649
Special assessments	4,118	3,969	3,963	4,110	4,235
Rental and Investment Income	4,251	5,528	6,827	5,787	3,635
Miscellaneous[(2)]	4,749	1,732	3,184	11,316	5,857
Total Revenues	164,950	177,172	183,716	190,874	171,400
Expenditures					
Current:					
General Government[(3)]	14,351	15,525	20,563	7,764[(5)]	8,148[(5)]
Public safety[(3)]	117,268	126,007	139,739	151,773	145,802
Highways and streets[(3)]	11,695	11,281	19,722	25,209	18,452
Culture and recreation[(3)]	20,957	22,065	21,680	30,483	26,646
Capital Outlay[(3)]	15,760	31,413[(4)]	32,255[(4)]	19,798	4,836
Debt service; principal	3,522	4,895	5,826	5,683	5,369
Debt service; interest	8,337	11,282	11,786	12,118	9,060
Bond issuance costs	487		--	160	259
Total Expenditures	192,377	222,468	251,571	252,988	218,572
Revenues over (under) expenditures	(27,427)	(45,296)	(67,855)	(62,114)	(47,172)
Other Financing Sources (Uses)					
Transfers in	22,846	26,232	32,656	33,526	50,650
Transfers out	(8,076)	(3,304)	(1,922)		(7,776)
Proceeds from issuance of long-term debt [(6)]	60,000			36,108	30,425
Payment to escrow account for advance refunding				(30,000)[(8)]	(30,200)
Sales of capital assets	92	105	397	8,931	235
Total other financing sources (uses)	74,862	23,033	31,131	48,565	43,334
Special item-pension contribution [(7)]	(28,213)				
Net change in fund balances	19,222	(22,263)	(36,724)	(13,549)	(3,838)
Fund balances, July 1	134,527	153,753	131,490	94,766	81,217
Fund balances, June 30	$153,749	$131,490	$94,766	$81,217	$77,379

(1) Reflects revenue received from grants and motor vehicle in-lieu fees.
(2) Increase in fiscal year 2007-08 reflects one-time receipts associated with the reimbursement of funds previously expended related to completed public works projects and one-time contributions by a City utility fund for a public works project, the cost of which will be recovered from collection of fees and charges.
(3) Prior to fiscal year 2008-09, Capital outlay expenditures were classified with the related functional expenditures in the audited financial statements. Beginning in fiscal year 2008-09, Capital outlay expenditures have been segregated from their functional categories. Prior year capital outlay expenditures have been reclassified to the table above to enhance comparability.
(4) Increase in fiscal years 2004-05 through 2006-07 reflects expenditure of a portion of proceeds of City bonds/certificates of participation. Proceeds of the City's 2004 Measure G Fire Facilities General Obligation bonds were spent on fire stations and a new Emergency Operation Center. 2003 certificates of participation were executed and delivered to finance a parking garage (lease payments are charged to the General Fund), a project for the Agency (lease payments are charged to the Agency) and several General Fund projects, including the Arlington Branch Library, the City Hall remodeling project, the Magnolia Police Station and the Airport Fire Station.
(5) Reductions in fiscal years 2007-08 and 2008-09 reflect substantially reduced technology expenditures.
(6) Proceeds of outstanding certificates of participation, general obligation bonds and pension obligation bonds that are designated for specific purposes. See "- Long-Term Obligations."
(7) City's pension bonds deposited with CalPERS. See "-Long-Term Obligations".
(8) City refunded $30,000 (000s omitted) of variable rate pension bonds in 2008.

Source: Annual City Audits (except as noted).

Budgetary Process and Administration

The City uses the following procedures when establishing the budgetary data reflected in its financial statements:

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget which includes a summary of proposed revenue and expenditures and historical data for the two preceding fiscal years. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. Budgets for the funds are adopted on a basis consistent with generally accepted accounting principles.

Table 4 summarizes the final budget and actual results of the General Fund of the City for fiscal year 2008-09.

Table 4
CITY OF RIVERSIDE
GENERAL FUND BUDGET
(Fiscal Year 2008-09)
(000's Omitted)

	2008-09 Final Budget	2008-09 Actual	Variance
Revenues			
Taxes[1]	$142,724	$126,838	($15,886)
Licenses and permits	7,733	6,381	(1,352)
Intergovernmental	13,731	10,802	(2,929)
Charges for services	11,228	9,003	(2,225)
Fines and forfeitures	4,710	4,649	(61)
Special assessments	3,543	4,235	692
Rental and investment income	3,009	3,635	626
Miscellaneous	6,497	5,857	(640)
Total revenues	193,175	171,400	(21,775)
Expenditures			
General government	69,235	55,136	(14,099)
Allocated expenditures	(59,966)	(46,988)	12,978
Public Safety	164,764	145,802	(18,962)
Highways and streets	24,068	18,452	(5,616)
Culture and recreation	31,646	26,646	(5,000)
Capital Outlay	8,380	4,836	(3,544)
Debt service: Principal	5,442	5,369	(73)
Debt service: Interest	9,164	9,060	(104)
Bond issuance costs	197	259	62
Total expenditures	252,930	218,572	(34,358)
Deficiency of revenue under expenditures			
Other financing sources (uses):			
Transfers in[2]	34,559	50,650	15,791
Transfers out	--	(7,776)	(7,776)
Proceeds from issuance of long-term debt[3]	--	30,425	30,425
Payment to Escrow Account for Advance Refunding[3]	--	(30,200)	(30,200)
Sales of capital assets	2,195	235	(1,960)
Total other financing sources (uses)	37,054	43,334	6,280
Net change in fund balances	(22,701)	(3,838)	18,863
Fund balance, beginning	81,217	81,217	--
Fund balance, ending	$58,516	$77,379	$18,863

(1) The variance between budgeted and actual revenues is attributable to the fact that sales and property revenues did not increase as anticipated.

(2) The variance between budgeted and actual transfers reflects (a) the portion of the sale price above book value of property sold to the Water Fund, (b) three transfers from the Certificates of Participation Debt Service Fund to the General Fund: (1) reimbursement from capitalized interest proceeds for interest costs paid by the General Fund, (2) a transfer of excess funds not needed for debt service, and (3) correction of an erroneous transfer, and (c) reclassification of interest earnings on funds held by the City's bond trustee to be used for debt service on City obligations in future years..

(3) Proceeds of the City's 2009 Pension Obligation Notes (see – "Short Term Obligations" below), the proceeds of which were used to refund outstanding Pension Obligation Notes.

Source: City of Riverside.

Fiscal Year 2008-09 Budget. The budget for fiscal year 2008-09 was adopted in June 2008 as balanced at approximately $215 million in revenue and expenditures, a 5% reduction from the prior year. As fiscal year 2008-09 began, it became apparent that revenue would be lower than budgeted, primarily due to a 15% reduction in sales taxes, a reduction in property taxes and a significant reduction in development-related revenues. City management reduced General Fund expenditures during the year (to approximately $197 million) with the goal of ending with a balanced budget using approximately $2 million of reserves.

City management reassigned General Fund employees to non-General Fund departments as opportunities arose. Vacancies, other than for sworn police and fire personnel, were not filled except in extreme circumstances. Policies which create efficiencies in human resources for the City, together with intensive review of all expenditures, have allowed the City to make necessary expenditure reductions, while avoiding dramatic negative impacts to service levels. City staff advised the City Council on multiple occasions about the expected impact of economic conditions, but no budget amendment was required. Instead, as described above, the City took mid-year steps to reduce expenditures to balance revenues and expenditures.

Fiscal Year 2009-10 Budget. In connection with adoption of the City's fiscal year 2009-10 budget, the City continues to take similar efforts to those described above to balance revenues and expenditures. The following table summarizes the fiscal year 2009-10 budget.

Table 5
CITY OF RIVERSIDE
SUMMARY OF GENERAL FUND BUDGET
(Fiscal Year 2009-10)

	2009-10
Revenues:	
Sales & Use Taxes	$42,185,000
Property Taxes	45,640,000
Utilities Users Tax	28,028,000
Charges for Services	9,542,530
Other Taxes	8,101,000
Licenses and Permits	6,959,002
Fines and Forfeitures	4,057,000
Special Assessments	4,127,200
Intergovernmental Revenues(1)	2,683,000
Other	5,867,700
Interfund Transfers(2)	38,410,800
Total Revenues	195,601,232
Expenditures:	
City Clerk(3)	1,029,653
City Council(3)	854,603
City Manager(3)	13,978,596
Community Development(3)	6,680,116
Development	5,342,173
Fire	44,559,895
General Services	5,949,032
Human Resources(3)	2,582,404
Information Technology(3)	9,638,896
Library	6,249,552
Mayor	774,303
Museum	1,129,453
Office of the City Attorney(3)	3,537,641
Parks, Recreation & Comm Svcs	14,078,516
Police	86,549,860
Public Works	16,077,559
Adj. Operations Budget	219,012,252
Net Cost Allocation	(17,212,632)
Managed Savings	(4,028,515)
Total Expenditures	$197,771,105
Opening Reserves	40,091,000
Ending Reserves	$37,830,127

(1) The City does not initially budget for intergovernmental revenues (grants) except for a limited number of "guaranteed" grants. The budget is amended during the fiscal year when grants are awarded.
(2) Interfund Transfers are composed of the transfers to the General Fund from the Water Utility and the Electric Utility described in "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIIIC and XIIID of the State Constitution" and "- Revenue Transfer from Electric Utility," respectively.
(3) The "General Government" expenditure line item in Table 4 is not shown in Table 5 because the budgeted "General Government" expenditures are detailed in the line items "City Clerk", "City Council", "City Manager", Community Development", "Human Resources", "Information Technology", and "Office of the City Attorney". .

Source: City of Riverside.

General Fund Reserves

The following chart illustrates the general fund reserves of the City for fiscal years 1999-00 through 2008-09.

Table 6
CITY OF RIVERSIDE
GENERAL FUND RESERVES
(As of June 30)

Fiscal Year	(000's Omitted) Ending Fund Balance	Percent Change
1999-00	$24,130	--
2000-01	32,469	34.5%
2001-02	45,170	39.1
2002-03	53,700	18.9
2003-04	50,503	(6.0)
2004-05	55,650	10.2
2005-06	46,626	(16.2)
2006-07	46,239	(0.8)
2007-08	44,671	(3.4)
2008-09	40,091[(1)]	(10.5)

(1) The available fund balance of $40,091 at June 30, 2009 includes the following: "Unreserved, designated for economic contingencies" ($30,000), "Reserved (for Interest Expense)" ($7,000) and "Unreserved: General Fund" ($3,091). Moneys in these funds, except moneys in the "Reserved for Interest Expense Fund", are available at the City Council's discretion.
Source: City of Riverside annual budgets.

Taxes and Other Revenue

The General Fund receives the following local taxes and revenue. In the following sections, each of these sources of local tax revenue is described in greater detail.

Table 7
CITY OF RIVERSIDE
GENERAL FUND TAX REVENUES BY SOURCE

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
Property Taxes	$ 31,492,000	$ 39,051,000	$ 44,163,000	$ 50,432,000	$ 50,936,000
Sales & Use Tax	54,486,000	58,830,000	57,233,000	50,526,000	41,881,000
Utility Users Tax	22,135,000	23,502,000	25,384,000	26,265,000	25,964,000
Other Taxes [(1)]	7,905,000	8,441,000	8,610,000	8,768,000	8,057,000
Total Taxes	116,018,000	129,824,000	135,390,000	135,991,000	126,838,000

(1) Other Tax includes Property Transfer Tax, Street Light Excise Tax, Transient Occupancy Tax, and Special Assessments Levied.
Source: City of Riverside Annual Financial Reports.

Sales Taxes

Sales and use taxes represent the largest source of general fund revenue to the City. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State. However, the State budget situation has resulted in a temporary redirection of sales tax revenues from the City to the State (see " – Impact of State Budget" below).

Sales Tax Rates. The City's sales tax revenue represents the City's share of the sales and use tax imposed on taxable transactions occurring within the City's boundaries. The sales tax is governed by the Bradley-Burns Uniform Local Sales and Use Tax Law (the "**Sales Tax Law**").

Currently, taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

Table 8
CITY OF RIVERSIDE
Sales Tax Rates
Effective April 1, 2009

State General Fund **(1)**	7.25%
City	1.00
Riverside County Transportation Commission	0.50
Total	8.75%

(1) Effective April 1, 2009, the combined State-wide sales tax rate has been temporarily increased to 8.25% which includes the 1.00% City share. See "State Budget and Its Impact on the City" above.

Source: California State Board of Equalization.

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State, of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The Sales Tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's May 2003 publication entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at http://www.boe.ca.gov/. See also "RISK FACTORS – Sales Taxes."

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California State Board of Equalization. According to the State Board of Equalization, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the Board first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any city, city and county, redevelopment agency, or county are required to be transmitted by the Board of Equalization to such city, city and county, redevelopment agency, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the State Board of Equalization projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the State Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

Impact of State Budget. The State will temporarily redirect local sales and use taxes to the State, including 0.25% that would otherwise be available to the City, to pay debt service on its "economic recovery" bonds; the State will increase local governments' share of local property tax by a like amount.

However, it should be noted that certain features and consequences of this redirection could impact the availability of revenues to pay Base Rental payments. First, there may be a timing issue associated with the "backfill" of redirected sales and use taxes with property tax revenue: while sales and uses taxes are distributed by the State Board of Equalization on a monthly basis, the County would only backfill with property taxes on a semi-annual basis. This timing issue would not only impact the City's cash flow, but would cause the City to lose investment earnings on the sales and uses taxes it otherwise would have received on a monthly basis.

Second, it is possible that the fees charged by the County for property tax administration, which are subtracted from property tax revenue collected by the County before it is allocated to the City, could increase as a result of the various tasks required of the County by the redirection. In addition, the State Board of Equalization administration fee is likely to increase as a percentage of local sales and use tax received by the City unless the State Board of Equalization reduces its fee, which it is unlikely to do because the cost of collecting the sales and use taxes on a per-transaction basis will not go down.

Third, the redirection of sale and use taxes by the State reflects the vulnerability of local government to the State budget process. If, in the future, the State elects to further reallocate sales and use taxes or property tax revenue, or any other source of revenue used by the City to make Base Rental payments, the City may not know the exact amount of revenue available to pay Base Rental payments

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2004 through 2008 is shown in the following table. Total taxable sales during calendar year 2008 in the City were reported to be $4,093,218,000, a 14.5% decrease from the total taxable sales of $4,789,554,000 reported during calendar year 2007. Figures for 2009 are not yet available.

Table 9
CITY OF RIVERSIDE
TAXABLE TRANSACTIONS
For Calendar Years 2004 Through 2008
(Dollars in thousands)

	2004	2005	2006	2007	2008
Apparel stores	$ 145,023	$ 160,138	$ 174,662	$ 171,743	$179,703
General merchandise stores	597,030	625,500	606,351	568,120	480,859
Food stores	154,562	168,015	176,052	180,993	172,072
Eating & drinking places	300,858	330,249	350,911	374,528	375,559
Home furnishings & appliances	102,243	108,873	119,217	107,072	116,053
Building materials & farm implements	517,865	584,760	573,736	334,342	215,303
Auto dealers and auto supplies	1,172,792	1,245,340	1,219,784	1,170,184	855,915
Service stations	266,658	306,008	342,810	402,574	416,205
Other retail stores	461,968	491,080	519,454	578,695	397,415
Retail Stores Totals	3,718,999	4,019,963	4,082,977	3,888,251	3,209,084
All other outlets	884,770	930,291	951,095	901,303	884,135
Total all outlets	$4,603,769	$4,950,254	$5,034,072	$4,789,554	$4,093,218

Source: California State Board of Equalization.

Ad Valorem Property Taxes

This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property tax payers in the City.

General*.* In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Historic Secured Property Tax Revenues. Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes (commonly referred to as the "**Teeter Plan**") whereby local agencies receive from the County 100% of their respective shares of the amount of secured ad valorem taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections.

The County of Riverside adopted this method of distributing taxes; *however, the City has elected not to participate in the Teeter Plan*. Consequently, property tax collections allocated to the City reflect actual collections.

The following table illustrates the secured property tax revenues of the City for Fiscal Years 2001-02 through 2008-09:

Table 10
CITY OF RIVERSIDE
HISTORICAL SECURED PROPERTY TAX REVENUES[(1)]
(As of June 30)

Fiscal Year	Total Tax Levy	Current Tax Collections	% of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes[(2)]
2001-02	$27,275,647	$26,847,646	98.4%	$ 617,886	$27,465,532	100.7%	$7,000,572
2002-03	25,797,792	25,478,925	98.8	602,661	26,081,586	101.1	6,998,083
2003-04	31,817,487	31,428,627	98.8	966,224	32,394,851	101.8	6,702,942
2004-05	36,809,501	36,331,792	98.7	705,586	37,037,378	100.6	6,683,572
2005-06	52,501,818	51,814,798	98.7	746,363	52,561,161	100.1	7,752,017
2006-07	68,997,334	67,046,370	97.2	934,237	67,980,607	98.5	7,360,630
2007-08	83,850,273	82,344,813	98.2	1,562,008	83,906,821	100.1	5,798,622
2008-09	85,507,200	84,133,838	98.4	2,540,199	86,674,037	101.4	3,258,423

(1) Includes collection of property tax revenue allocated to the City's Redevelopment Agency.
(2) As of June 30. Includes late fees and penalties.
Source: Riverside County Auditor Controller's Office (as presented in the City's Comprehensive Annual Financial Report).

See "RISK FACTORS – Impact of State Budget" for information about the State's borrowing of property tax revenues otherwise allocable to the City in fiscal year 2009-10 pursuant to Proposition 1A.

Taxable Property and Assessed Valuation. Set forth in the table below is assessed valuation for secured and unsecured property within the City for the ten most recent fiscal years.

Table 11
CITY OF RIVERSIDE
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY
(in thousands)

January 1	Secured	Unsecured	Total
2000	$10,557,523	$632,940	$11,190,463
2001	11,269,877	686,215	11,956,092
2002	12,103,179	799,322	12,902,501
2003	13,071,415	980,529	14,051,945
2004	14,188,658	845,858	15,034,516
2005	15,540,982	951,211	16,479,039
2006	17,557,341	1,058,995	18,616,336
2007	20,672,126	1,140,891	21,813,017
2008	23,618,776	1,291,972	24,910,748
2009	21,471,375	1,265,129	22,736,504

Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

The California Community Redevelopment Law authorizes the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area is formed. In effect, local taxing authorities, such as the City, realize tax revenues only on the assessed value of such property at the time the redevelopment project is created for the duration of such redevelopment project. There are seven redevelopment project areas in the City. The following table sets forth total assessed valuations, homeowners' and other miscellaneous exemptions and redevelopment agency incremental values for the ten most recent fiscal years.

Table 12
CITY OF RIVERSIDE
TOTAL AND NET PROPERTY TAX VALUATIONS
(In thousands)

January 1	Gross Assessed Value	Homeowners' and Other Exemptions [1]	Redevelopment Agency Incremental Value	Net Value
2000	$11,190,463	$710,971	$1,188,654	$9,290,838
2001	11,956,092	753,859	1,263,684	9,938,459
2002	12,902,501	699,429	1,429,686	10,773,389
2003	14,051,944	768,037	1,638,924	11,644,983
2004	15,034,516	819,536	1,706,967	12,508,013
2005	16,492,193	851,695	1,900,149	13,770,349
2006	18,616,336	929,544	3,072,633	14,614,159
2007	21,813,017	954,324	4,463,064	16,395,629
2008	24,910,748	1,036,591	5,924,075	17,950,082
2009	22,736,504	1,205,989	5,897,052	15,633,463

(1) Includes homeowner, governmental and non-profit exemptions.
Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report)..

Proposition 8 Reductions. For fiscal year 2008-09, the Assessor's office proactively reviewed more than 270,000 properties in the County for declines in assessed value. Of those reviewed, the assessed value of more than 200,000 properties were reduced by more than $16 billion. Within the City, the assessed values of 13,322 properties were reduced; the total amount of the reduction was in excess of $1.1 billion.

For fiscal year 2009-10, the Assessor's office proactively reduced the assessed value of more than 380,000 properties by more than $42.7 billion. Within the City, the assessed values of 24,286 properties were reduced; the total amount of the reduction was in excess of $3.2 billion.

Largest Taxpayers. The 10 largest secured property taxpayers for fiscal year 2009-10 are as follows:

Table 13
CITY OF RIVERSIDE
LARGEST SECURED TAXPAYERS FOR FISCAL YEAR 2009-10
(in thousands)

Taxpayer	Land Use	Assessed Valuation	Percent of Total
BRE Prop. Inc.	Realty Investment	$151,859	0.6%
La Sierra University	Higher Education	124,565	0.5
Riverside Healthcare System	Healthcare	109,056	0.5
NLEP Realty	REIT	89,303	0.4
State Street Bank (1)	Realty Investment	83,391	0.3
Press Enterprise	Newspaper	82,248	0.3
Riverside Plaza	Shopping Center	68,502	0.3
Canyon Springs Marketplace Corp.	Shopping Center	66,978	0.3
Canyon Crossing 1	Real Estate Investment	60,997	0.3
Rohr Inc.	Manufacturing	60,690	0.3
Total		$897,589	3.8%

Source: County of Riverside Assessor's Office (as presented in the City's Comprehensive Annual Financial Report).

State Legislative Shift of Property Tax Allocation. See "RISK FACTORS — Impact of State Budget" in the body of the Official Statement for a discussion of circumstances which will adversely impact certain of the City's receipts.

Other Taxes

Franchise Taxes. The City levies a franchise tax on its cable television, trash collection, utility franchises, taxi cabs, natural gas piping and ambulance service.

Business License Taxes. The City levies a business license tax based principally on gross receipts and on number of employees.

Transient Occupancy Taxes. The City levies a 11% transient occupancy tax on hotel and motel bills.

Utility Users Taxes. The City levies a tax equal to 6.5% of utility bills, which is collected by the companies providing the services and remitted monthly to the City.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

Special Assessments

On an annual basis, the City deposits into the General Fund assessments levied and collected in Street Lighting District No. 1. Street Lighting District No. 1 was formed in 1988 for installation, construction and maintenance of public lighting and related facilities. The City uses the assessments to pay for a portion of the costs incurred by the City for the authorized public lighting and related facilities.

In-Lieu Payments

Historically, a significant revenue source of the City has been State of California payments and other payments in-lieu of taxes. The City receives a portion of Department of Motor Vehicles fees collected statewide. Payment of State assistance depends on the adoption by the State of its budget, including the appropriations therein providing for local assistance. These revenues are shown in Table 3 and in the accompanying financial statements (see "APPENDIX C") as "intergovernmental revenues."

Table 14
CITY OF RIVERSIDE
IN-LIEU PAYMENTS (VEHICLE LICENSE FEES)
(Fiscal Year)

Fiscal Year	In-Lieu Payment
1999-00	$12,422,389
2000-01	13,772,065
2001-02	14,848,312
2002-03	15,533,453
2003-04	12,527,520
2004-05	1,795,358
2005-06	1,747,027
2006-07	1,839,093
2007-08	1,359,877
2008-09	1,087,534

Source: City of Riverside.

The decline in in-lieu payments for fiscal years 2004-05 and after is primarily due to the State's swapping of property tax revenue for vehicle license fees. See "RISK FACTORS – Vehicles License Fees."

Short-Term Obligations

2009 Pension Obligation Notes. In fiscal year 2008-09, the City issued Taxable Pension Obligation Refunding Bond Anticipation Notes 2009 Series A (the "**2009 Pension Obligation Notes**") in the amount of $30,425,000 to redeem at maturity the City's $30,200,000 outstanding aggregate principal amount of Taxable Pension Obligation Notes 2008 Series A. The 2009 Pension Obligation Notes are due on June 1, 2010. The 2009 Pension Obligation Notes are payable from any legally available funds of the City.

Long-Term Obligations

Set forth below is a summary of the City's outstanding general obligation bonds and general fund obligations.

General Obligation Debt. On November 4, 2003, the voters in the City approved the issuance of up to $20 million principal amount of general obligation bonds to finance fire facilities. As of June 30, 2009, the outstanding obligation with respect to the general obligation bonds was $1,429,670 (including $231,167 of unamortized initial issue premium).

Pension Obligation Bonds. In fiscal year 2003-04, the City issued Pension Obligation Bonds (the "**2004 Pension Obligation Bonds**") in the amount of $89,540,000 to fund the unfunded actuarial accrued liability for public safety employees. Proceeds from the 2004 Pension Obligation Bonds were deposited with CalPERS and are reflected as a net pension asset of $88,300,000 for governmental activities in the Government-wide Statement of Net Assets in the City's audited financial statements for fiscal year 2004-05 (see "APPENDIX C"). As of June 30, 2009, the City had $82,100,000 principal amount of 2004 Pension Obligation Bonds outstanding.

In fiscal year 2004-05, the City issued Pension Obligation Bonds (the "**2005 Pension Obligation Bonds**") in the amount of $30,000,000 to partially fund unfunded actuarial accrued liabilities for non-safety employees. Proceeds from the 2005 Pension Obligation Bonds in the amount of $59,434,000 were deposited with CalPERS and are reflected as a net pension asset in the Government-wide Statement of Net Assets in the City's audited financial statements for fiscal year 2008-09 .As of June 30, 2009, $26,885,000 principal amount of the 2005 Pension Obligation bonds were outstanding.

As of June 30, 2009, a total of $143,457 of net pension assets (including the 2004 Pension Obligation Bonds, the 2005 Pension Obligation Bonds and the 2009 Notes) are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses. See Note 14 of the audited financial statements attached hereto as Appendix C for additional information. As of June 30, 2009, $139,410,000 in aggregate principal amount of Pension Obligation Bonds (including the 2004 Pension Obligation Bonds, the 2005 Pension Obligation Bond and the 2009 Notes) remained outstanding.

Certificates of Participation. The City has made use of various lease arrangements with the Riverside Public Financing Authority and the Riverside Municipal Improvements Corporation to finance capital projects through the issuance of certificates of participation and lease revenue bonds.

As of June 30, 2009, the outstanding certificates of participation and their outstanding principal balance were as set forth in the following table:

Table 15
SUMMARY OF LONG-TERM GENERAL FUND OBLIGATIONS

	Original Issue	Outstanding Principal (1)
2004 Pension Obligation Bonds	$89,540,000	$ 82,100,000
2005 Pension Obligation Bonds	30,000,000	26,885,000
1999 Certificates of Participation	6,360,000	815,000
2003 Certificates of Participation	53,185,000	47,845,000
2006 Certificates of Participation	19,945,000	19,945,000
2008 Certificates of Participation	128,300,000	128,300,000
Subtotal	$327,330,000	305,890,000
Plus unamortized Premium		1,363,000
Total		$307,253,000

(1) As of June 30, 2009.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2009 are identified in Note 7 to the City's June 30, 2009 audited financial statements. See Appendix C.

Direct and Overlapping Bonded Debt

The ability of land owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the "**Debt Report**") set forth below was prepared by California Municipal Statistics, Inc. as of December 1, 2009. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

Table 16
Direct and Overlapping Bonded Debt
(As of December 1, 2009)

2009-10 Assessed Valuation:	$23,007,375,477
Redevelopment Incremental Valuation:	5,932,425,087
Adjusted Assessed Valuation:	$17,074,950,390

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/09	
Metropolitan Water District	0.944%	$ 2,769,932	
Riverside City Community College District	29.018	39,086,117	
Alvord Unified School District	62.709	101,666,966	
Riverside Unified School District	84.047	133,659,944	
Corona-Norco Unified School District	0.002	4,634	
Jurupa Unified School District	0.004	2,159	
Moreno Valley Unified School District	6.092	2,807,713	
City of Riverside	**100.**	**17,315,000**	
Alvord Unified School District Community Facilities District No. 2006-1	68.691	5,969,248	
Riverside Unified School District Community Facilities Districts	96.650 -100.	91,037,095	
City of Riverside Community Facilities Districts	100.	26,092,000	
City of Riverside 1915 Act Bonds	100.	34,580,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$454,990,808	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	11.248%	$ 83,527,610	
Riverside County Pension Obligations	11.248	42,977,483	
Riverside County Board of Education Certificates of Participation	11.248	814,355	
Alvord Unified School District Certificates of Participation	62.709	1,271,150	
Corona Norco Unified School District Certificates of Participation	0.002	561	
Jurupa Unified School District Certificates of Participation	0.004	290	
Moreno Valley Unified School District Certificates of Participation	6.092	1,353,947	
Riverside Unified School District General Fund Obligations	84.047	13,699,661	
City of Riverside General Fund Obligations	**100.**	**195,675,000**	(1)
City of Riverside Pension Obligations	**100.**	**139,410,000**	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$478,730,057	
Less: Riverside County self-supporting obligations		1,839,541	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$476,890,516	
GROSS COMBINED TOTAL DEBT		$933,720,865	(2)
NET COMBINED TOTAL DEBT		$931,881,324	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2009-10 Assessed Valuation:

Direct Debt ($17,315,000)..0.08%
Total Direct and Overlapping Tax and Assessment Debt 1.98%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt ($352,400,000)..........................2.06%
Gross Combined Total Debt...5.47%
Net Combined Total Debt...5.46%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

Retirement Programs

The City contributes to the California Public Employee's Retirement System ("Cal**PERS**"), an agent multiple-employer public employee retirement system that acts as a common investment and, administrative agent for participating public entities within the State of California.

All permanent and temporary employees who work more than 1,000 hours are eligible to participate in the CalPERS. Benefits vest after 5 years of service. Benefits for employees vary based upon final yearly compensation, safety or non-safety status, length of service and age at retirement. CalPERS also provides death and disability benefits.

City employees' contribution rates are 8% (9% for public safety employees) of their monthly earnings. The City currently pays the employees' contribution to CalPERS for both miscellaneous and safety employees. The employer CalPERS contribution rates for fiscal year 2008-09 were 14.169% for miscellaneous employees and 20.026% for safety employees. The City is required to contribute amounts necessary to fund the benefits for its members using the actuarial basis recommended by CalPERS. The City has budgeted a contribution of $44,215,000 for Fiscal Year 2009-10.

Three-year trend information for CalPERS funding is set forth in the following table (in thousands of dollars):

Fiscal Year Ending June 30,	Actual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2007	$35,053	100%	$(147,521)
2008	38,579	100%	(145,377)
2009	38,545	100%	(143,457)

The City is amortizing its CalPERS unfunded actuarial accrued liability, as set forth in the following table, as a level percentage of projected payroll on a closed basis over 19 years. The following table, excerpted from the City's audited financial statements for fiscal year 2008-09, describes the schedule of funding for CalPERS:

Table 17
Schedule of Funding for CalPERS
($'s in Thousands)

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/05	$665,642	$644,694	$20,948	96.9%	$84,290	24.9%
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2
Misc.	6/30/06	712,552	677,903	34,649	95.1	92,844	37.3
Safety	6/30/06	523,914	498,433	25,481	95.1	53,728	47.4
Misc.	6/30/07	770,089	731,550	38,539	95.0	102,435	37.6
Safety	6/30/07	567,733	536,774	30,959	94.5	61,058	50.7

See " – Long Term Obligations" for a discussion of the issuance of pension obligation bonds by the City, the use of the bond proceeds and the reflection of the proceeds in the City's audited financial statements.

The City also contributes to defined benefit healthcare plans, pursuant to various collective bargaining agreements. See Note 14 of the audited financial statements attached as Appendix C for additional information.

Recent CalPERS Performance. CalPERS recently announced an almost 25% loss ($56.8 billion) for the fiscal year ended June 30, 2009; it reported a $8.5 billion loss for the fiscal year ended June 30, 2008. These losses are likely to require significant increases in annual contributions by the City.

Employee Relations and Collective Bargaining

City employees are represented by nine labor union associations, the principal one being the Service Employees International Union, which represents approximately 50% of City full-time employees. Currently approximately 88% all City employees are covered by negotiated agreements. Negotiated agreements have the following expiration dates:

Table 18
CITY OF RIVERSIDE
NEGOTIATED EMPLOYEE AGREEMENTS
(As of July 1, 2009)

Bargaining Unit	Contract Expiration Date	Number of Employees
Service Employees International Union	7/30/10	1,051
Riverside Police Officers Assoc.	6/30/10	320
Riverside Police Officers Association - Supervisory	6/30/10	57
Riverside Police Administrators Association	6/30/10	30
International Brotherhood of Electrical Workers	9/30/10	189
International Brotherhood of Electrical Workers - Supervisory	9/30/10	29
Riverside City Firefighters Assoc.	6/30/10	220
Riverside City Fire Management	6/30/10	12
Service Employees Int. Union -- Refuse	6/30/11	39

Source: City of Riverside.

Since 1979 the City has not had an employee work stoppage.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Internal service funds have been established to account for and finance the uninsured risks of loss of public liability claims and worker's compensation.

Property insurance coverage has a limit of $100 million, with a $50,000 deductible. Earthquake and flood insurance currently have a $15 million limit, with a deductible of 15% for earthquake and 10% for flood. Workers' compensation insurance coverage has a limit of $25 million with a deductible of $3 million per occurrence. On July 1, 2009, the City carried commercial insurance up to $20 million for general and auto liability claims greater than $3 million per occurrence. There were no claims settled during fiscal years 2000 through 2009 above the self-insured amount.

The following tables summarize the reserved balances in the Self-Insurance Fund for fiscal years 2004-05 through 2008-09.

Table 19
CITY OF RIVERSIDE
SELF-INSURANCE FUND
(in thousands)

Fund	2004-05	2005-06	2006-07	2007-08	2008-09
Worker's Compensation	$11,147	$13,734	$19,687	$16,561	$18,607
Public Liability	6,326	6,174	8,226	4,985	2,784

Source: City of Riverside.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The most recently revised Investment Policy for the City was adopted in January 6, 2009 by the City Council.

In accordance with the Government Code, the City requires certain collateralization for public deposits in banks and savings and loans, and has long-established safekeeping and custody procedures. The City Treasurer submits a monthly report to the City Council that contains a statement that the City's portfolio is invested in conformance with state law and the Investment Policy, and that there is sufficient liquidity to meet estimated expenditures.

The City's pooled investment portfolio as of January 31, 2010, had a market value of $ 324,362,614 (including cash). The following table illustrates the investments as of January 31, 2010:

Table 20
CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of January 31, 2010)

Type	Market Value	Cost Basis	% of Portfolio(2)
Cash	$55,000	$55,000	1.7%
Money Market Accounts(1)	77,083,330	77,083,330	23.8
Medium Term Corporate Notes	36,611,600	35,334,972	11.3
U.S. Govt. Agency	205,032,985	205,979,462	63.2
Total	$324,362,614	$318,452,763	100.0%

(1) Includes $59,422,024 in the State of California Local Agency Investment Fund.
(2) Based on market value as of January 31, 2010.
Source: City of Riverside.

As of January 31, 2010, the average life of the City's investment portfolio was 1.78 years.

Personal Income

The following table is based on effective buying income, as reported in the annual publication “Survey of Buying Power,” published by Sales and Marketing Management. Effective buying income is defined as personal income less personal taxes and non-tax payments. Personal income includes wages and salaries, other labor-related income, proprietor’s income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance. The following items are not included in the definition of effective buying income: (1) employer contributions to private pension funds, supplemental unemployment insurance funds and privately administered workers’ compensation programs; (2) imputed personal income, which includes the imputed value of services provided by depository institutions and income earned by life insurance carriers and private noninsured pension funds on the principal amounts contributed by policy holders and pension beneficiaries; and (3) imputed rental income of owner-occupied nonfamily dwellings.

Between 2004 and 2008 the City’s median household effective buying power increased approximately 16.2%, while at the same time, the County’s increased approximately 16.6%, the State’s increased approximately 11.5% and there was growth of approximately 7.6% for the United States. The table below summarizes the total effective buying income and the median household effective buying income for the City, the County, the State and the United States from 2004 through 2008.

Table 21
PERSONAL INCOME
For Calendar Years 2004 Through 2008

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2004	City of Riverside	$4,303,175	$38,787
	Riverside County	29,468,208	40,275
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of Riverside	$4,510,655	$39,461
	Riverside County	32,004,438	41,326
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Riverside	$4,823,975	$41,469
	Riverside County	35,656,620	43,490
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	City of Riverside	$5,065,658	$43,161
	Riverside County	38,631,365	45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Riverside	$5,318,760	$45,059
	Riverside County	40,935,408	46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: Sales and Marketing Management, Survey of Buying Power for 2004; Claritas Demographics for 2005 and after.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 65 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California at Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are the California School for the Deaf and the Sherman Indian High School, a federally-run school for Native Americans.

Employment

The following table presents the annual average distribution of persons in various wage and salary employment categories for Riverside-San Bernardino Primary Metropolitan Statistical Area for calendar years 2004 through 2008.

Table 22
RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA
ANNUAL AVERAGE EMPLOYMENT COMPARISON

	2004	2005	2006	2007	2008
Civilian Labor Force (1)	1,653,300	1,713,500	1,758,800	1,782,700	1,795,200
Employment	1,555,900	1,622,300	1,672,100	1,678,900	1,646,300
Unemployment	97,400	91,200	86,700	103,800	148,900
Unemployment Rate	5.9%	5.3%	4.9%	5.8%	8.3%
Wage and Salary Employment: (2)					
Agriculture	18,700	18,300	17,300	16,400	16,200
Natural Resources and Mining	1,200	1,400	1,400	1,300	1,200
Construction	111,800	123,300	127,500	112,500	90,500
Manufacturing	120,100	121,000	123,400	118,500	107,000
Wholesale Trade	45,600	49,900	54,200	56,800	55,100
Retail Trade	153,800	165,700	173,200	175,600	168,000
Transportation, Warehousing and Utilities	55,500	60,200	63,800	69,500	70,200
Information	14,000	14,500	15,300	15,400	14,800
Finance and Insurance	28,000	30,100	31,700	30,700	27,800
Real Estate and Rental and Leasing	17,700	18,900	19,900	19,500	18,500
Professional and Business Services	125,500	133,200	142,300	145,000	136,700
Educational and Health Services	118,400	119,900	122,100	127,000	131,700
Leisure and Hospitality	116,700	122,600	128,100	132,600	130,100
Other Services	39,300	40,800	42,500	41,200	40,900
Federal Government	17,300	18,700	19,300	19,400	19,600
State Government	26,500	27,000	27,400	28,700	29,400
Local Government	168,700	174,800	175,700	177,200	181,000
Total All Industries	1,178,700	1,240,300	1,285,000	1,287,300	1,238,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

The table below shows the 10 largest employers in the City.

Table 23
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of January 1, 2009)

Employer	Number of Employees	% of Total City-wide Employment(1)
University of California Riverside	6,470	4.7%
Riverside Unified School District	4,000	2.9
City of Riverside	2,569	1.9
Riverside Community College	2,000	1.5
Alvord Unified School District	1,669	1.2
Riverside Community Hospital	1,600	1.2
Press-Enterprise Co.	1,090	0.8
Parkview Community Hospital	1,000	0.7
Kaiser Permanente	900	0.7
Riverside Medical Clinic	600	0.4
Total	21,898	16.0%

(1) Based on total City employment of 137,200.
Source: City of Riverside, Development Department (as presented in the City's 2009 Comprehensive Annual Financial Report).

The 25 largest employers in the County are shown below.

Table 24
COUNTY OF RIVERSIDE
LARGEST EMPLOYERS
(As of January 1, 2009)

Employer Name	Location	Industry
Corrections Dept	Norco	State Govt-Correctional Institutions
Crossroads Truck Dismantling	Mira Loma	Automobile Wrecking (Whls)
Desert Sands Unified School District	La Quinta	Schools
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Eisenhower Medical Ctr	Rancho Mirage	Laboratories-Medical
Fantasy Springs Resort Casino	Indio	Bowling Centers
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hub International Of CA Ins	Riverside	Insurance
J W Marriott-Desert Spgs Resrt	Palm Desert	Hotels & Motels
Kaiser Permanente	Riverside	Physicians & Surgeons
La Quinta Resort & Club	La Quinta	Resorts
Morongo Casino Resort & Spa	Cabazon	Casinos
Mountain & Dunes Golf Courses	La Quinta	Golf Courses-Private
Pechanga Development Corp	Temecula	Casinos
Riverside City Council	Riverside	Government Offices-City, Village & Twp
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Hospitals
Riverside Forklift Training	Riverside	Trucks-Industrial (Whls)
Robertson's Ready-Mix	Corona	Concrete-Ready Mixed
Starcrest Of California	Perris	Internet & Catalog Shopping
Starcrest Products-California	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
University Of Cal-Riverside	Riverside	Schools-Universities & Colleges Academic
Watson Pharmaceuticals Inc	Corona	Marketing Programs & Services

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2009 2nd Edition

Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five years, including calendar year 2008. During the first nine months of calendar year 2009, the City issued building permits for 48 single-family (valued at $12,156,839) and 23 multi-family (valued at $711,339) residential units. During this same time, non-residential permits were valued at $59,707,392.

Table 25
CITY OF RIVERSIDE BUILDING PERMIT ACTIVITY
For Calendar Years 2004 Through 2008
(Valuation in Thousands of Dollars)

	2004	2005	2006	2007	2008
Permit Valuation					
New Single-family	$205,436.7	$333,223.8	$200,821.0	$88,770.6	$23,168.9
New Multi-family	23,610.9	44,223.8	32,498.8	59,369.5	24,410.6
Res. Alterations/Additions	22,225.7	22,817.8	17,139.3	18,372.3	16,864.6
Total Residential	251,273.3	400,265.4	250,459.2	166,512.4	64,444.1
New Commercial	161,598.7	107,106.2	118,436.2	117,693.6	55,156.5
New Industrial	14,593.8	26,909.5	35,584.2	45,943.6	13,778.9
New Other	32,324.4	35,436.2	26,905.6	27,857.2	11,023.8
Com. Alterations/Additions	40,374.2	56,320.9	63,389.1	67,889.5	59,695.9
Total Nonresidential	248,891.2	225,772.7	244,315.3	259,383.9	139,655.2
New Dwelling Units					
Single Family	820	1,442	847	342	69
Multiple Family	282	521	286	599	216
TOTAL	1,102	1,963	1,133	941	285

Source: Construction Industry Research Board, Building Permit Summary

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988 Riverside County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, Riverside County voters approved extending Measure A until 2039. Measure A is expected to generate $4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

APPENDIX B

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions contained in the Trust Agreement, the Lease Agreement, the Site Lease and the Assignment Agreement that are not summarized elsewhere in this Official Statement. For a summary description of the City of Riverside Certificates of Participation Series 2010 (Recovery Zone Facility Hotel Project), see "The Certificates." These summaries do not purport to be comprehensive, and reference should be made to said documents, copies of which may be obtained from the Trustee, for the complete text thereof.

TRUST AGREEMENT

APPOINTMENT OF TRUSTEE

The Trustee is appointed, and the Trustee accepts the appointment, to, among other things, receive, hold and disburse the money paid to it, to execute and deliver the Certificates and apply and disburse payments received pursuant to the Lease Agreement to Owners of the Certificates.

DEFINITIONS

The following terms have the indicated definitions in the Trust Agreement:

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to Section 6.04 of the Trust Agreement.

"Additional Rental" means the amounts specified as such in Section 3.01(b) of the Lease.

"Administrative Expense Fund" means the fund by that name established pursuant to Section 3.03 of the Trust Agreement.

"Agency" means the Redevelopment Agency of the City of Riverside.

"Agency Loan Agreement" means that certain loan agreement, dated as of March 1, 2010, by and between the City and the Agency.

"Assignment Agreement" means the Assignment Agreement dated as of the date hereof, between the Authority and the Trustee.

"Authority" means the Riverside Public Financing Authority, a joint powers authority duly organized and existing under the laws of the State of California.

"Base Rental" means the amounts specified as such in Section 3.01(a) of the Lease.

"Base Rental Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 of the Trust Agreement.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes in the State of California or the State of New York.

"Capitalized Interest Fund" means the fund by that name established in accordance with Section 3.09 of the Trust Agreement.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

"Certificate Fund" means the fund by that name established pursuant to Section 3.04 of the Trust Agreement.

"Certificate Register" means the books referred to in Section 2.08 of the Trust Agreement.

"Certificates" means the 2010 Certificates and all Additional Certificates.

"City" means the City of Riverside, a municipal corporation organized and existing under and by virtue of the laws of the State of California.

"City Representative" means the Mayor of the City, the City Manager, the Assistant City Manager, the Chief Financial Officer or another official designated by such officer and authorized to act on behalf of the City under or with respect to the Trust Agreement and all other agreements related hereto.

"Closing Date" means, with respect to the Certificates, March 30, 2010.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" means, with respect to the Certificates, that certain Continuing Disclosure Certificate, dated as of March 1, 2010, executed by the City, as it may from time-to-time be amended or supplemented.

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement, the Certificates and the official statement pertaining to the Certificates; Rating Agency fees; market study fees; legal fees and expenses of counsel with respect to execution and delivery of the Certificates; any computer and other expenses incurred in connection with the Certificates; any financial advisory fees; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); and any other fees and expenses incurred in connection with the execution and delivery of the Certificates, to the extent such fees and expenses are approved by the City.

"Costs of Issuance Fund" means the fund by that name established in accordance with Section 3.02(a) of the Trust Agreement.

"Defeasance Opinion" has the meaning given that term in Section 10.01 of the Trust Agreement.

"DTC" has the meaning given that term in Section 2.11(a) of the Trust Agreement.

"Earnings Fund" means the fund established under, and held by the Trustee pursuant to, Section 3.06 of the Trust Agreement.

"Excess Earnings Account" means the account by that name established within the Earnings Fund pursuant to Section 3.06 of the Trust Agreement.

"Fiscal Year" means the fiscal year of the City, which at the date of the Lease is the period from July 1 to and including the following June 30.

"Fitch" means Fitch Ratings and its successors and assigns.

"Independent Counsel" means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the City.

"Interest Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 of the Trust Agreement.

"Interest Payment Date" means, with respect to the Certificates, March 1 and September 1 in each year, commencing September 1, 2010, until the maturity or earlier prepayment date of the Certificates.

"Investment Earnings" means the investment earnings received in respect of money on deposit in any fund or account established pursuant to the Trust Agreement.

"Investment Earnings Account" means the account by that name established within the Earnings Fund pursuant to Section 3.06 of the Trust Agreement.

"Lease" means the Lease and Option to Purchase, dated as of the date hereof, between the Authority and the City with respect to the Leased Premises, including any amendments or supplements thereto.

"Lease Year" means the period from each March 1 to and including the following February 28 (or, if a leap year, February 29), during the term of the Lease.

"Leased Premises" means the real property, buildings and improvements described in Exhibit A to the Lease.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"Municipal Obligations" means bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long term rating categories assigned by such Rating Agencies.

"Nonarbitrage Certificate" means, with respect to the Certificates, the Tax Regulatory Agreement executed by the City, the Agency and the Developer on the date of execution and delivery of the Certificates, as such Nonarbitrage Certificate may be amended from time-to-time pursuant to the Trust Agreement.

"Outstanding" when used as of any particular time with respect to the Certificates, means all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except: (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates for the payment or prepayment of which funds or eligible securities in the necessary amount will have theretofore been deposited with the Trustee in accordance with the Trust Agreement (whether on or prior to the maturity or prepayment date of such Certificates); provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates will have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Prepayment Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 of the Trust Agreement.

"Prepayment Notice" has the meaning given that term in Section 4.03 hereof.

"Principal Account" means the account by that name established within the Certificate Fund pursuant to Section 3.04 of the Trust Agreement.

"Project" means the development, construction, installation, equipping and furnishing of (1) a 125 room hotel, consisting of a five story structure with guestrooms, lobby, fitness center, meeting spaces, an outdoor pool and ancillary facilities (collectively, the "Hotel Facilities"), to be located on the property bordered by Fifth Street (to the north), Market Street (to the west), Sixth Street (to the south) and a midblock alley (to the east) in the City of Riverside, California, and (2) a three-story parking structure consisting of approximately 400 parking spaces and approximately 12,000 square feet of street-level retail space (collectively, the "Garage Facilities") to be located at 3605 Market Street, Riverside, California,

"Project Fund" means the fund by that name established in accordance with Section 3.02(b) of the Trust Agreement.

"Qualified Investments" means, if and to the extent permitted by law:

(a) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("U.S. Government Securities");

(b) direct obligations* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:

(i) Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest;

(ii) Federal Housing Administration – debentures;

(iii) General Services Administration – participation certificates;

(iv) Government National Mortgage Association ("GNMAs") – guaranteed mortgage-backed securities and guaranteed participation certificates;

* The following are explicitly excluded from the securities enumerated in (b) and (c):
(1) all derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
(2) obligations that have a possibility of returning a zero or negative yield if held to maturity;
(3) obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
(4) Collateralized Mortgage-Backed Obligations ("CMOs").

(v) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates;

(vi) U.S. Department of Housing & Urban Development – local authority bonds;

(vii) U.S. Maritime Administration – guaranteed Title XI financings; and

(viii) Washington Metropolitan Area Transit Authority – guaranteed transit bonds;

(c) direct obligations* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:

(i) Federal National Mortgage Association ("FNMAs") – senior debt obligations rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by Standard & Poor's Ratings Services ("S&P");

(ii) Federal Home Loan Mortgage Corporation ("FHLMCs") – participation certificates and senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P;

(iii) Federal Home Loan Banks – consolidated debt obligations;

(iv) Student Loan Marketing Association – debt obligations; and

(v) Resolution Funding Authority – debt obligations;

(d) direct, of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed debt is rated, at the time of purchase, "A2" or better by Moody's and "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed debt is rated, at the time of purchase, "A2" or better by Moody's and "A" or better by S&P;

(e) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Authority ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund;

(g) certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank; provided that such bank's short-term certificates of deposit are rated "P-1" by Moody's and "A-1" or better by S&P (not considering holding company ratings);

(h) investments in money-market funds rated "AAAm" or "AAAm-G" by S&P;

(i) state-sponsored investment pools rated "AA-" or better by S&P;

(j) repurchase agreements that meet the following criteria:

(i) a master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction;

(ii) acceptable providers will consist of (A) registered broker/dealers or banks subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of "A3"/"P-1" or better by Moody's and "A-"/"A-1" or better by S&P; or (B) domestic structured investment companies rated "Aaa" by Moody's and "AAA" by S&P;

(iii) the repurchase agreement will require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below "A3" or "P-1" from Moody's, or "A-" or "A-1" from S&P. Within 10 days, the counterparty will repay the principal amount plus any accrued and unpaid interest on the investments;

(iv) the repurchase agreement will limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in (b)(iv), (c)(i) and (c)(ii) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMAs, FNMAs or FHLMCs. The repurchase agreement will require (A) the Trustee or the Agent to value the collateral securities no less frequently than weekly, (B) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (C) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two business days of such valuation;

(v) the repurchase securities will be delivered free and clear of any lien to the bond trustee (herein, the "Trustee") or to an independent third party acting solely as agent ("Agent") for the Trustee, and such Agent is (A) a Federal Reserve Bank; or (B) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than $50 million, and the Trustee will have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee;

(vi) a perfected first security interest in the repurchase securities will be created for the benefit of the Trustee, and the issuer and the Trustee will receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof;

(vii) the repurchase agreement will have a term of one year or less, or will be due on demand;

(viii) the repurchase agreement will establish the following as events of default, the occurrence of any of which will require the immediate liquidation of the repurchase securities:

(A) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;

(B) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under clause (b)(iv) above; or

(C) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase;

(k) investment agreements, guaranteed investment contracts, funding agreements, or any other form of obligation or corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed in full by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest Rating Categories by two or more Rating Agencies;

(l) forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:

(i) a specific written investment agreement governs the transaction; (ii) acceptable providers will be limited to (A) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P; (B) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated "A3"/"P-1" or better by Moody's and "A-"/"A-1" or better by S&P; and (C) domestic structured investment companies rated "Aaa" by Moody's and "AAA" by S&P;

(iii) the forward delivery agreement will provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below "A3" or "P-1" from Moody's or "A-" or "A-1" from S&P. Within 10 days, the provider will fulfill any obligations it may have with respect to shortfalls in market value. There will be no breakage fee payable to the provider in such event;

(iv) permitted securities will include the investments listed in clauses (a), (b) and (c) above;

(v) the forward delivery agreement will include the following provisions:

(A) the permitted securities must mature at least one business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date;

(B) the agreement will include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There will be no breakage fee or penalty payable to the provider in such event;

(C) any breakage fees will be payable only on debt service payment dates and will be subordinated to the payment of debt service and debt service reserve fund replenishments;

(D) the provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate; and

(E) the agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended;

(m) forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the issuer or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement; and

(n) certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collaterialize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated on the date of purchase A-1 or better by S&P, Moody's and Fitch.

(0) maturity of investments will be governed by the following:

(i) investments of moneys (other than reserve funds) will be in securities and obligations maturing not later than the dates on which such moneys will be needed to make payments;

(ii) investments will be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements; and

(iii) investments of moneys in reserve funds not payable upon demand will be restricted to maturities of five years or less.

"Qualified Tax-Exempt Obligations" means Municipal Obligations the interest on which is (a) excluded from gross income for federal income tax purposes, and (b) is not a specific tax preference item for purposes of the federal alternative minimum tax.

"Rating Agencies" means, collectively, Fitch, Moody's and S&P, and, if any such Rating Agency will for any reason no longer perform the functions of a securities rating agency, will be deemed to refer to any other nationally recognized securities rating agency designated by the City. Unless the context dictates otherwise, whenever rating categories of any Rating Agency are specified in the Trust Agreement, such categories will be irrespective of gradations within a category.

"Rebate Amount" has the meaning given such term in the Nonarbitrage Certificate.

"Record Date" means the fifteenth day of each month immediately preceding a month in which an Interest Payment Date occurs.

"Representation Letter" has the meaning given that term in Section 2.11(a) of the Trust Agreement.

"Reserve Fund" means the fund established pursuant to Section 3.05 of the Trust Agreement.

"Reserve Requirement" means, as of any date of calculation, the least of (a) 10% of the principal amount of the Certificates Outstanding, (b) the maximum Base Rental payable by the City in any Lease Year between such date and the expiration of the Lease, and (c) 125% of the average annual Base Rental on the Certificates Outstanding.

"S&P" means Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc., and its successors and assigns.

"Site Lease" means the Site and Facilities Lease, dated as of the date hereof, between the City and the Authority with respect to the Leased Premises, including any amendments or supplements thereto.

"Special Account" means the account established by the Trustee pursuant to Section 3.10 of the Trust Agreement for the purposes described therein.

"State" means the State of California.

"Trust Agreement" means the Trust Agreement, by and among the City, the Authority and the Trustee, including any amendments or supplements hereto.

"Trustee" means the Trustee acting in its capacity as such under the Trust Agreement or any successor appointed as provided in the Trust Agreement.

"2010 Certificates" means the City's Certificates of Participation, Series 2010 (Recovery Zone Facility Hotel Project), executed and delivered pursuant to the Trust Agreement.

FUNDS AND ACCOUNTS

Costs of Issuance Fund. The Trustee will establish and maintain a separate special fund to be held by the Trustee known as the Costs of Issuance Fund. The Trustee will disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance related to the Certificates, in each case upon the written request of the City, in substantially the form of Exhibit B to the Trust Agreement. On August 1, 2010, the Trustee will transfer any amounts then remaining in the Costs of Issuance Fund to the Project Fund, and upon such transfer the Costs of Issuance Fund will be closed.

Project Fund. The Trustee will establish and maintain a separate special fund to be held by the Trustee known as the Project Fund. The Trustee will disburse moneys from the Project Fund on such dates and in such amounts as are necessary to pay costs of the Project, in each case either upon the written request of the Agency pursuant to the Agency Loan Agreement and approved by the City, or upon the written request of the City in substantially the form of Exhibit C to the Trust Agreement.

Upon receipt by the City of a certificate of occupancy with respect to the Hotel Facilities (the "Hotel Facilities Completion Certificate"), the City will deliver a copy thereof to the Trustee. Upon completion of the Project, the City will deliver a certificate to the Trustee the Project is complete and date of the completion of the Project and that the expenses incidental thereto have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount until such dispute is resolved, or that all of such costs have been paid less amounts retained for the payment of fees of the Trustee through the estimated date of completion of the Project). Upon the receipt of such certificate, the Trustee will transfer any remaining balance in the Project Fund (but less the amount of any such retention) to the Certificate Fund and will be used and applied to pay the principal of the Certificates as such principal becomes due and payable, and the Project Fund will be closed

Establishment and Application of Administrative Expense Fund. There is established in trust a special fund designated the "Administrative Expense Fund," which will be held by the Trustee. The Trustee will disburse money from the Administrative Expense Fund on such dates and in such amounts as are necessary to pay all expenses of the Authority or the City (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) incidental to the execution and delivery of the Certificates.

Establishment and Application of Certificate Fund. There is established in trust a special fund designated the "Certificate Fund," which will be held by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Lease Agreement, or until such earlier date as there are no Certificates Outstanding. Within the Certificate Fund, the Trustee will establish the Base Rental Account, Interest Account, Principal Account, and Prepayment Account.

(a) Base Rental Account. Except as otherwise provided in the Trust Agreement or in a supplement or amendment to the Trust Agreement, Base Rental and proceeds of rental interruption insurance with respect to the Leased Premises, if any, received by the Trustee will be deposited in the Series 2010 Subaccount of the Base Rental Account. On each Interest Payment Date with respect to the Certificates, moneys in the Series 2010 Subaccount of the Base Rental Account will be transferred to the Series 2010 Subaccounts of the Interest Account and the Principal Account in accordance with Sections 3.04(b) and (c) of the Trust Agreement. Any amounts remaining in the Series 2010 Subaccount of the Base Rental Account on an Interest Payment Date after the transfers referred to in the preceding sentence have been made will be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement; (ii) the Series 2010 Subaccount of the Interest Account to the extent necessary to make the total amount so deposited equal to the amount of the interest component of the next succeeding Base Rental payment; and (iii) the Series 2010 Subaccount of the Principal Account to the extent necessary to make the total amount so deposited equal to the amount of the principal component of the next Base Rental payment which has a principal component. Amounts not required to be so deposited will be remitted to the City. Any delinquent Base Rental payments and any proceeds of rental interruption insurance with respect to the Leased Premises deposited in the Series 2010 Subaccount of the Base Rental Account will be applied first to the Series 2010 Subaccount of the Interest Account for the immediate payment of interest payments past due and then to the Series 2010 Subaccount of the Principal Account for immediate payment of principal payments past due according to the tenor of any Certificate, and then to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Any remaining moneys representing delinquent Base Rental payments and any proceeds of rental interruption insurance will remain on deposit in the Series 2010 Subaccount of the Base Rental Account to be applied in the manner provided in the Trust Agreement.

(b) Interest Account. The Trustee will transfer from the Series 2010 Subaccount of the Base Rental Account to the Series 2010 Subaccount of the Interest Account on each Interest Payment Date an amount which, together with moneys on deposit in the Series 2010 Subaccount of the Interest

Account (or to be deposited therein pursuant to Section 3.06 of the Trust Agreement on or prior to such Interest Payment Date), equals the interest then due on such Interest Payment Date with respect to the Certificates in accordance with the terms of the Trust Agreement.

(c) Principal Account. The Trustee will transfer from the Series 2010 Subaccount of the Base Rental Account to the Series 2010 Subaccount of the Principal Account on each Interest Payment Date an amount which, together with moneys on deposit in the Series 2010 Subaccount of the Principal Account, equals the principal then due or required to be prepaid on such Interest Payment Date with respect to the 2010 Certificates.

(d) Prepayment Account. Any proceeds of insurance (other than rental interruption insurance) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Leased Premises, and any other amounts provided for the prepayment of Certificates in accordance with Section 4.01 of the Trust Agreement, will be deposited by the Trustee in the Series 2010 Subaccount of the Prepayment Account. On the scheduled prepayment date, the Trustee will withdraw from the Series 2010 Subaccount of the Prepayment Account and pay to the Owners entitled thereto the prepayment price of the 2010 Certificates prepaid on such date.

Establishment and Application of Reserve Fund. There is established in trust a special fund designated the "Reserve Fund," which will be held by the Trustee and which will be kept separate and apart from all other funds and money held by the Trustee. There will be deposited in the Reserve Fund those amounts required to be deposited therein pursuant to the Trust Agreement. The Trustee will maintain and administer the Reserve Fund as provided in this Article III until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Certificates Outstanding.

If on any Interest Payment Date the amounts in the applicable subaccounts of the Certificate Fund are less than the principal and interest payments due with respect to the Outstanding Certificates on such date, then the Trustee will transfer from the Reserve Fund for credit to the applicable subaccounts of the Interest Account and the Principal Account of the Certificate Fund, respectively, amounts sufficient to make up such deficiencies. In the event of any such transfer, the Trustee will, within five days thereafter, provide written notice to the City of the amount and the date of such transfer. Unless otherwise directed by the City, the Trustee will transfer any amounts in the Reserve Fund in excess of the Reserve Requirement first to the Series 2010 Account of the Administrative Expense Fund to the extent needed to pay expenses pursuant to Section 3.03 of the Trust Agreement, then to the Series 2010 Subaccount of the Base Rental Account.

Establishment and Application of Earnings Fund. There is established in trust a special fund designated the "Earnings Fund," which will be held by the Trustee and which will be kept separate and apart from all other funds and money held by the Trustee. The Trustee will administer the Earnings Fund as provided in this Article III and in Section 7.05 of the Trust Agreement. The Earnings Fund will be maintained by the Trustee until the City directs, in writing, that it be closed. The Trustee will establish and maintain within the Earnings Fund an account designated the "Investment Earnings Account" and an account designated the "Excess Earnings Account." Within each such account, the Trustee will establish a Series 2010 Subaccount. All moneys in the Investment Earnings Account and the Excess Earnings Account will be held by the Trustee in trust and will be kept separate and apart from all other funds and accounts held by the Trustee. Pursuant to Section 3.17 of the Trust Agreement, the Trustee will transfer all Investment Earnings on deposit in the funds and accounts established hereunder with respect to the Certificates (other than the applicable accounts or subaccounts of the Excess Earnings Account, the Interest Account and the Principal Account of the Certificate Fund, and the Administrative Expense Fund) to the Series 2010 Subaccount of the Investment Earnings Account. All amounts deposited into the Series 2010 Subaccounts of the Excess Earnings Account and the Investment Earnings Account will be retained in such accounts until transferred in accordance with the direction in writing of the City in accordance with the Nonarbitrage Certificate.

Pursuant to the Nonarbitrage Certificate, the City is required to compute its Rebate Amount, as such term is defined in the Nonarbitrage Certificate, at least once each year. After any such Rebate Amount computation, the City will ascertain whether the amount on deposit in the Series 2010 Subaccount of the Excess Earnings Account is at least equal to the Rebate Amount it has earned. If the amount on deposit in the Series 2010 Subaccount of the Excess Earnings Account is less than the Rebate Amount earned, the Trustee will transfer moneys from the Series 2010 Subaccount of the Investment Earnings Account to the Series 2010 Subaccount of the Excess Earnings Account in accordance with instructions from the City. Any amounts remaining in the Series 2010 Subaccount of the Investment Earnings Account will be transferred to the following funds and accounts in the order of priority indicated: (a) to the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement; (b) to the Series 2010 Account of the Administrative Expense Fund to the extent needed to pay expenses of the Authority and the City pursuant to Section 3.03 of the Trust Agreement; (c) to the Series 2010 Subaccount of the Interest Account to the extent necessary to make the total amount deposited therein equal to the amount of the interest component of the next succeeding Base Rental payment; and (d) to the Series 2010 Subaccount of the Principal Account to the extent necessary to make the total amount deposited therein equal to the amount of the principal component of the next succeeding Base Rental payment which has a principal component.

Any moneys deposited in the Excess Earnings Account will be applied to payments of Rebate Amount to the United States of America in accordance with written instructions of the City, unless the City will direct the Trustee in writing that such moneys are not needed for such purpose and are to be transferred to another fund or account established pursuant to the Trust Agreement..

Establishment and Application of Capitalized Interest Fund. The Trustee will establish and maintain in trust a separate fund designated as the "Capitalized Interest Fund." The Capitalized Interest Fund will be established for the purpose of setting aside and paying capitalized interest with respect to the Certificates. As set forth in the Trust Agreement, at the time of the execution and delivery of the Certificates a portion of the proceeds of the Certificates will be deposited into the Capitalized Interest Fund. Subject to the immediately preceding sentence, on or prior to each Interest Payment Date, the Trustee will withdraw amounts on deposit in the Capitalized Interest Fund and deposit such amounts into the Series 2010 Subaccount of the Interest Account to be utilized to pay interest with respect to the Certificates due on such Interest Payment Date. All interest earnings on amounts in the Capitalized Interest Fund will be retained in the Capitalized Interest Fund and applied to pay capitalized interest with respect to the Certificates. The Trustee will continue such withdraws and transfers until (a) the amounts in the Capitalized Interest Fund are depleted, or (b) the Trustee receives a Hotel Facilities Completion Certificate (as defined in the Trust Agreement) from the City. At such time, any amounts remaining in the Capitalized Interest Fund will be transferred to the Project Fund and the Capitalized Interest Fund will be closed.

Surplus. After payment or prepayment of all amounts due with respect to the Certificates (or a defeasance of the Certificates), the payment of all fees and expenses to the Trustee, or satisfactory provision for such payments having been made, and the transfer of any amounts required to be transferred to the Series 2010 Subaccount of the Excess Earnings Account in accordance with the Nonarbitrage Certificate, any amounts remaining in any of the funds or accounts established under the Trust Agreement with respect to the Certificates and not required for the purposes set forth in the Trust Agreement will be remitted to the City and used for any lawful purpose thereof; provided, however, in the event of defeasance, amounts will not be remitted to the City until the City has delivered or caused to be delivered to the Trustee an opinion of Independent Counsel to the effect that remission of such amounts to the City will not affect the exclusion from gross income for federal income tax purposes of any Base Rental payment under the Lease Agreement comprising interest with respect to the Certificates.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Lease Agreement, such Additional Rental will be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received.

Repair or Replacement; Application of Insurance Proceeds and Condemnation Awards. If the Leased Premises or any portion thereof will be stolen, damaged or destroyed, the City will continuously and diligently repair or replace the Leased Premises or such portion thereof, unless the City elects not to repair or replace the Leased Premises or such portion thereof. If the Leased Premises or any portion thereof will be taken by eminent domain proceedings, the City will take such action as is reasonably necessary to obtain compensation for a taking by eminent domain at least equal to the proportionate amount of the Outstanding Certificates related to the Leased Premises or such portion thereof taken.

In the event the Trustee receives proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance fund, and of any condemnation award, received on account of any damage, destruction or taking of the Leased Premises or any portion thereof, the Trustee will establish in trust a special account designated the "Special Account." Any such proceeds will be held by the Trustee in the Special Account and made available for, and to the extent necessary be applied to, the cost of repair or replacement of the Leased Premises or such portion thereof. Pending such application, such proceeds will be invested by the Trustee, as directed in writing by the City, in Qualified Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

The City will notify the Trustee (in writing) within 90 days of the receipt by the Trustee of insurance or condemnation proceeds, whether the City intends to replace or repair the Leased Premises or the portion thereof in respect of which such proceeds were received, in which event the City will promptly deposit with the Trustee the full amount of any insurance deductible to be credited to the Special Account. The City will replace or repair the Leased Premises or such portion thereof as required in the Lease Agreement, unless it deposits the full amount of any insurance deductible and all other amounts necessary to prepay the Certificates relating to the Leased Premises or such portion thereof into the applicable subaccount of the Prepayment Account and the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Certificates after the date on which Certificates relating to the Leased Premises or such portion thereof are prepaid. The proceeds of any insurance (other than rental interruption insurance), including the proceeds of any self-insurance fund or of any condemnation award, not applied to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing by the City of its intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken will not have been given to the Trustee within six months after receipt of such proceeds by the Trustee, or which the City will at any time during such period have notified the Trustee in writing are not to be so applied, will forthwith be deposited into the applicable subaccount of the Prepayment Account and applied to the prepayment of Certificates.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Premises will be applied and disbursed by the Trustee upon written direction of the City as follows:

(a) if the City determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Premises and will not result in an abatement of Base Rental payable by the City under the Lease Agreement, such proceeds will be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited will be remitted to the City and used for any lawful purpose thereof; or

(b) if any portion of the Leased Premises has been affected by such title defect, and if the City determines that such title defect will result in an abatement of Base Rental payable by the City under the Lease, then the Trustee will immediately deposit such proceeds in the applicable subaccount of the Prepayment Account of the Certificate Fund and such proceeds will be applied to the prepayment of Certificates.

Investments Authorized. Subject to certain restrictions contained in the Trust Agreement, money held by the Trustee in any fund or account will be invested by the Trustee in Qualified Investments pending application as provided therein subject to the direction of the City, will be registered in the name of the Trustee where applicable, as Trustee, and will be held by the Trustee, where applicable. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, authorized investments authorized. The Trustee may act as agent in the making or disposing of any investment. The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Trust Agreement.

The Trustee will furnish the City periodic cash transaction statements which include details for all investment transactions made by the Trustee.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account under the Trust Agreement, all Qualified Investments will be valued as frequently as deemed necessary by the City, but not less often than quarterly at the market value of such investments (exclusive of accrued interest). Such valuations may be in the form of the Trustee's customary statement. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value will be restored by the City no later than the succeeding valuation date. The Trustee may sell at the best price obtainable, or present for prepayment, any Qualified Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from any fund or account hereunder, and the Trustee will not be liable or responsible for any loss resulting from such investment or sale.

Application of Investment Earnings. Prior to delivery to the Trustee of the Certificate of the City with respect to completion of the Project, the Trustee will deposit, as and when received, all Investment Earnings in the Project Fund. After delivery to the Trustee of such certificate, the Trustee will deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it hereunder (except the Excess Earnings Account of the Earnings Fund, the Certificate Fund and the Administrative Expense Fund) into the Investment Earnings Account of the Earnings Fund. Following the computation of Rebate Amount and, to the extent required, the transfer of Rebate Amount to the Excess Earnings Account pursuant to the Nonarbitrage Certificate and the Trust Agreement, any amounts remaining in the Investment Earnings Account will be applied as set forth in the Trust Agreement. Investment Earnings on amounts on deposit in the Certificate Fund and the Administrative Expense Fund will remain in such Funds and be applied in accordance with Trust Agreement provisions governing such funds.

THE TRUSTEE AND PAYING AGENTS

Removal of Trustee. The City may at any time, when not in default, for good cause shown, or the Owners of a majority in aggregate principal amount of all Certificates then Outstanding may by written request at any time and for any reason, remove the Trustee or any successor thereto, and will thereupon appoint a successor or successors. The City may, for any breach of trust by the Trustee and following any event of default, remove the Trustee and any successor thereto, and the City may, subject to the requirements set forth above, appoint a successor thereto. Any removal of the Trustee will become effective upon acceptance of appointment by the successor Trustee.

Resignation of Trustee. The Trustee or any successor may at any time resign by giving written notice to the City and by giving mailed notice to the Owners of its intention to resign which will be effective upon appointment and acceptance by a successor Trustee.

Protection and Rights of the Trustee. The Trustee will be protected and will incur no liability whatsoever in acting upon or processing any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which the responsible trust officer of the Trustee will believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry whatsoever as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be liable for any error in judgment made in good faith by a responsible officer of the Trustee, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

AMENDMENTS

Amendments to Trust Agreement. The Trust Agreement may be amended in writing by agreement between the parties, but no such amendment will become effective as to the Owners of Certificates then Outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, upon the written agreement of the City, the Authority and the Trustee, but only (a) in regard to questions arising under the Trust Agreement which the City, the Authority and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which will not adversely affect the interests of the Owners of the Certificates; (b) to preserve and maintain the exclusion from gross income for federal income tax purposes of that portion of each Base Rental payment designated as and comprising interest; (c) to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time-to-time in effect; (d) to authorize the execution and delivery of Additional Certificates if the conditions set forth in the Trust Agreement are met; or (e) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates.

Amendments to Lease Agreement, Site Lease and Assignment Agreement. The Lease, the Site Lease and the Assignment Agreement may be amended in writing by agreement between the parties thereto, with the consent of the Trustee, but no such amendment will become effective as to the Owners of Certificates unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. The Lease, the Site Lease and the Assignment Agreement and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of any Owners of the Certificates upon the written agreement of the City and the Authority, but only (a) for the purpose of amending the Leased Premises pursuant to the Lease; (b) in regard to questions arising under the respective Lease, the Site Lease or the Assignment Agreement that the City and the Authority may deem necessary or desirable and not inconsistent with such Lease, Site Lease or Assignment Agreement and that will not adversely affect the interests of the Owners of the Certificates; (c) to provide for the authorization of Additional Certificates if the conditions set forth in the Trust Agreement have been met; or (d) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates.

Additional Certificates. The City may, from time-to-time, with the prior written consent of the Authority, by a supplement or amendment to this Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Lease, on parity with the Outstanding Certificates. The Trustee will execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) a copy of a supplement or amendment to the Trust Agreement authorizing such series of Additional Certificates which will, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates; (ii) the purpose for which such Additional Certificates are to be executed and delivered; (iii) the maturity date or dates of such Additional Certificates; (iv) the interest payment dates for and the interest rate or rates payable with respect to the Additional Certificates of such series; (v) the denominations of and the manner of dating and numbering such Additional Certificates; (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates; (vii) the form of such Additional Certificates; (viii) the establishment of and provisions concerning additional accounts and subaccounts in the funds and accounts held by the Trustee under this Trust Agreement to provide for the payment of principal of, premium, if any, and interest with respect to such Additional Certificates; (ix) the Reserve Requirement immediately following the execution and delivery of such Additional Certificates; and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the City and the Authority will deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts;

(b) a duly executed copy of an amendment to the Lease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Premises; and (ii) the insurance provisions of the Lease will provide adequate coverage for any new Leased Premises. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence will be evidenced by a written certificate of a City Representative. If appropriate, such amendment will contain any modifications necessary to include additional real property, buildings or improvements in the Leased Premises in connection with the execution and delivery of such Additional Certificates;

(c) evidence that any amendments to the Lease, Site Lease or Assignment Agreement executed in connection with such Additional Certificates have been duly recorded in the official records of the County Recorder of the County of Riverside.

(d) if such Additional Certificates are being executed and delivered to finance the construction or acquisition of new additions or improvements to the existing Leased Premises, such written certificate of a City Representative will, in addition to the requirements in subsection (b) above, certify that: (i) the fair rental value of the Leased Premises, without taking into account such new buildings or improvements, is at least equal to the Base Rental payable under the Lease, as amended; (ii) the fair rental value of the Leased Premises, including any new real property, buildings or improvements which are completed and are available for use and possession by the City and constitute a portion of the Leased Premises under the Lease, as amended, is at least equal to the Base Rental payable under the Lease, as amended; or (iii) the fair rental value of the Leased Premises, including such new real property, buildings or improvements, when acquired or completed, will be at least equal to the Base Rental payable under the Lease, as amended, which certificate, in the case of clause (iii) above, will include a further certification that the City has provided for the deposit of a sufficient amount of capitalized interest to pay interest with respect to such Additional Certificates until such scheduled completion date (which certification may be waived by the Trustee if the Trustee receives evidence satisfactory to it that the payment of such interest has been otherwise provided for);

(e) an opinion or opinions of Independent Counsel substantially to the effect that (i) the supplement or amendment to the Trust Agreement and any amendment to the Lease, the Site Lease or the Assignment Agreement executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Trust Agreement and have been duly and validly authorized, executed and delivered by each of the City and the Authority, as appropriate, and constitute the legally valid and binding obligations of the City and the Authority, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee; and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest with respect to the Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis; and

(f) written evidence from the Rating Agencies that the execution and delivery of such Additional Certificates will not, by itself, result in a downgrading of the ratings assigned to any Certificates from the ratings in effect immediately prior to such execution and delivery of such Additional Certificates.

EVENTS OF DEFAULT

Events of Default Defined. The following are "events of default" under the Trust Agreement and the terms "events of default" and "default" will mean, whenever they are used in the Trust Agreement, any one or more of the following events:

(a) An event of default will have occurred under the Lease Agreement.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement, other than such failure as may constitute an event of default under clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding; provided, however, that if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension (i) would not materially adversely affect the interest of any Owner, and (ii) does not exceed a total of 60 days.

(c) Failure by the City to perform its obligation to deposit the Base Rental with the Trustee as set forth in the Lease for a period of five days after written notice specifying such failure has been given to the City by the Trustee.

Notice of Events of Default. In the event the City is in default, the Trustee will give notice of such default to the Owners of the Certificates. Such notice will state that the City is in default and will provide a brief description of such default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners.

Remedies on Default. Upon the occurrence and continuance of any event of default specified in Section (a) or (c) above, the Trustee will proceed, or upon the occurrence and continuance of any other event of default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding will proceed), to exercise the remedies set forth in the Lease Agreement or available to the Trustee in the Trust Agreement.

Collection of Base Rental Payments. The Trustee will take any appropriate action to cause the City to pay any Base Rental payment not paid when due, upon written request and authorization by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding and unpaid, and upon being satisfactorily indemnified against any expense and liability with respect thereto and receiving payment for its fees and expenses.

Action by Owners. In the event the Trustee fails to take any action to eliminate an event of default under the Lease Agreement or under the Trust Agreement, the Owners of a majority in aggregate principal amount of Certificates then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease Agreement or the Trust Agreement, but only if such Owners will have first made written request of the Trustee after the right to exercise such powers or right of action will have arisen, and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee will have been offered security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused or neglected to comply with such request within 90 days.

Application of Proceeds in Event of Default. All payments received by the Trustee with respect to the rental of any portion of the Leased Premises after a default by the City, and all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Lease Agreement, after payments of all fees and expenses of the Trustee, including those of its attorneys and advisors, will be deposited by the Trustee into the Base Rental Account in the Certificate Fund.

LIMITATION OF LIABILITY

No Liability of City for Trustee Performance. The City will not have any obligation or liability to any other party or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement, including the distribution by the Trustee of principal and interest to the Owners of the Certificates.

No Liability of Trustee for Base Rental Payments by City. Except as provided in the Trust Agreement, the Trustee will have no obligation or liability to the Owners of the Certificates with respect to the payment of the Base Rental by the City when due, or with respect to the performance by the City of any other covenant made by it in the Lease.

No Liability of City Except as Stated. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the terms of the Lease; and (b) the performance by the City of its obligations and duties as set forth in the Lease, the Site Lease and in the Trust Agreement, the City will have no obligation or liability to the Trustee or the Owners.

Limited Liability of Trustee. The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment quality of the Certificates, for the sufficiency or collection of any Base Rental or for the actions or representations of any other party to the Trust Agreement. The Trustee will have no obligation or liability to any other party or to the Owners with respect to the failure or refusal of any other party to perform any covenant or agreement made by it under the Trust Agreement or the Lease Agreement, but will be responsible solely for the performance of the duties expressly imposed upon it under the Trust Agreement. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct.

Indemnification. To the extent permitted by law, the City agrees to indemnify and save the Trustee, its officers, directors, agents and employees (collectively, the "Indemnitees") harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages suffered by it as a result thereof, where and to the extent such claim, suit or action is related to or arises from the Trustee's acceptance and performance of its duties under the Trust Agreement and the Lease including where and to the extent such claim arises out of the actions of any other party to the Trust Agreement or the Lease. Such indemnification will not extend to judgments obtained against the Indemnitees and expenses of litigation in connection therewith based upon the negligence or willful default of the Indemnitees in performing and carrying out the duties specifically imposed upon and to be performed by them pursuant to the Trust Agreement.

Indemnification of the Authority. The City agrees to indemnify, defend and hold the Authority free and harmless from and against any and all claims, loss, liability, cost or expense (including reasonable attorneys' fees) arising from or in connection with any rights or obligations assigned by the Authority to the Trustee pursuant to the Assignment Agreement, effective from and after the date of the execution and delivery of the Assignment Agreement.

DEFEASANCE

If all Outstanding Certificates executed and delivered pursuant to the Trust Agreement will be paid and discharged in any one or more of the following ways:

(1) by well and truly paying or causing to be paid the principal and interest with respect to all such Certificates Outstanding, as and when the same become due and payable;

(2) by the deposit by the City with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Certificate Fund, the Project Fund, the Capitalized Interest Fund and the Reserve Fund without the need for further investment, is fully sufficient to pay all such Certificates Outstanding, including all principal, premium, if any, and interest at or before their respective maturity dates, notwithstanding that any Certificates will not have been surrendered for payment; or

(3) by depositing with the Trustee, in trust, lawful money or direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed by the United States of America (provided that such guaranteed obligations are eligible for AAA defeasance under then-existing criteria of S&P) which, in the opinion of Independent Counsel, are permitted under regulations issued pursuant to Section 149(b) of the Code and will not impair the tax exemption of interest with respect to the Certificates, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge all such Certificates Outstanding (including

all principal, premium (if any) and interest) at or before their respective maturity dates, notwithstanding that any Certificates will not have been surrendered for payment;

then, provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment will have been given or provision satisfactory to the Trustee will have been made for the giving of such notice, all obligations of the Trustee and the City under the Trust Agreement with respect to all such outstanding Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid from the amounts deposited with it to the Owners of the Certificates all sums due thereon and the obligation of the City to pay to the Trustee the amounts owing to the Trustee and the obligation of the City to disburse monies in the Excess Earnings Fund to the federal government pursuant to the Nonarbitrage Certificate. In the event such Certificates are not by their terms subject to prepayment within the next succeeding 60 days of such discharge, the City will have given the Trustee in form satisfactory to it instructions to mail, as soon as practicable after such discharge, a notice to the Owners of such Certificates that the deposit required by subsections (2) or (3) above has been made with the Trustee and that said Certificates are deemed to have been paid and stating such maturity or prepayment date upon which monies are expected, to be available for the payment of the principal or prepayment price, if applicable, on said Certificates.

LEASE AND OPTION TO PURCHASE

Agreement to Lease; Term of Lease Agreement. The Authority agrees to Lease the Leased Premises to the City, and the City agrees to pay Base Rental and Additional Rental for the use and occupancy of the Leased Premises, all on the terms and conditions set forth in the Lease. The Lease Term (the "Lease Term") will begin on the date of execution and delivery hereof and will end on March 1, 2040, or at such earlier time as the Certificates have been paid or provision for their payment has been made in accordance with the provisions of the Lease and the Trust Agreement; provided, however, that (a) the Lease will terminate at such time and in the event such Leased Premises are purchased pursuant to the Lease, or at such time and in the event such Leased Premises, or so much thereof as to render the remainder of such Leased Premises unusable, will be taken by eminent domain; and (b) in the event the parties amend the Base Rental payable in connection with the execution and delivery of Additional Certificates pursuant to the Trust Agreement, the Lease Term may be concurrently extended by the parties hereto (subject to subsequent adjustment pursuant to clause (a) hereof).

Substitution and Release of Leased Premises**.** Notwithstanding anything contained in the Lease Agreement to the contrary, the Leased Premises may be amended, modified, released, transferred, changed or substituted by other properties, solely in the discretion of the City; provided, however, that: (a) such amendment, modification, release, transfer, change or substitution complies with the requirements of the Trust Agreement; and (b)(i) such amendment, modification, release, transfer, change or substitution does not, in the opinion of Independent Counsel, adversely affect the tax-exempt status of the Certificates; (ii) the City delivers to the Trustee a certificate of a City Representative confirming that (A) the fair rental value of the Leased Premises following such amendment, modification, release, transfer, change or substitution is at least equal to the Base Rental payable under the Lease on and after the date of such amendment, modification, release, transfer, change or substitution; and (B) the useful life of any amended, modified, transferred, changed or substituted Leased Premises equals or exceeds the remaining term of the Lease; (iii) the City will provide evidence that the title insurance required under the Lease Agreement includes such amended, modified, transferred, changed or substituted Leased Premises and, prior to the release of all or any portion of the Leased Premises, the City will provide evidence that the existing title insurance required under in the Lease Agreement on the remaining Leased Premises is not affected by such release; and (iv) the City has been advised in writing by each Rating Agency then providing a rating or ratings on Outstanding Certificates, and which will have received notice of such amended, modified, released, transferred, changed or substituted Leased Premises, that such amendment, modification, release, transfer, change or substitution will not, in and of itself, result in a reduction of any such ratings by such Rating Agency.

Transfer of Title. Upon payment of all Base Rental and Additional Rental required by the Lease Agreement with respect to the Leased Premises, or the termination of the Lease Agreement with respect to any portion of the Leased Premises, title to the Leased Premises, and any improvements thereon or additions thereto, will be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City.

Rental Payments. The parties agree that, the fair rental value of the Leased Premises is not less than the amount set forth in the certificate of the City delivered on the Closing Date. In satisfaction of its obligations under the Lease Agreement, the City will pay Base Rental and Additional Rental in the amounts, at the times and in the manner set forth therein, such amounts constituting in the aggregate the rental payable under such Lease Agreement as follows:

Base Rental.

(i) The City agrees to pay from legally available funds Base Rental in the amounts set forth in Exhibit B to the Lease Agreement, a portion of which will constitute principal and a portion of which will constitute interest as determined in accordance with the terms of Exhibit B. Base Rental payable by the City will be due on or before each March 1 and September 1 during the Lease Term commencing September 1, 2010 or on the next succeeding Business Day in the event that any such day is not a Business Day. Base Rental payable in any Fiscal Year will be for the use and occupancy of the Leased Premises for such Fiscal Year.

(ii) Exhibit B sets forth the Base Rental with respect to the Leased Premises. In the event the City exercises its option to purchase the Leased Premises or portions thereof, then from and after the date of purchase, each installment of Base Rental will be reduced by an amount equal to the Base Rental attributable to the Leased Premises or portions thereof so purchased.

(iii) To secure the performance of its obligation to pay Base Rental, the City will deposit Base Rental with the Trustee on or before the fifteenth day of the month immediately preceding the month in which such Base Rental is due, for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit will be made on the preceding Business Day.

(iv) In no event will the amount of Base Rental payable on any date exceed the pro rata aggregate amount of principal and interest required to be paid or prepaid on such date from Base Rental under the Lease with respect to the Outstanding Certificates, according to their tenor.

Additional Rental. In addition to the Base Rental the City agrees to pay as Additional Rental all of the following:

(i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises, or upon any interest of the Authority, the Trustee or the Owners therein or in the Lease Agreement;

(ii) insurance premiums, if any, on all insurance required under the Lease Agreement;

(iii) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee in connection with the Trust Agreement;

(iv) all amounts required to restore amounts on deposit in the Reserve Fund to the Reserve Requirement; and

(v) any other fees, costs or expenses incurred by the Authority in connection with the execution, performance or enforcement of the Lease Agreement or any assignment hereof or the Trust Agreement or any of the transactions contemplated thereby or related to the Leased Premises, including, without limitation, any amounts (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) which may become due.

Amounts constituting Additional Rental payable hereunder will be paid by the City directly to the person or persons to whom such amounts will be payable. The City will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

Consideration. The payments of Base Rental and Additional Rental under the Lease Agreement for each Fiscal Year or portion thereof during the Lease Term will constitute the total rental for such Fiscal Year or portion thereof and will be paid by the City for and in consideration of the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Premises by the City for and during such Fiscal Year or portion thereof. The parties have agreed and determined that such total rental is not in excess of the total fair rental value of the Leased Premises. In making such determination of fair rental value, consideration has been given to the costs of construction, acquisition, delivery and financing of the Leased Premises, the replacement cost of the Leased Premises, the remaining useful life of the Leased Premises, the uses and purposes served by the Leased Premises, and the benefits therefrom that will accrue to the parties by reason of the Lease and to the general public by reason of the City's use of the Leased Premises.

Budget. The City covenants to take such action as may be necessary to include all Base Rental and Additional Rental in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, subject to abatement discussed below. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of their political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment. Notwithstanding any dispute between the City and the Authority hereunder, the City will make all rental payments when due and will not withhold any rental payments pending the final resolution of such dispute or for any other reason whatsoever. The City's obligation to make rental payments in the amounts and on the terms and conditions specified hereunder will be absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions relating to abatement.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Certificate Fund or the Reserve Fund; (b) amounts received in respect of rental interruption insurance or title insurance; and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments due hereunder with respect to the Leased Premises or portion thereof will be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to the Leased Premises or portion thereof, there is substantial interference with the use or right of possession by the City of the Leased Premises or portion thereof. The amount of abatement will be such that the resulting Base Rental and Additional Rental represents fair rental value for the use and possession of the Leased Premises and the remaining portions of the Leased Premises as to which the City has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the City, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination will be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises would have had on the Closing Date. The Trustee may require a certificate from an appropriate representative of the City to the effect that the resulting total rental represents such fair rental value as elaborated in the preceding sentence. Such abatement will continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of the Leased Premises to tenantable condition. In the event of any such damage, destruction, theft, condemnation or title defects, the Lease will continue in full force and effect.

Triple Net Lease. The Lease Agreement is intended to be a triple net lease. The City agrees that the rentals will be an absolute net return to the Authority free and clear of any expenses, charges, counter-claim or recoupment or setoffs whatsoever.

Affirmative Covenants of the Authority and the City. The Authority and the City are entering into the Lease Agreement in consideration of, among other things, the following covenants:

Replacement, Maintenance and Repairs. The City will, at its own expense, during the term of the Lease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and will replace any portion of the Leased Premises which is destroyed; provided that the City will not be required to repair or replace any such portion of the Leased Premises if there will be applied to the prepayment of Certificates insurance proceeds or other legally available funds sufficient to prepay (a) all of the Certificates Outstanding, or (b) any portion thereof relating to the Leased Premises or such portion thereof and the Base Rental allocable to the remaining portion of the Leased Premises equals the pro-rata portion of Base Rental allocable to the Certificates Outstanding after such prepayment. The City will provide or cause to be provided all security service, custodial service, janitorial service, and other services necessary for the proper upkeep and maintenance of the Leased Premises. It is understood and agreed that in consideration of the payment by the City of the rental therein provided for, the City is entitled to occupy and use the Leased Premises, and no other party will have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Premises during the Lease Term. The Authority will not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises. The City expressly waives the right to make repairs or to perform maintenance of the Leased Premises at the expense of the Authority and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The City will keep the Leased Premises free and clear of all liens, charges and encumbrances.

Utilities. The City will pay for the furnishing of all utilities which may be used in or upon the Leased Premises during the Lease Term. Such payment will be made by the City directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the City may make.

Insurance. The City will secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted, all coverage on the Leased Premises required by the Lease Agreement.Such insurance will consist of:

(a) a policy or policies of property insurance against loss or damage to the Leased Premises known as “all risk,” excluding earthquake and flood. Such insurance will be maintained with respect to the Leased Premises at any time in an amount not less than the aggregate principal amount of Certificates at such time Outstanding with respect to the Leased Premises. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed $250,000. Flood and earthquake riders will be purchased by the City if the City in its reasonable discretion determines that such coverage is available from reputable insurers at commercially reasonable rates;

(b) commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Leased Premises. Such insurance will afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury or death of each person in each accident or event and $3,000,000 for personal injury or death of two or more persons in each accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $250,000 on a per loss basis in any one year), or such greater amount as may from time-to-time be recommended by the City’s risk management officer or an independent insurance consultant retained by the City for that purpose; provided, however, that such obligations may be maintained in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in the form of self-insurance or a risk pooling arrangement by the City;

(c) workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers’ compensation insurance to cover all persons employed by the City in connection with the Leased Premises and to cover full liability for compensation under any such act aforesaid; provided, however, that the City’s obligations under this clause may be satisfied by self-insurance;

(d) rental interruption insurance from a provider rated at least “A” by A.M. Best & Company to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the insurance required pursuant to clause (a) above in an amount sufficient at all times to pay the total rent payable under the Lease with respect to the Leased Premises for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy will not be less than the amount equal to two years’ maximum Base Rental; and provided further that the City’s obligations under this clause (d) will not be satisfied by self insurance; and

(5) a CLTA policy or policies of title insurance for the Leased Premises, in an amount not less than the aggregate principal amount of the Certificates Outstanding. Such policy of title insurance will show title to the Leased Premises in the name of the Authority or the City, subject to the Lease and such other encumbrances as will not, in the opinion of the Authority and the City, materially affect the use, occupancy and possession of the Leased Premises and will not result in the abatement of Base Rental payable by the City hereunder with respect to the Leased Premises.

All policies or certificates of insurance will name the City as a named insured, and the Authority and its directors and the Trustee as additional insureds. All insurance policy claims payments received under clauses (a), (d) and (e) above, will be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of insurance, other than self-insurance, maintained under clauses (b) and (c) will be deposited with the City.

If the City elects pursuant to the Trust Agreement to apply such proceeds to the replacement, repair or reconstruction of the stolen, damaged or destroyed Leased Premises, Base Rental will again begin to accrue with respect thereto upon restoration of such Leased Premises to tenantable condition. If the City does not so elect to so apply such proceeds within the time permitted by the Trust Agreement, then the Lease Agreement will terminate.

The City will not be required to maintain or cause to be maintained more insurance than is specifically referred to above.

Liens. The City will promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises, or the interest of the Authority therein, and will cause each such lien to be fully discharged and released; provided, however, that the City or the Authority (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the City will forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty. The City will not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than the rights of the Authority and the City. The City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, if the same will arise at any time.

Eminent Domain. In the event of a taking by eminent domain, there will be an abatement of Base Rental. If less than a substantial portion of the Leased Premises will be taken under the power of eminent domain, and the remainder is usable for City purposes, then there will be an abatement of Base Rental only to the extent of the portion of the Leased Premises which is unusable and the Lease will continue in full force and effect and will not be terminated with respect to such Leased Premises by virtue of such taking and the parties waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking will be paid to the Trustee for application in accordance with the Trust Agreement. If the City elects pursuant to the Trust Agreement to apply such proceeds to the repair or replacement of the condemned Leased Premises, then Base Rental will again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition. If so much of the Leased Premises will be taken under the power of eminent domain as to render the remainder of the Leased Premises unusable for the City's purposes under the Lease, and the City does not elect to repair or replace the Leased Premises, then upon prepayment of all of the Certificates in accordance with the Trust Agreement the Lease will terminate with respect to the Leased Premises.

Assignment and Lease. The City will not mortgage, pledge, assign or transfer any interest of the City in the Lease by voluntary act or by operation of law, or otherwise; provided, however, that the City may Lease all or any portion of the Leased Premises, may grant concessions to others involving the use of any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises, and may assign its right to purchase the Leased Premises. The City will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing contained in the Lease will be construed to relieve the City from its obligation to pay Base Rental and Additional Rental as provided in the Lease or to relieve the City from any other obligations therein. In no event will the City Lease or permit the use of all or any part of the Leased Premises to any person so as to cause the interest component of Base Rental to be subject to federal income tax or State personal income tax.

<u>Indemnification and Hold Harmless Agreement</u>. To the extent permitted by law, the City agrees to indemnify and hold harmless the Authority and its officers and directors against any and all liabilities which might arise out of or are related to the Lease, the Leased Premises or the Certificates, and the City further agrees to defend the Authority and its officers and directors in any action arising out of or related to the Lease, the Leased Premises or the Certificates.

<u>Defaults</u>. If the City (a) fails to pay any Base Rental payable under the Lease when the same becomes due and payable; (b) becomes the subject of proceedings under Title 11 of the United States Code or any successor or similar law, act or regulation and such proceedings are not dismissed within 90 days; or (c) failed to keep, observe or perform any other term, covenant or condition contained the Lease or in the Trust Agreement to be kept or performed by the City, the City will be deemed to be in default hereunder and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease. The City will in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease on its part to be observed or performed, other than as referred to in clause (i) of the preceding sentence, unless the City will have failed, for a period of 30 days or such additional time as is reasonably required, but in no event greater than 60 days, to correct any such default after notice by the Authority or the Trustee to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement; provided, however, that if the City fails to perform its obligation to deposit Base Rental with the Trustee, then the City will not be in default unless the City will have failed, for a period of five days, to correct such default after notice by the Trustee to the City properly specifying such default.

<u>Remedies</u>. Upon any default the Authority, in addition to all other rights and remedies it may have at law or in equity, will have the option to do any of the following:

(a) To terminate the Lease in the manner hereinafter provided on account of default by the City, notwithstanding any re-entry or re-letting of the Leased Premises as hereinafter provided for in clause (b) below, and to re-enter the Leased Premises and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City. In the event of such termination, the City agrees to surrender immediately possession of the Leased Premises, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Premises and removal and storage of such property by the Authority or its duly authorized agents. Neither notice to pay Base Rental or to deliver up possession of the Leased Premises given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Premises nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City will be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Authority will have given written notice to the City of the election on the part of the Authority to terminate the Lease. The City covenants and agrees that no surrender of the Leased Premises or of the remainder of the term hereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(b) without terminating the Lease, (i) to collect each installment of Base Rental as the same become due and enforce any other terms or provisions hereof to be kept or performed by the

City, regardless of whether or not the City has abandoned the Leased Premises, or (ii) to exercise any and all rights of entry and re-entry upon the Leased Premises. In the event the Authority does not elect to terminate the Lease in the manner provided for in clause (a) above, the City will remain liable and agrees to keep or perform all covenants and conditions to be kept or performed by the City and, if the Leased Premises are not re-let, to pay the full amount of Base Rental to the end of the term of the Lease or, in the event that the Leased Premises are re-let, to pay any deficiency in Base Rental that results therefrom; and further agrees to pay said Base Rental and/or Base Rental deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental hereunder, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Base Rental in excess of the Base Rental, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Premises. Should the Authority elect to re-enter, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Leased Premises, or any part thereof, from time-to-time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the City, and the City indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Premises and removal and storage of such property by the Authority or its duly authorized agents. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Premises in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such re-letting will constitute a surrender or termination of the Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease will vest in the Authority to be effected in the sole and exclusive manner provided for in clause (a) above. The City further agrees to pay the Authority the cost of any alterations or additions to the Leased Premises necessary to place the Leased Premises in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

Prior to the exercise of the Authority's right to re-let or otherwise change the use of the Leased Premises after termination of the Lease, the Authority will obtain an opinion of Independent Counsel to the effect that such use of the Leased Premises will not adversely affect the tax exemption of interest with respect to the Certificates.

Notwithstanding anything described herein to the contrary, the Authority will have no right upon a default under the Lease Agreement by the City to accelerate Base Rental.

The termination of the Lease by the Authority or its assignees on account of a default by the City will not effect or result in a termination of the lease of the Leased Premises by the City to the Authority pursuant to the Site Lease, and the City will have no right to terminate the Lease Agreement as a remedy for a default by the Authority in the performance of its obligations thereunder.

<u>Application of Damages and Other Payments</u>. All damages and other payments received by the Authority or its assignee pursuant to the exercise of its rights and remedies will be applied in the manner set forth in the Trust Agreement.

<u>Option to Purchase</u>. The City will have the exclusive right and option, which will be irrevocable during the term of the Lease, to purchase the Authority's interest in the Leased Premises on any Business Day, upon payment of the Option Price (as hereinafter defined) and all other amounts then

due and payable by the City to the Trustee hereunder and under the Trust Agreement, but only if the City is not in default under the Lease or the Trust Agreement.

The option price for the Leased Premises in any Lease Year will be determined by reference to Exhibit C to the Lease (the "Option Price"). The City will exercise its option to purchase by giving notice thereof to the Trustee and to each Rating Agency then providing a rating or ratings on Outstanding Certificates not later than 15 days prior to the Business Day on which it desires to purchase the Leased Premises, unless the Business Day on which the City intends to exercise its option hereunder is a date on which Certificates are subject to optional prepayment, in which case the City will give notice to the Trustee and such Rating Agencies of its intention to exercise its option hereunder not later than 45 days prior to the Business Day on which it desires to purchase the Leased Premises. The failure of any Rating Agency to receive the City's notice of its intent to exercise its option to purchase will not affect the validity of the exercise of the option to purchase.

If the Business Day on which the City intends to exercise its option hereunder is, in accordance with the terms of the Trust Agreement, a date on which Certificates are subject to optional prepayment, then the City will deposit with the Trustee on such purchase date an amount equal to the Option Price which amount will be in addition to the Base Rental due on such date.

If the Business Day on which the City intends to exercise its option hereunder is not a date on which Certificates are subject to optional prepayment pursuant to the terms of the Trust Agreement, then the Option Price will be payable in installments. Each such installment, all as determined by reference to Exhibit B to the Lease, (a) will be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised until the due date of the final installment referred to in the proviso set forth below in this paragraph, and (b) will equal the principal amount of each Base Rental payment referred to in clause (a) above; provided, however, that the final installment will be payable on the first date on which Certificates are subject to optional prepayment pursuant to the terms of the Trust Agreement and will be in an amount equal to the Option Price on such date for the Leased Premises so purchased. Each such installment will bear interest until paid at a rate equal to the rate which would have been payable with respect to the payments of Base Rental referred to in clause (a) above.

In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the City, concurrently with the exercise of its option hereunder, will deposit or cause to be deposited with the Trustee, in trust, cash or investments of the type described in the Trust Agreement in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to in the immediately preceding paragraph at the times at which such installments are required to be paid. Such deposit will be in addition to the Base Rental, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the City will be remitted to the City.

On any Business Day as to which the City will properly have exercised the option granted it pursuant hereto, and will have paid or made provision (as set forth in the preceding paragraph) for the payment of the required Option Price, the Authority will execute and deliver to the City a quitclaim deed conveying to the City or its nominee the Authority's interest in the Leased Premises so purchased. If the City will properly exercise the option prior to the expiration of the Lease Term, and the Authority will execute and deliver the quitclaim deed to such Leased Premises as aforesaid, then the Lease will terminate with respect to the Leased Premises, but such termination will not affect the City's obligation to pay the Option Price on the terms therein set forth.

No Merger. If both the Authority's and the City's estate under the Lease or any other lease relating to the Leased Premises or any portion thereof will at any time for any reason become vested in one owner, the Lease and the estate created thereby will not be destroyed or terminated by the doctrine of merger and the City will continue to have and enjoy all of its rights and privileges as to the separate estates. .

Amendment. The Lease Agreement may be amended by the parties thereto in writing, but only in accordance with and as permitted by the terms of the Trust Agreement.

ASSIGNMENT AGREEMENT

Assignment. The Authority unconditionally sells, assigns and transfers to the Trustee, for the benefit of the Owners of the Certificates, all of the Authority's rights, title and interests in and to the Site Lease and the Lease Agreement, including without limitation the Authority's right to receive Base Rental, as well as its rights to enforce payment of such Base Rental when due or otherwise to protect its interest in the event of a default or termination by the City under the Lease Agreement; provided, however, that the Authority retains the right to indemnification and payment or reimbursement for any costs or expenses.

Acceptance of Assignment. The Trustee accepts the assignment of the Authority's rights under the Site Lease and the Lease Agreement for the purpose of securing such Base Rental and rights to the Owners, from time to time, of the Certificates.

No Additional Rights or Duties. The Assignment Agreement does not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee, the City or the Authority beyond those expressly provided in the Site Lease, the Lease Agreement and the Trust Agreement.

Consent of Authority to Sale of Certificates. The Authority authorizes, directs, and consents to the execution and delivery of the Certificates by the Trustee, the receipt of payment by the Trustee for the Certificates and the transfer and deposit of such proceeds by the Trustee into the funds and accounts created pursuant to the Trust Agreement.

Further Assurances. The Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and to further assure and confirm to the Owners of the Certificates the rights and benefits intended to be conveyed pursuant thereto.

Amendment. The Assignment Agreement may be amended by the parties thereto in writing, but only in accordance with and as permitted by the terms of the Trust Agreement.

SITE AND FACILITIES LEASE

Pursuant to the Site Lease, the City leases to the Authority the real property, buildings and improvements described in Exhibit A thereto. The Leased Premises may be amended, modified, released, transferred, changed or substituted by other properties pursuant to Section 2.2 of the Lease Agreement by and between the City and the Authority.

Term. The Site Lease will commence on the date of execution and delivery thereof and will end on the date of termination of the Lease; provided, however, that if, in the exercise of its remedies under the Lease, the Authority terminates the Lease, then the Site Lease will not terminate, and the term hereof will end on March 1, 2040, or at such earlier time as the City's payment obligations under the Lease and the Trust Agreement have been paid in full**.**

Rent. The Authority will pay to the City an advance rent of $1.00 and other valuable consideration, as full consideration for the Site Lease over its term.

Purpose. The Authority will utilize the Leased Premises for the purposes described in the Lease Agreement and for such other purposes as may be incidental thereto.

Assignment and Lease Agreement. The Authority will not assign, mortgage, hypothecate or otherwise encumber the Site Lease or any rights thereunder or the leasehold created thereby by trust agreement, indenture or deed of trust or otherwise or sublet the Leased Premises without the written consent of the City, except that the City expressly approves and consents to (i) the Lease Agreement and (ii) the assignment and transfer of the Authority's rights, title and interests in the Site Lease to the Trustee pursuant to the Assignment Agreement. In the event of default by the City under the Lease Agreement, the City expressly approves the assignment of the Site Lease.

Expiration. The Authority agrees, upon the expiration of the Site Lease, to relinquish its rights in and to quit and surrender the Leased Premises; it being the understanding of the parties hereto that upon termination of the Site Lease any title to the buildings and improvements on the Leased Premises will vest in the City free and clear of any interest of the Authority.

Eminent Domain. If the whole or any part of the Leased Premises are taken under the power of eminent domain, the interest of the Authority will be recognized by the City, and any proceeds will be paid to the Trustee, as assignee of the interest of the Authority, in accordance with the terms of the Lease Agreement and the Trust Agreement.

Default. In the event that the Authority or its assignee is in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, the City may exercise any and all remedies granted by law, except that no merger of the Site Lease and the Lease will be deemed to occur as a result thereof; provided, however, that the City will have no power to terminate the Site Lease by reason of any default on the part of the Authority or its assignee.

Amendment. The Site Lease may be amended by the parties thereto in writing, but only in accordance with the terms of the Trust Agreement.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2008-09

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Comprehensive Annual Financial Report

Year Ended June 30, 2009

The City of Riverside, CA

CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2009

Prepared by the City Manager's Office – Finance Division
Paul C. Sundeen, Assistant City Manager/Chief Financial Officer

3900 Main Street, Riverside, California 92522 (951) 826-5660

This report was printed on recycled stock

CITY OF
RIVERSIDE

CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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October 29, 2009

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2009. The independent auditor's report is presented as the first component of the financial section of this CAFR.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Riverside

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County about 60 miles east of Los Angeles. The City currently occupies a land area of 81.53 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Redevelopment Agency, Riverside Housing Authority, Riverside Public Financing Authority and the Riverside Municipal Improvements Corporation; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of each fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, which is the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 67.

Local economy: The City located in the Inland Empire, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of the Inland Empire at approximately 4.12 million is larger than 25 states. The City leads the Inland Empire in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 300,096, which places it as the sixth largest in Southern California.

Until recently the MSA has experienced a very strong economic environment. However, unemployment is currently at 14.1%; about 10,000 jobs have been lost during the past year. The budget for the City for fiscal year 2009/2010 projects an 8% drop in revenue, which includes a planned use of $2 million of available fund balance. Reduced expenditures are being achieved by selectively not filling vacant positions and carefully monitoring all expenditures, with all services continuing.

The MSA is projected to grow rapidly in future years because land values remain well below those in Los Angeles, Orange and San Diego Counties. Among the City's challenges is a lack of available space for manufacturing and industrial development within current boundaries.

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Priorities for the future: A Citywide Strategic Planning document has been developed through a series of meetings, workshops, and surveys with the community, elected officials, and City employees. The plan, as updated, sets forth five goals as follows:

- **Economic Development**
- **Environmental Leadership**
- **Transportation**
- **Livable Communities and Neighborhoods**
- **Arts and Culture**

Long-term financial planning. Annually, the City updates a five (5) year Capital Improvement Program (CIP). Planned capital expenditures during fiscal years 2009/10 - 2013/14 total $1.05 billion. The level of capital improvements is significantly greater than the historical level. The projects encompass all seven Council wards and enhance the life of all residents. Funding comes from multiple sources, including existing funds; General Fund certificates of participation; Redevelopment Agency tax allocation bonds; and regional, state and federal funds. In addition to routine electric, water, sewer and transportation-related projects, the CIP includes improvements to parks in the City; railroad grade separations; library, museum, convention center and Municipal Auditorium improvements/expansions/rehabilitations; and, public safety projects.

Cash management policies and practices. Cash temporarily idle during the year was invested principally in federal agency securities, money market funds and medium term notes. The maturities of the investments do not exceed five (5) years, with the average maturity not exceeding three (3) years. All securities are held in third party safekeeping by Union Bank of California as agent for the City. All transactions originated and authorized by the City are transacted on a delivery versus payment (DVP) basis in order to perfect delivery. The average yield on the investments was 4.3% for the fiscal year.

Risk management. Risk exposures to the assets of the City are managed through a combination of self-insured retention and insurance coverage. The City believes it has current assets adequate to cover the actuarially determined liability for general liability and workers' compensation claims, including estimated claims incurred but not reported, as they become payable. The City maintains excess liability insurance to provide coverage beyond a self-insured retention of $3,000,000 per occurrence for both general liability and workers' compensation.

Pension benefits. The City provides pension benefits for all employees through a statewide plan managed by the California Public Employees Retirement System (CalPERS). The City has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to CalPERS. Additional information on the plan can be found in Note 14 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the twenty first consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

This award is valid for a period of one year only. We believe that our current CAFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division, particularly the leadership of Brent Mason, Assistant Finance Director. We would like to express our appreciation to all members of the Division who assisted and contributed to its preparation. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Bradley J. Hudson
City Manager

Paul C. Sundeen
Assistant City Manager/CFO/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Riverside California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

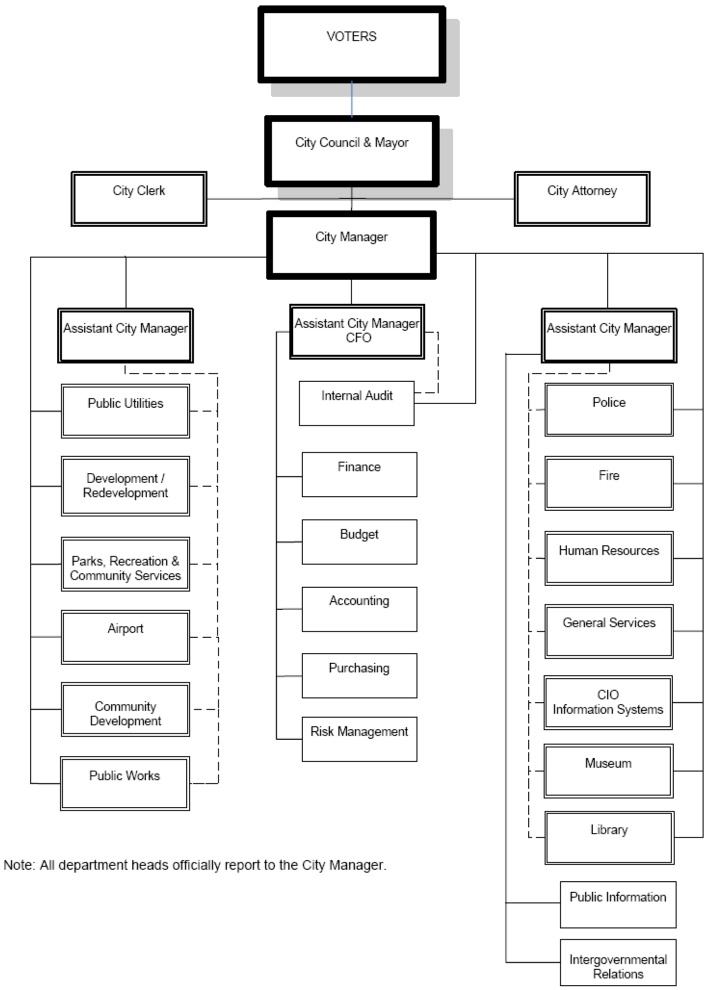
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ORGANIZATION CHART



Note: All department heads officially report to the City Manager.

LEGISLATIVE OFFICIALS

Ronald O. Loveridge...Mayor
Mike Gardner ....Councilmember – Ward 1
Andy Melendrez............................Councilmember – Ward 2
Rusty Bailey ....Councilmember – Ward 3
Paul Davis.....................................Councilmember – Ward 4
Chris Mac Arthur...........................Councilmember – Ward 5
Nancy Hart....................................Councilmember – Ward 6
Steve Adams.................................Councilmember – Ward 7

CITY OFFICIALS

Bradley J. Hudson..City Manager*
Belinda Graham...............................Assistant City Manager
Tom DeSantis..................................Assistant City Manager
Paul C. Sundeen......................Assistant City Manager/CFO

Mark S. Ripley...Airport Director
Colleen J. Nicol..City Clerk*
Gregory P. Priamos...City Attorney*
Tom Boyd...City Engineer
Russ Leach..Chief of Police
Steve Reneker...Chief Information
Scott Barber....................Community Development Director
Deanna Lorson..................................Development Director
Steve Earley... Fire Chief
Kris Martinez...General Services
Rhonda Strout... Human Resources
Leonard Hernandez......................................Library Director
Ennette Morton..Museum Director
Ralph Nuñez..Park and Recreation
David Wright..Public Utilities
Siobhan Foster..Public Works

***Appointed by City Council**

CITY OF
RIVERSIDE

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Honorable Mayor and Members of the City Council
City of Riverside
Riverside, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Riverside, California, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Riverside, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the City Council
City of Riverside
Page 2

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

San Jose, California
October 29, 2009

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2009. 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 v of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, compromised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as net assets. Over time, increases or decreases in the net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 City and its component units. The City's component units are the Riverside Redevelopment Agency, 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.

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 the 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 21-22 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 unreserved 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 seventeen 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, the Redevelopment Agency Debt Service Fund, the COPS Debt Service Fund, the Capital Outlay Fund, and the Redevelopment Capital Project Fund all of 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 63-70 in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 23-27 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, 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 71-80 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Agency funds. Agency funds are used to account for situations where the City's role is purely custodial. Agency 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. All assets reported in agency funds are offset by a liability; the accrual basis of accounting is used to recognize receivables and payables.

The agency fund financial statement can be found on page 33 of this report, and the combining statement can be found on page 81.

Notes to the 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 the financial statements begin on page 34 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	Governmental Activities		Business type Activities		Total	
	2009	2008*	2009	2008	2009	2008*
Current and other assets	$ 692,258	$ 767,115	$ 555,210	$ 658,446	$ 1,247,468	$ 1,425,561
Capital assets, net	1,114,814	966,068	1,147,793	1,050,010	2,262,607	2,016,078
Total assets	1,807,072	1,733,183	1,703,003	1,708,456	3,510,075	3,441,639
Current liabilities	117,522	116,917	100,506	102,777	218,028	219,694
Long-term liabilities	682,012	694,278	696,567	735,058	1,378,579	1,429,336
Total liabilities	799,534	811,195	797,073	837,835	1,596,607	1,649,030
Net assets:						
Invested in capital assets, net of related debt	950,496	850,740	659,904	601,999	1,610,400	1,452,739
Restricted	98,903	102,677	38,621	43,341	137,524	146,018
Unrestricted	(41,861)	(31,429)	207,405	225,281	165,544	193,852
Total net assets	$1,007,538	$921,988	$905,930	$870,621	$1,913,468	$1,792,609

* Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

The City's assets exceeded liabilities by $1,913,468 at June 30, 2009, an increase of $120,859 from June 30, 2008.

By far the largest portion of the City's net assets (84 percent) 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 assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, $207,405 is held by the business type activities; and negative $41,861 is held by the governmental activities. The Riverside Redevelopment Agency (the Agency), a blended component unit of the City, represents $62,115 of negative unrestricted net assets for 2009 and was a negative $56,792 in the prior year. The remaining governmental activities of the City have positive unrestricted net assets of $20,254 in 2009 and positive $25,363 in 2008. This decrease in unrestricted net assets is primarily due to an increase in expenses paid out of unrestricted net assets.

The Agency exists to finance improvements that serve to remediate blight within the City. Often these activities do not result in a residual asset, but rather underwrite the cost of a development activity deemed beneficial in meeting the Agency’s objectives. The resulting statement of net assets reflects the debt obligation to be repaid through future tax revenues, without an offsetting asset. While this is the routine functioning of such an entity, when blended with the City, its negative unrestricted net assets causes the governmental activities to report a negative position.

The City’s total net assets increased by $120,859 during the current fiscal year, which reflects the growth in both the governmental ($85,550) and business type ($35,309) activities. This is primarily due to continued investment by the City in its infrastructure, which is largely funded by grants and dedicated revenue sources.

The following is a condensed summary of activities of the City’s governmental and business type operations for the period ended June 30, 2009 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.

	Governmental Activities		Business Type Activities		Total	
	2009	2008*	2009	2008	2009	2008*
Revenues:						
Program Revenues:						
Charges for services	$ 39,664	$ 57,958	$416,628	$399,421	$456,292	$457,379
Operating Grants and Contributions	23,313	15,024	1,929	3,308	25,242	18,332
Capital Grants and Contributions	69,745	115,982	17,288	29,215	87,033	145,197
General Revenues:						
Sales taxes	41,882	50,526	-	-	41,882	50,526
Property taxes	116,420	114,176	-	-	116,420	114,176
Other taxes and fees	38,589	37,108	-	-	38,589	37,108
Investment income	15,941	25,670	23,402	22,756	39,343	48,426
Other	5,137	9,480	4,590	4,931	9,727	14,411
Total revenues	350,691	425,924	463,837	459,631	814,528	885,555
Expenses:						
General government	102,665	113,897	-	-	102,665	113,897
Public safety	127,350	122,783	-	-	127,350	122,783
Highways and streets	18,731	26,986	-	-	18,731	26,986
Culture and recreation	24,121	31,659	-	-	24,121	31,659
Interest on long-term debt	34,361	34,075	-	-	34,361	34,075
Electric	-	-	269,209	271,412	269,209	271,412
Water	-	-	53,931	47,570	53,931	47,570
Sewer	-	-	34,853	31,209	34,853	31,209
Refuse	-	-	18,425	18,430	18,425	18,430
Airport	-	-	1,734	1,418	1,734	1,418
Transportation	-	-	3,194	3,190	3,194	3,190
Public Parking	-	-	5,095	4,093	5,095	4,093
Total expenses	307,228	329,400	386,441	377,322	693,669	706,722
Increase in net assets and transfers:	43,463	96,524	77,396	82,309	120,859	178,833
Transfers	42,087	32,326	(42,087)	(32,326)	-	-
Increase in net assets	85,550	128,850	35,309	49,983	120,859	178,833
Net assets – beginning	921,988	793,138	870,621	820,638	1,792,609	1,613,776
Net assets – ending	$1,007,538	$921,988	$905,930	$870,621	$1,913,468	$1,792,609

* Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

Governmental activities. Governmental activities increased the City's net assets by $85,550 accounting for 71 percent of the total change in net assets. The net assets in the prior fiscal year increased by $128,850. Key elements of this year's activity in relation to the prior year are as follows:

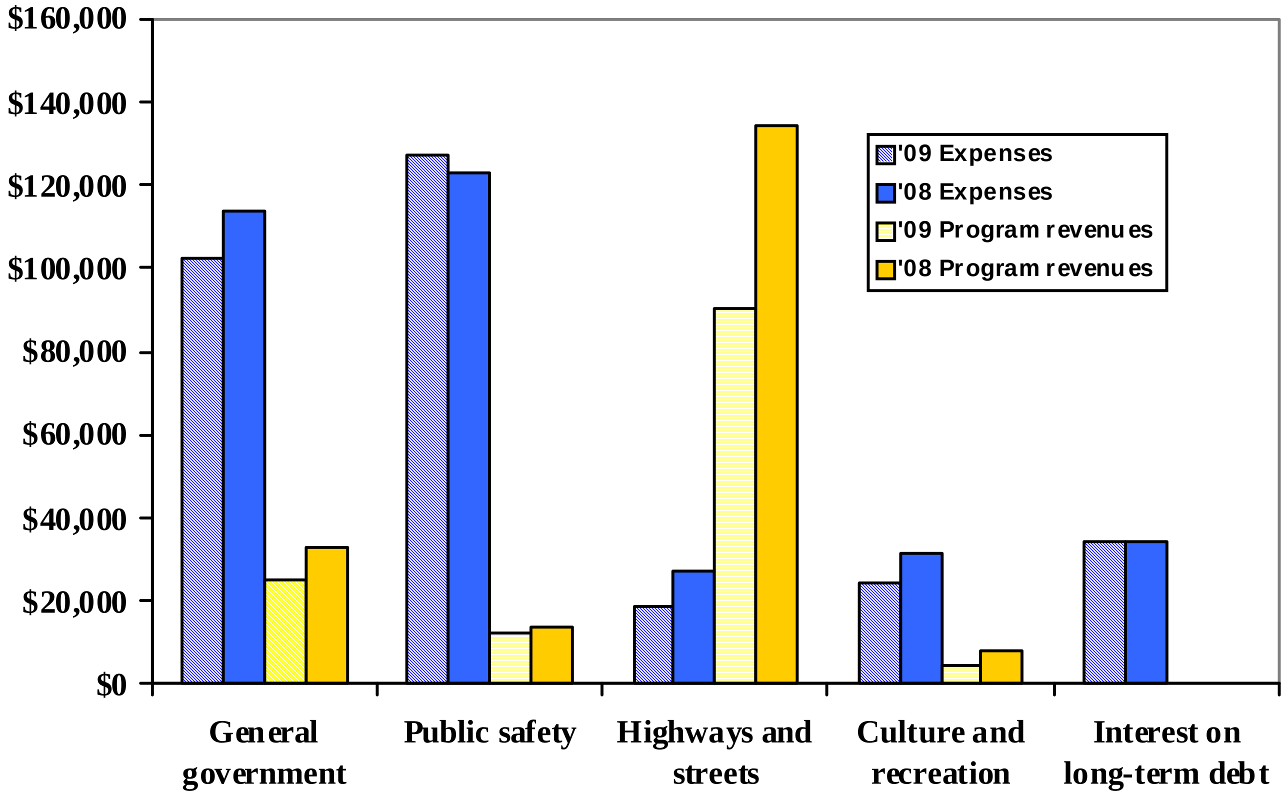
Revenues:

- There was a $49 million decrease in the amount of fixed assets donated by developers due to the current slowdown in the local construction industry.
- Investment income decreased by $9,729 (40%) primarily due to a decrease in cash and investments of approximately $118 million (a 27% decrease from cash and investment balances at 6/30/08). The decrease in cash and investments was primarily due to capital outlays on projects related to the Riverside Renaissance.
- Sales taxes decreased by $8,644 in 2009 due to the current downturn in the economy.

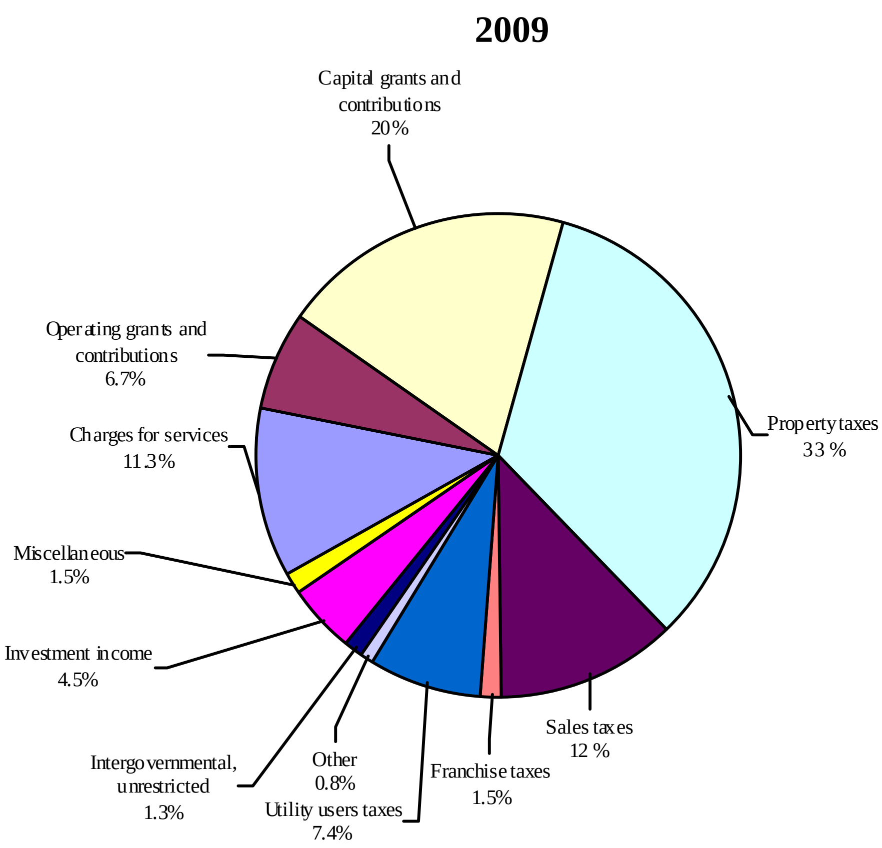
Expenses:

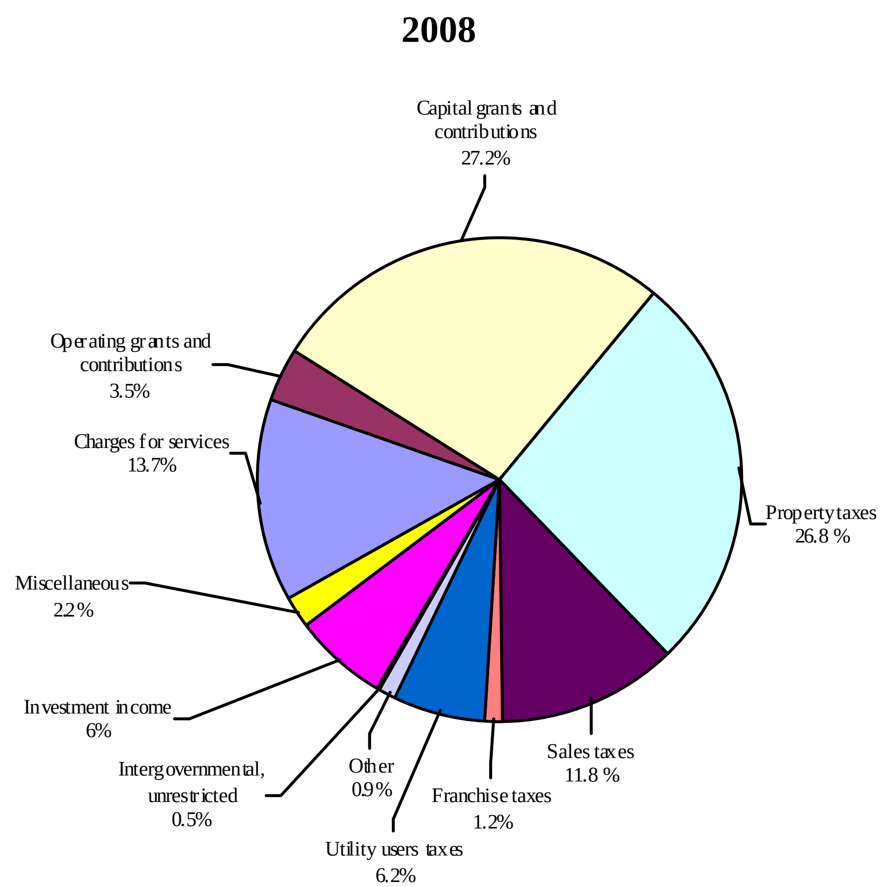
- While variances between years exist for the various expense functions, the total net decrease was approximately $22 million. The primary reason for this is due to an overall decrease in spending across the various functions in response to reduced revenue resulting from the current downturn in the economy.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2009 vs. 2008



Revenues by Source – Governmental Activities – Fiscal Year Comparison

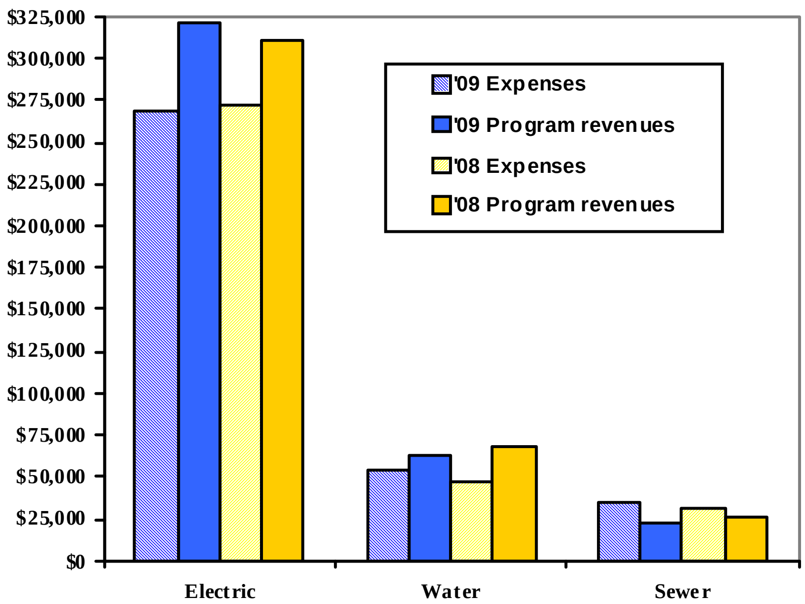


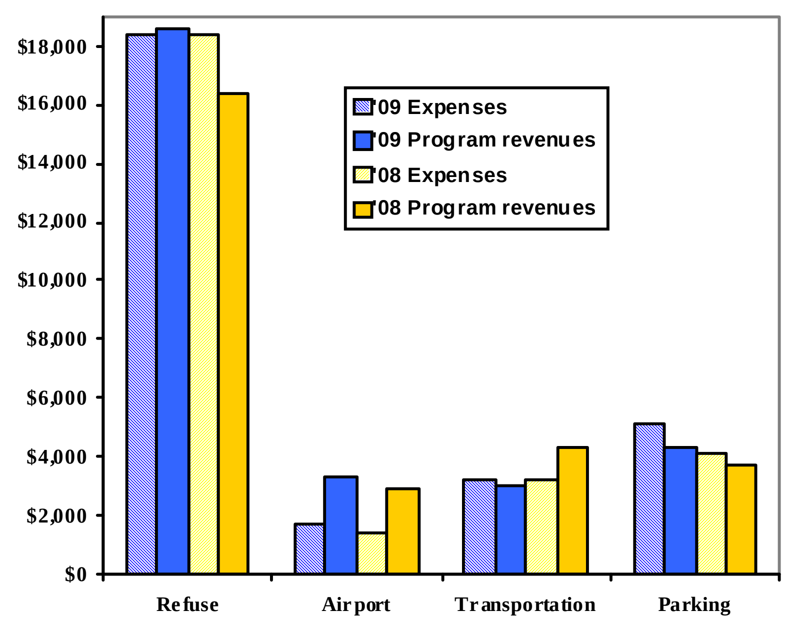


Business type activities. Business type activities increased the City's net assets by $35,309, accounting for 29 percent of the total change in net assets. The net assets of business type activities increased by $49,983 in the prior year. Key elements of this year's increase in relation to the prior year are as follows:

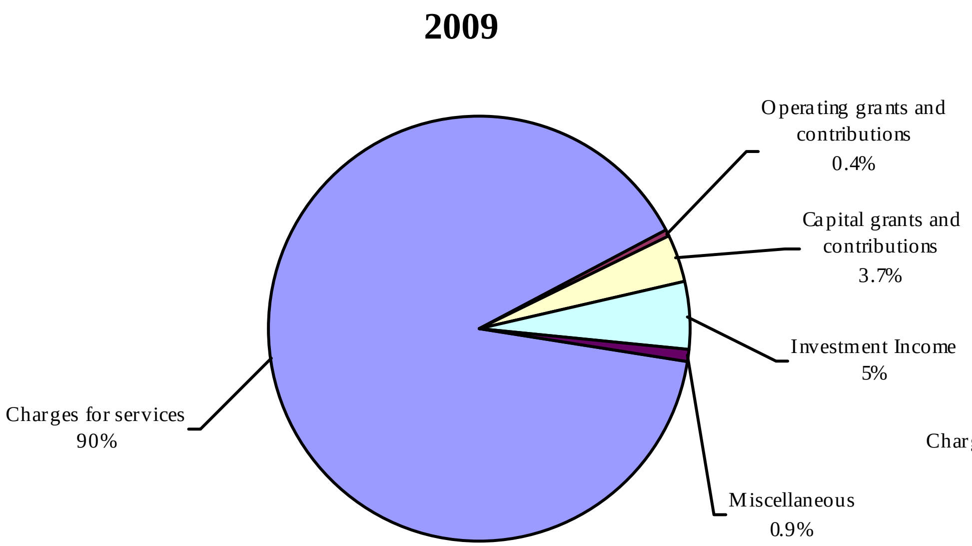
- In 2009, charges for services increased $17,207 to $416,628. The increase primarily related to the following:
    - Electric revenues increased by $8,865 (2.9%), which was primarily the result of an electric rate increase on January 1, 2009. The average rate increase was 5.7% for residential customers, 9.7% for commercial customers and 6.3% for industrial customers, which was partially offset by a 3% decrease in consumption.
    - Water revenues increased by $5,068 (10.2%), which was primarily due to a $3,427 (7.4%) increase in retail revenues. The increase in retail revenues was primarily due to a water rate increase of 10% that became effective November 1, 2008 as part of the Safe W.A.T.E.R. Plan, which was partially offset by a 2.5% decrease in retail consumption.
- Capital grants and contributions decreased $11,927 in the current year to $17,288. The decrease is due primarily to a large State grant received in the prior year for the JW North Treatment Plant that was substantially completed in 07/08.

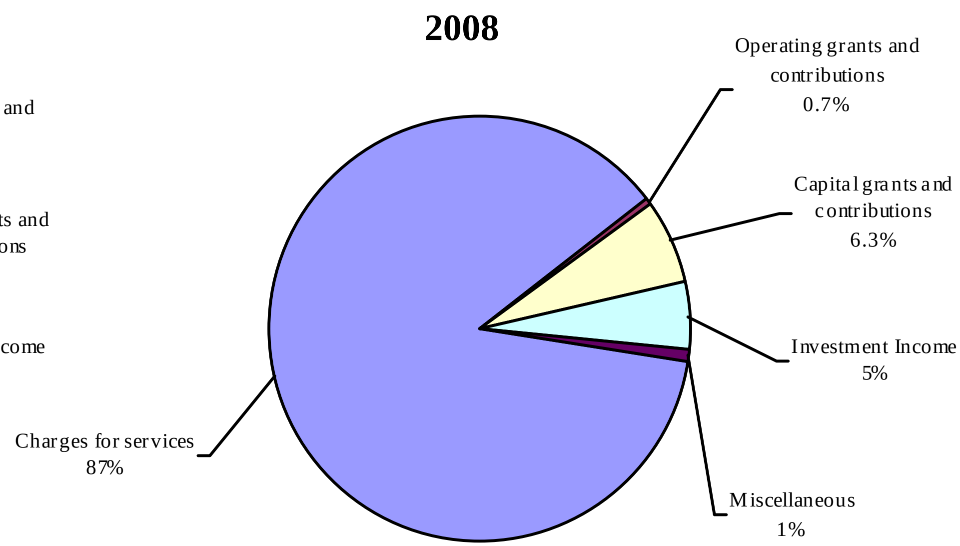
Expenses and Program Revenues – Business Type Activities – Fiscal Year Comparison 2009 vs. 2008





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, *unreserved 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, Redevelopment Debt Service, COPS Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		COPS Debt Service	
	2009	2008	2009	2008	2009	2008
Total assets	$ 128,882	$ 156,184	$ 48,356	$ 49,315	$ 16,094	$ 18,194
Total liabilities	$ 51,503	$ 74,967	$ 25,103	$ 25,596	$ 238	$ 80
Fund balances						
Reserved	41,400	36,025	23,253	23,719	15,856	18,114
Unreserved:						
Designated for economic cont.	30,000	34,000	-	-	-	-
Designated for future operations	2,888	10,253	-	-	-	-
Undesignated	3,091	939	-	-	-	-
Total	77,379	81,217	23,253	23,719	15,856	18,114
Total liabilities and fund balances	$ 128,882	$ 156,184	$ 48,356	$ 49,315	$ 16,094	$ 18,194

	Capital Outlay		Redevelopment Capital Projects		Other Govemmental Funds		Total Govemmental Funds	
	2009	2008	2009	2008	2009	2008	2009	2008
Total assets	$ 82,248	$ 115,182	$ 216,747	$ 233,402	$ 96,572	$ 90,783	$ 588,899	$ 663,060
Total liabilities	$ 34,035	$ 14,466	$ 42,009	$ 40,748	$ 27,104	$ 23,389	$ 179,992	$ 179,246
Fund balances								
Reserved	35,711	59,189	84,560	73,963	19,369	20,097	220,149	231,107
Unreserved:								
Designated for economic cont.	-	-	-	-	-	-	30,000	34,000
Designated for future operations	12,502	23,756	79,612	118,691	38,016	23,891	133,018	176,591
Undesignated	-	17,771	10,566	-	12,083	23,406	25,740	42,116
Total	48,213	100,716	174,738	192,654	69,468	67,394	408,907	483,814
Total liabilities and fund balances	$ 82,248	$ 115,182	$ 216,747	$ 233,402	$ 96,572	$ 90,783	$ 588,899	$ 663,060

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $408,907, a decrease of $74,907 in comparison with the prior year. About 54% of this amount ($220,149) is reserved to indicate funds are not available for new spending because it has already been committed for a variety of restricted purposes. The remainder of the fund balance is unreserved, meaning it is available for spending at the City's discretion. Of that amount, $163,018 has been designated for specific capital projects and economic contingencies, leaving $25,740 without a commitment; at June 30, 2008 the comparable amount was $42,116. The City's governmental funds reported combined total assets of $588,899 at June 30, 2009, a decrease of $74,161 in comparison with the prior year. The primary reason for the decrease in total assets and related fund balances is due to expenditure of capital projects in the Capital Outlay Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled $77,379 in comparison to $81,217 in the prior year. The unreserved fund balance was $35,979, most of which was designated for future operations and economic contingencies, leaving $3,091 unreserved and undesignated; the comparable number at June 30, 2008 was $939. Fund balance decreased during the current year by $3,838 in comparison to a decrease of $13,549 in the prior year. The primary reason for this is due to an overall decrease in spending across the various functions in response to reduced revenue resulting from the current downturn in the economy.

The Redevelopment debt service fund has a total fund balance of $23,253 all of which is reserved for the payment of debt service. A net decrease of $466 in the fund balance occurred during the current 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 assets of the Electric, Water and Sewer operations at the end of the year amounted to $164,762, $30,911, and $58,245 respectively. The total change in net assets for these funds was an increase of $41,969, an increase of $656 and a decrease of $8,782, respectively as a result of routine operations.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	$180,407	$193,175	$171,400	$ (21,775)
Expenditures:				
General Government	9,269	9,269	8,148	1,121
Public Safety	156,469	164,764	145,802	18,962
Highways & Streets	20,883	24,068	18,452	5,616
Culture & Recreation	25,940	31,646	26,646	5,000
Capital Outlay	8,380	8,380	4,836	3,544
Debt Service	14,701	14,803	14,688	115
Total Expenditures	235,642	252,930	218,572	34,358
Deficiency of Revenue Under Expenditures	(55,235)	(59,755)	(47,172)	12,583
Other Financing Sources	34,593	37,054	43,334	6,280
Net Change in Fund Balances	(20,642)	(22,701)	(3,838)	18,863
Beginning Fund Balance	81,217	81,217	81,217	-
Ending Fund Balance	$ 60,575	$ 58,516	$ 77,379	$18,863

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects.

Actual amounts differed from the Final Fund budget as follows:

- Actual total revenues were less than the amount budgeted due to the downturn in the economy resulting in less than budgeted sales taxes ($10.7 million), property taxes ($2 million), utility users tax ($1.8 million) and licenses and permits ($1.3 million).

- Actual expenditures were less than budgeted amounts by approximately $34,000. This is primarily associated with capital projects not completed during the year (which are carried over to the next fiscal year) and planned reductions in expenditures in all departments.

- The net effect of all of the above was that the ending fund balance increased $18,863 more than budgeted.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business type activities as of June 30, 2009 amounted to $2,262,607 (net of accumulated depreciation). This investment includes land, 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 $246,530 ($148,747 for governmental activities including internal service funds and $97,783 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements ($89,802); Sewer Mains ($6,791); Electric Utility upgrades ($51,068); Water Utility upgrades ($48,466); and City Hall Improvements ($7,401).

Construction in progress totaled $248,011 at June 30, 2009. Some of the major projects in process are the RERC Power Plant Units 3 & 4, a 203 KV Transmission Substation, Orange Terrace Community Center, the Fox Theatre and the remodel of the Lincoln Street Police Station. Depreciation expense during the fiscal year was $29,507 for governmental activities and $41,771 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$270,580	$250,582	$ 40,835	$ 37,200	$ 311,415	$ 287,782
Buildings	88,367	91,239	152,316	153,874	240,683	245,113
Improvements other than Buildings	79,494	63,022	790,575	728,817	870,069	791,839
Machinery and equipment	25,664	28,398	28,809	21,456	54,473	49,854
Infrastructure	537,967	448,165	-	-	537,967	448,165
Construction in progress	112,742	84,661	135,258	108,663	248,000	193,324
Total	$1,114,814	$966,067	$1,147,793	$1,050,010	$2,262,607	$2,016,077

Additional information on the City's capital assets can be found in note 5 on page 42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $1,378,579 which includes bonded debt of $1,316,238.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Lease/Revenue Bonds	$285,743	$292,244	$674,646	$720,749	$960,389	$1,012,993
General Obligation Bonds	18,171	18,774	-	-	18,171	18,774
Pension Obligation Bonds	139,410	142,170	-	-	139,410	142,170
Certificates of Participation	198,268	200,273	-	-	198,268	200,273
Notes Payable	8,749	9,040	7,915	8,569	16,664	17,609
Capital Leases	7,455	9,391	2,574	211	10,029	9,602
Landfill Capping	-	-	7,512	2,881	7,512	2,881
Arbitrage Liability	-	-	502	481	502	481
Compensated Absences	20,494	20,494	-	-	20,494	20,494
Net OPEB Obligation	3,722	1,892	2,470	1,204	6,192	3,096
Water Acquisition Rights	-	-	948	964	948	964
Total	$682,012	$694,278	$696,567	$735,059	$1,378,579	$1,429,337

The City's total debt decreased by $50,758 (4 percent) during the current fiscal year primarily due to principal payments on outstanding debt.

The City's Water Utility maintains "AA+" 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 margin for the City is $665,942, after deducting the general obligation debt of $18,171.

Additional information on the City's long-term debt can be found in note 7 beginning on page 43 of this report.

Economic Factors and Next Year's Budget and Rates

- Sales taxes decreased by $8,644 (17%) during the current fiscal year.
- Unemployment in Riverside County is 14.1% as compared to 8.3% for 2008.
- The required contribution rates as a percentage of payroll for the City's retirement program, including the employee portion which is paid by the City, will be changing effective July 1, 2009 as follows:
  - Miscellaneous Plan –22.169% to 22.219%
  - Safety Plan – 29.026% to 29.323%

At the time of budget preparation for fiscal year 2010, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2010 of approximately $198 million was adopted with a planned use of $2 million of available fund balance. It represents a reduction from the prior year of approximately 8%, principally as a result of a projected reduction in sales taxes.

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 City Manager's Office, Finance Division, 3900 Main Street City of Riverside, CA 92522.

City of Riverside
Statement of Net Assets
June 30, 2009
(amounts expressed in thousands)

Assets	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and investments	$ 156,536	$ 172,032	$ 328,568
Receivables, net	106,008	55,074	161,082
Inventory	5,835	1,066	6,901
Nuclear material inventory	-	1,750	1,750
Prepaid items	1,741	6,248	7,989
Deferred charges	128,007	44,724	172,731
Internal balances	15,480	(15,480)	-
Land and improvements held for resale	84,102	-	84,102
Restricted assets:			
Cash and cash equivalents	-	38,696	38,696
Cash and investments at fiscal agent	169,609	250,264	419,873
Other	-	836	836
Capital leases receivable	24,940	-	24,940
Land and other capital assets not being depreciated	383,322	176,093	559,415
Capital assets (net of accumulated depreciation)	731,492	971,700	1,703,192
Total assets	1,807,072	1,703,003	3,510,075
Liabilities			
Accounts payable and other current liabilities	57,690	27,413	85,103
Accrued interest payable	9,010	5,610	14,620
Deferred revenue	1,776	1,740	3,516
Deposits	24,088	3,342	27,430
Current liabilities payable from restricted assets	-	3,329	3,329
Claims and judgments payable	24,958	-	24,958
Decommissioning liability	-	59,072	59,072
Noncurrent liabilities:			
Due within one year	57,666	27,239	84,905
Due in more than one year	624,346	669,328	1,293,674
Total liabilities	799,534	797,073	1,596,607
Net Assets			
Invested in capital assets, net of related debt	950,496	659,904	1,610,400
Restricted for:			
Expendable:			
Capital projects	41,374	-	41,374
Debt service	-	25,633	25,633
Economic development	23,190	-	23,190
Other purposes	-	2,975	2,975
Public works	8,439	-	8,439
Housing	24,627	-	24,627
Programs	-	10,013	10,013
Nonexpendable	1,273	-	1,273
Unrestricted	(41,861)	207,405	165,544
Total net assets	$ 1,007,538	$ 905,930	$ 1,913,468

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:								
General government	$ 102,665	$ (46,988)	$ 13,691	$ 11,622	$ 27	$ (30,337)		$ (30,337)
Public safety	127,350	22,554	8,414	4,202	1	(137,287)		(137,287)
Highways and streets	18,731	16,446	14,391	6,315	69,639	55,168		55,168
Culture and recreation	24,121	7,988	3,168	1,174	78	(27,689)		(27,689)
Interest on long-term debt	34,361	-	-	-	-	(34,361)		(34,361)
Total governmental activities	307,228	-	39,664	23,313	69,745	(174,506)		(174,506)
Business type activities:								
Electric	269,209		314,164	-	7,060		$ 52,015	52,015
Water	53,931		54,923		7,199		8,191	8,191
Sewer	34,853		23,247	-	-		(11,606)	(11,606)
Refuse	18,425		18,394	168	-		137	137
Airport	1,734		1,232	-	2,082		1,580	1,580
Transportation	3,194		336	1,761	937		(160)	(160)
Public parking	5,095		4,332	-	10		(753)	(753)
Total business type activities	386,441		416,628	1,929	17,288		49,404	49,404
Total	$ 693,669		$ 456,292	$ 25,242	$ 87,033	(174,506)	49,404	(125,102)

	Governmental Activities	Business type Activities	Total
General revenues:			
Taxes:			
Sales	41,882	-	41,882
Property	116,420	-	116,420
Utility users	25,964	-	25,964
Franchise	5,144	-	5,144
Other	2,912	-	2,912
Intergovernmental, unrestricted	4,569	-	4,569
Investment income	15,941	23,402	39,343
Miscellaneous	5,137	4,590	9,727
Subtotal	217,969	27,992	245,961
Transfers, net	42,087	(42,087)	-
Total general revenues and transfers	260,056	(14,095)	245,961
Change in net assets	85,550	35,309	120,859
Net assets - beginning	921,988	870,621	1,792,609
Net assets - ending	$ 1,007,538	$ 905,930	$ 1,913,468

The notes to the financial statements are an integral part of this statement.

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2009
(amounts expressed in thousands)

Assets	General Fund	Redevelopment Debt Service	Certificates of Participation Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and investments	$ 48,202	$ 15,716	$ -	$ -	$ 39,553	$ 43,109	$ 146,580
Cash and investments at fiscal agent	12,355	7,426	16,094	31,127	97,919	4,688	169,609
Receivables (net of allowance for uncollectibles)							
Interest	255	156	-	50	190	340	991
Property taxes	5,389	-	-	-	-	-	5,389
Sales tax	6,295	-	-	-	-	-	6,295
Utility billed	764	-	-	-	-	-	764
Accounts	7,803	118	-	6,369	37	1,950	16,277
Intergovernmental	3,803	-	-	44,526	681	4,799	53,809
Notes	277	-	-	-	3,591	18,447	22,315
Capital lease receivable	-	24,940	-	-	-	-	24,940
Prepaid items	293	-	-	-	21	-	314
Deposits	-	-	-	176	1,241	-	1,417
Due from other funds	15,981	-	-	-	3	12,648	28,632
Advances to other funds	27,465	-	-	-	-	-	27,465
Land & improvements held for resale	-	-	-	-	73,511	10,591	84,102
Total assets:	$ 128,882	$ 48,356	$ 16,094	$ 82,248	$ 216,747	$ 96,572	$ 588,899
Liabilities and fund balances							
Liabilities:							
Accounts payable	$ 11,400	$ 160	$ 238	$ 10,164	$ 14,872	$ 1,219	$ 38,053
Accrued payroll	12,060	-	-	-	42	27	12,129
Retainage payable	44	-	-	44	2,049	3,668	5,805
Intergovernmental	140	-	-	-	-	-	140
Deferred revenue	3,580	24,940	-	1,037	3,497	18,526	51,580
Deposits	24,062	-	-	-	-	26	24,088
Due to other funds	-	3	-	22,790	-	3,040	25,833
Advances from other funds	217	-	-	-	21,549	598	22,364
Total liabilities:	51,503	25,103	238	34,035	42,009	27,104	179,992
Fund balances:							
Reserved	41,400	23,253	15,856	35,711	84,560	19,369	220,149
Unreserved, designated for economic contingencies	30,000	-	-	-	-	-	30,000
Unreserved, designated for future operations							
General fund	2,888	-	-	-	-	-	2,888
Special revenue	-	-	-	-	-	26,097	26,097
Capital project funds	-	-	-	12,502	79,612	11,919	104,033
Unreserved, undesignated							
General fund	3,091	-	-	-	-	-	3,091
Special revenue	-	-	-	-	-	2,949	2,949
Debt service	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	10,566	9,134	19,700
Total fund balances	77,379	23,253	15,856	48,213	174,738	69,468	408,907
Total liabilities and fund balances	$ 128,882	$ 48,356	$ 16,094	$ 82,248	$ 216,747	$ 96,572	$ 588,899

The notes to the financial statements are an integral part of this statement.

CITY OF RIVERSIDE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009
(amounts expressed in thousands)

Total fund balances - governmental funds		$408,907
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of accumulated depreciation used in governmental activities that are not current financial resources and, therefore, are not reported in the funds.		1,111,233
Issuance costs from issuing debt are expenditures at the fund level but are deferred and subject to capitalization and amortization in the Statement of Net Assets.		9,230
Pension contributions were expenditures at the fund level but are deferred as a net pension asset and subject to capitalizaton and amortization in the Statement of Net Assets.		117,173
Revenues that do not meet the "availability" criteria for revenue recognition and therefore, are deferred in the funds.		49,804
Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.		(9,010)
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	$ (436,635)	
Certificates of participation payable	(196,905)	
Notes payable	(8,749)	
Capital leases payable	(7,455)	
Bond premiums	(8,052)	
Net OPEB obligation	(3,722)	
Compensated absences	(20,494)	
		(682,012)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		2,213
Net assets of governmental activities		$1,007,538

City of Riverside
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	General Fund	Redevelopment Debt Service	Certificates of Participation Debt Service	Capital Outlay	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 126,838	$ 52,390	$ -	$ -	$ -	$ 13,094	$ 192,322
Licenses and permits	6,381	-	-	-	-	987	7,368
Intergovernmental	10,802	200	-	57,211	827	17,833	86,873
Charges for services	9,003	-	-	-	-	96	9,099
Fines and forfeitures	4,649	-	-	-	-	1,564	6,213
Special assessments	4,235	-	-	195	-	1,001	5,431
Rental and investment income	3,635	2,660	764	3,067	5,278	3,216	18,620
Miscellaneous	5,857	280	488	-	393	578	7,596
Total revenues	171,400	55,530	1,252	60,473	6,498	38,369	333,522
Expenditures							
Current:							
General government	8,148	669	24	136	11,226	5,792	25,995
Public safety	145,802	-	-	-	-	-	145,802
Highways and streets	18,452	-	-	-	-	-	18,452
Culture and recreation	26,646	-	-	-	-	213	26,859
Capital outlay	4,836	-	-	105,309	47,411	22,838	180,394
Debt service:							
Principal	5,369	6,830	1,950	-	-	-	14,149
Interest	9,060	15,447	8,526	-	-	-	33,033
Bond issuance costs	259	-	-	-	-	-	259
Total expenditures	218,572	22,946	10,500	105,445	58,637	28,843	444,943
Excess (deficiency) of revenues over (under) expenditures	(47,172)	32,584	(9,248)	(44,972)	(52,139)	9,526	(111,421)
Other financing sources (uses):							
Transfers in	50,650	3,185	9,197	304	35,991	1,470	100,797
Transfers out	(7,776)	(36,235)	(2,207)	(7,837)	(414)	(4,241)	(58,710)
Issuance of long term debt	30,425	-	-	-	-	-	30,425
Payment to escrow account for advance refunding	(30,200)	-	-	-	-	-	(30,200)
Sales of capital assets	235	-	-	2	(1,354)	(4,681)	(5,798)
Total other financing sources and uses	43,334	(33,050)	6,990	(7,531)	34,223	(7,452)	36,514
Net change in fund balances	(3,838)	(466)	(2,258)	(52,503)	(17,916)	2,074	(74,907)
Fund balances - beginning	81,217	23,719	18,114	100,716	192,654	67,394	483,814
Fund balances - ending	$ 77,379	$ 23,253	$ 15,856	$ 48,213	$ 174,738	$ 69,468	$ 408,907

The notes to the financial statements are an integral part of this statement.

CITY OF RIVERSIDE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2009
(amounts expressed in thousands)

Net change in fund balances-total governmental funds		($74,907)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, as listed below:		
Capital Asset additions	$ 178,180	
Depreciation Expense	(29,191)	148,989
Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and therefore are not reported as revenue in the funds.		(2,855)
The amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		(1,559)
The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds immediately report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is listed below:		
Principal repayments	14,149	
Debt refunding	30,200	
Other post-employment benefit liabilities	(1,830)	
Compensated Absences	(128)	
Interest	(1,159)	
Premiums on the issuance of LTD	172	
Proceeds from LTD	(30,425)	10,979
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		757
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		4,146
Change in net assets of governmental activities		$ 85,550

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the year ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 142,677	$ 142,724	$ 126,838	$ (15,886)
Licenses and permits	7,733	7,733	6,381	(1,352)
Intergovernmental	2,820	13,731	10,802	(2,929)
Charges for services	11,159	11,228	9,003	(2,225)
Fines and forfeitures	4,710	4,710	4,649	(61)
Special assessments	3,543	3,543	4,235	692
Rental and investment income	2,996	3,009	3,635	626
Miscellaneous	4,769	6,497	5,857	(640)
Total revenues	180,407	193,175	171,400	(21,775)
Expenditures				
General government:				
Mayor	1,236	1,338	1,184	154
Council	1,158	1,174	1,104	70
Manager	10,449	11,619	9,524	2,095
Attorney	3,942	4,018	4,040	(22)
Clerk	1,331	1,321	1,101	220
Community Development	9,372	10,202	8,463	1,739
Human Resources	3,508	3,698	2,917	781
General Services	8,708	13,131	7,172	5,959
Information System	12,134	14,992	12,386	2,606
Development	6,662	7,742	7,245	497
Subtotal	58,500	69,235	55,136	14,099
Allocated expenditures	(49,231)	(59,966)	(46,988)	(12,978)
Total general government	9,269	9,269	8,148	1,121

continued

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Public safety:				
Police	98,191	102,298	87,377	14,921
Fire	47,803	51,065	47,315	3,750
Animal regulation	3,345	4,125	3,977	148
Building and zoning inspection	2,891	3,025	2,658	367
Street lighting	4,239	4,251	4,475	(224)
Total public safety	156,469	164,764	145,802	18,962
Highways and streets	20,883	24,068	18,452	5,616
Culture and recreation	25,940	31,646	26,646	5,000
Capital Outlay	8,380	8,380	4,836	3,544
Debt service:				
Principal	5,537	5,442	5,369	73
Interest	9,164	9,164	9,060	104
Bond issuance costs	-	197	259	(62)
Total debt service	14,701	14,803	14,688	115
Total expenditures	235,642	252,930	218,572	34,358
Deficiency of revenue under expenditures	(55,235)	(59,755)	(47,172)	12,583
Other financing sources (uses)				
Transfers in	34,553	34,859	50,650	15,791
Transfers out	-	-	(7,776)	(7,776)
Issuance of long term debt	-	-	30,425	30,425
Payment to escrow account for advance refunding	-	-	(30,200)	(30,200)
Sale of capital assets	40	2,195	235	(1,960)
Total other financing sources	34,593	37,054	43,334	6,280
Net change in fund balances	(20,642)	(22,701)	(3,838)	18,863
Fund balance, beginning	81,217	81,217	81,217	-
Fund balance, ending	$ 60,575	$ 58,516	$ 77,379	$ 18,863

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3009
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Assets	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current assets:						
Cash and investments	$ 134,883	$ 29,679	$ 2,038	$ 5,432	$ 172,032	$ 9,956
Receivables (net allowances for uncollectibles)						
Interest	745	146	178	83	1,152	131
Utility billed	14,532	2,843	688	597	18,660	-
Utility unbilled	12,609	2,737	768	637	16,751	-
Accounts	10,757	2,402	1,932	402	15,493	22
Intergovernmental	112	2,284	50	572	3,018	15
Nuclear materials inventory	1,750	-	-	-	1,750	-
Inventory	-	-	1,066	-	1,066	5,835
Prepaid items	6,224	7	5	12	6,248	8
Restricted assets:						
Cash and cash equivalents	28,805	6,917	-	2,975	38,697	-
Cash and investments at fiscal agent	222,538	27,726	-	-	250,264	-
Public benefit programs receivable	686	-	-	-	686	-
Conservation & reclamation programs receivable	-	150	-	-	150	-
Total current assets	433,641	74,891	6,725	10,710	525,967	15,967
Non-current assets:						
Advances to other funds	5,918	-	10,018	-	15,936	12,616
Deferred charges	22,453	7,329	3,650	11,292	44,724	1,604
Capital assets:						
Land	7,612	16,824	2,698	13,701	40,835	-
Buildings	18,572	15,199	184,327	20,338	238,436	1,488
Accumulated depreciation - buildings	(4,280)	(3,392)	(74,653)	(3,795)	(86,120)	(151)
Improvements other than buildings	715,607	418,728	61,877	19,818	1,216,030	-
Accumulated depreciation - improvements other than buildings	(290,012)	(120,504)	(10,893)	(4,046)	(425,455)	-
Machinery and equipment	25,102	12,483	8,996	17,696	64,277	9,575
Accumulated depreciation - machinery and equipment	(12,907)	(7,656)	(5,200)	(9,705)	(35,468)	(7,331)
Construction in progress	106,200	24,407	-	4,651	135,258	-
Total non-current assets	594,265	363,418	180,820	69,950	1,208,453	17,801
Total assets	1,027,906	438,309	187,545	80,660	1,734,420	33,768

Continued

City of Riverside
Statement of Net Assets
Proprietary Funds
June 30, 3009
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
Liabilities	**Electric**	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Current liabilities:						
Accounts payable	13,858	4,588	1,877	1,168	21,491	865
Accrued payroll	4,364	1,461	1,070	720	7,615	533
Retainage payable	75	1,203	-	1	1,279	-
Intergovernmental	-	-	-	-	-	-
Claims and judgements	-	-	-	-	-	24,959
Unearned revenue	-	-	-	1,740	1,740	-
Deposits	2,780	561	-	1	3,342	-
Due to other funds	-	-	-	-	-	2,799
Capital leases - current	360	-	42	17	419	-
Water stock acquisitions - current	-	150	-	-	150	-
Landfill capping - current	-	-	-	300	300	-
Current liabilities payable from restricted assets:						
Revenue bonds	21,300	4,415	-	-	25,715	-
Accrued interest	4,454	1,156	-	-	5,610	-
Other payables	2,117	526	355	331	3,329	164
Total current liabilities	49,308	14,060	3,344	4,278	70,990	29,320
Non-current liabilities:						
Revenue bonds	506,208	142,723	-	-	648,931	-
Arbitrage payable	-	-	-	-	-	-
Notes payable	-	-	7,915	-	7,915	-
Other payables	-	-	-	-	-	-
Capital leases	2,073	-	-	81	2,154	-
Advances from other funds	12,979	5,584	3,572	9,282	31,417	2,235
Decommissioning liability	59,072	-	-	-	59,072	-
Water stock acquisitions	-	799	-	-	799	-
Landfill capping	-	-	-	7,212	7,212	-
Total non-current liabilities	580,332	149,106	11,487	16,575	757,500	2,235
Total liabilities	629,640	163,166	14,831	20,853	828,490	31,555
Net Assets						
Invested in capital assets, net of related debt	204,902	237,188	159,237	58,577	659,904	3,581
Restricted for debt service	20,477	5,156	-	-	25,633	-
Restricted for other purposes	-	-	-	2,975	2,975	-
Restricted for programs	8,125	1,888	-	-	10,013	-
Unrestricted	164,762	30,911	13,477	(1,745)	207,405	(1,368)
Total net assets	$ 398,266	$ 275,143	$ 172,714	$ 59,807	$ 905,930	$ 2,213

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					
	Electric	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Governmental Activities-Internal Service Funds**
Operating revenues:						
Charges for services	$ 314,164	$ 54,923	$ 23,247	$ 24,294	$ 416,628	$ 15,834
Operating expenses:						
Personal services	29,205	9,716	8,930	7,042	54,893	3,651
Contractual services	8,176	2,274	756	4,375	15,581	108
Maintenance and operation	170,533	9,530	8,380	6,486	194,929	1,513
General	13,203	13,582	5,253	3,988	36,026	1,733
Materials and supplies	725	1,041	2,730	940	5,436	13
Insurance	859	404	519	251	2,033	5,114
Depreciation and amortization	23,091	9,771	6,084	3,247	42,193	940
Total operating expenses	245,792	46,318	32,652	26,329	351,091	13,072
Operating income (loss)	68,372	8,605	(9,405)	(2,035)	65,537	2,762
Non-operating revenues (expenses):						
Operating grants	-	-	-	1,929	1,929	-
Interest income	17,625	3,169	2,018	590	23,402	1,468
Other	1,702	1,011	8	911	3,632	3
Gain (loss) on retirement of capital assets	210	(564)	16	(1,640)	(1,978)	(5)
Capital improvement fees	-	-	782	-	782	-
Interest expense and fiscal charges	(23,417)	(7,049)	(2,201)	(479)	(33,146)	(82)
Total non-operating revenues (expenses)	(3,880)	(3,433)	623	1,311	(5,379)	1,384
Income before capital contributions and transfers	64,492	5,172	(8,782)	(724)	60,158	4,146
Cash capital contributions	1,494	3,749	-	3,029	8,272	-
Noncash capital contributions	5,566	3,399	-	-	8,965	-
Transfers out	(29,583)	(11,664)	-	(840)	(42,087)	-
Change in net assets	41,969	656	(8,782)	1,465	35,308	4,146
Total net assets - beginning	356,297	274,487	181,496	58,342	870,622	(1,933)
Total net assets - ending	$ 398,266	$ 275,143	$ 172,714	$ 59,807	$ 905,930	$ 2,213

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:						
Cash received from customers and users	$ 315,095	$ 54,046	$ 22,759	$ 23,933	$ 415,833	$ 15,894
Cash paid to employees for services	(30,265)	(10,044)	(9,058)	(7,143)	(56,510)	(3,777)
Cash paid to other suppliers of goods or services	(185,574)	(27,906)	(17,968)	(16,556)	(248,004)	(12,295)
Other receipts	1,702	1,011	8	911	3,632	3
Net cash provided (used) by operating activities	100,958	17,107	(4,259)	1,145	114,951	(175)
Cash flows from noncapital financing activities:						
Transfers to other funds	(29,583)	(11,664)	-	(840)	(42,087)	-
Operating grants	-	-	-	3,011	3,011	-
Advances to other funds	-	-	(10,018)	-	(10,018)	(12,620)
Repayments on advances to other funds	33,586	-	-	-	33,586	-
Cash received (repaid) on loans from other funds	(227)	(98)	(63)	(27)	(415)	(24)
Cash paid on amounts due to the General Fund	-	-	-	(645)	(645)	-
Net cash provided (used) by noncapital financing activities	3,776	(11,762)	(10,081)	1,499	(16,568)	(12,644)
Cash flows from capital and related financing activities:						
Purchase of capital assets	(72,900)	(37,714)	(9,361)	(7,076)	(127,051)	(698)
Purchase of nuclear fuel	(2,221)	-	-	-	(2,221)	-
Proceeds from the sale of capital assets	558	128	25	-	711	(5)
Principal paid on long-term obligations	(20,639)	(4,390)	(22,028)	-	(47,057)	-
Interest paid on long-term obligations	(23,950)	(6,584)	(2,757)	(478)	(33,769)	(82)
Capital improvement fees	-	-	782	-	782	-
Capital contributions	1,493	11,872	-	3,617	16,982	-
Net cash used for capital and related financing activities	(117,659)	(36,688)	(33,339)	(3,937)	(191,623)	(785)
Cash flows from investing activities:						
Purchase of investments	(4,186)	684	-	-	(3,502)	-
Income from investments	19,674	3,283	2,089	603	25,649	1,393
Net cash provided by investing activities	15,488	3,967	2,089	603	22,147	1,393
Net change in cash and cash equivalents	2,563	(27,376)	(45,590)	(690)	(71,093)	(12,211)
Cash and cash equivalents, ending (including $212,733 for Electric, $54,355 for Water and $4,025 for Sewer in restricted accounts)	291,420	83,932	47,628	9,097	432,077	22,167
Cash and cash equivalents, ending (including $159,100 for Electric and $26,877 for Water in restricted accounts)	$ 293,983	$ 56,556	$ 2,038	$ 8,407	$ 360,984	$ 9,956

continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

continued

	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	$ 68,372	$ 8,605	$ (9,405)	$ (2,035)	$ 65,537	$ 2,762
Other receipts	1,702	1,011	8	911	3,632	3
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	23,091	9,771	6,084	3,247	42,193	940
Amortization of pension costs	179	77	49	33	338	22
Amortization (burn) of nuclear fuel	5,191	-	-	-	5,191	-
Decrease in utility billed receivables	1,946	57	104	61	2,168	-
Decrease in utility unbilled receivables	1,267	223	31	7	1,528	-
(Increase) in accounts receivable	(422)	(1,094)	(681)	(215)	(2,412)	20
(Increase) decrease in intergovernmental receivables	(4)	2	59	(218)	(161)	15
(Increase) decrease in prepaid items	786	(1)	(5)	(12)	768	17
Decrease in nuclear materials inventory	171	-	-	-	171	-
(Increase) in inventory	-	-	(77)	-	(77)	801
(Decrease) in accounts payable	(5,008)	(1,585)	(171)	(228)	(6,992)	(131)
(Decrease) in accrued payroll	(1,863)	(681)	(357)	(273)	(3,174)	(229)
Increase (decrease) in retainage payable	56	511	(78)	-	489	-
Increase in other payable	1,279	276	180	159	1,894	81
(Decrease) in intergovernmental receivables	(20)	-	-	-	(20)	-
(Decrease) in deposits	(314)	(65)	-	-	(379)	-
(Decrease) in due to other funds	-	-	-	-	-	(956)
(Decrease) in claims and judgments	-	-	-	-	-	(3,520)
Increase in decommissioning liability	4,549	-	-	-	4,549	-
(Decrease) in landfill capping	-	-	-	(292)	(292)	-
Net cash provided by operating activities	$ 100,958	$ 17,107	$ (4,259)	$ 1,145	$ 114,951	$ (175)
Schedule of noncash financing and investing activities:						
Contribution in aid	$ 5,565	$ 3,399	$ -	$ -	$ 8,964	$ -
Borrowing under capital lease	2,433	-	-	-	2,433	-

The notes to the financial statements are an integral part of this statement.

City of Riverside
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2009
(amounts expressed in thousands)

	Agency Funds
Assets:	
Cash and investments	$ 10,898
Cash and investments at fiscal agent	9,294
Interest receivable	61
Property tax receivables	187
Total assets	$ 20,440
Liabilities:	
Accounts payable	$ 21
Held for bond holders	20,419
Total liabilities	$ 20,440

The notes to the financial statements are an integral part of this statement

1. Summary of Significant Accounting Policies

The City of Riverside (City) was incorporated on October 11, 1883 as a Charter City and operates under a Council-Manager form of Government. The more significant accounting policies reflected in the financial statements are summarized as follows:

A. Reporting Entity

These financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units are legally separate entities, but in substance are part of the City's operations and their data is combined with that of the City's. The City has no component units that meet the criteria for discrete presentation. All of the City's component units have a June 30 year end.

Blended Component Units

Riverside Redevelopment Agency (Redevelopment Agency) was established in 1971 by the City. The Redevelopment Agency's primary purpose is to eliminate blighted areas in the City by encouraging commercial development. City Council members serve as the Redevelopment Agency's directors and have full accountability for fiscal matters.

Riverside Housing Authority (Housing Authority) was established in 2006 by the City. The Housing Authority's primary purpose is to provide safe and sanitary housing accommodations for persons with low or moderate income. City Council members serve as the Housing Authority's commissioners and have full accountability for fiscal matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. The purpose of the Public Financing Authority is to provide financing for public capital improvements to the City or the Redevelopment Agency. City Council members serve as the Public Financing Authority's directors and have full accountability for fiscal matters.

Riverside Municipal Improvements Corporation (Municipal Improvements Corporation) was created in 1978 and operates under provisions of the Nonprofit Public Benefit Corporation Law of the State of California. The Municipal Improvements Corporation's primary purpose is to provide financing assistance by obtaining land, property and equipment on behalf of the City. Three members of the City Council serve as the Municipal Improvements Corporation's directors and have full accountability for fiscal matters.

Complete financial statements for each of the individual component units except the Riverside Municipal Improvement Corporation and Riverside Housing Authority (which do not generate financial statements) may be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. Interfund activity has been removed from these statements except for utility charges, as this would distort the presentation of function costs and program revenues. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to the various functions based on a proportionate utilization of the services rendered. Such allocations consist of charges for accounting, human resources, information technology and other similar support services.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting for the proprietary fund financial statements. Agency funds report only assets and liabilities, therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied on the property. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. An allowance for doubtful accounts is maintained for the utility and other miscellaneous receivables. Agency funds report only assets and liabilities, therefore have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grant revenue, including reimbursements received from Transportation Uniform Mitigation Fees, which is (6) months and sales tax revenue which is seven (7) months, as described below. Grant revenue is recognized if received within six (6) months of year end to enable the matching of revenue with applicable expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Effective with the previous fiscal year, the State temporarily began to exchange 25% of sales taxes for an equal amount of property taxes to securitize a short-term State bond issue. The State bond issue will remain outstanding for an uncertain number of years, but is currently estimated not to exceed eight (8) years. These in-lieu sales taxes will be paid to the City by the State on a different calendar than sales taxes, which are paid monthly, three months in arrears. The vast majority of the in-lieu amount will be paid during the applicable fiscal year; however, the final payment of the in-lieu sales taxes will not be paid until the January following the end of the applicable fiscal year. The City has budgeted this final payment in the current fiscal year and will continue this practice during this temporary period, effectively extending the availability period to seven (7) months for the in-lieu sales taxes and thus provide consistency in the reporting of sales tax revenue.

Property taxes, special assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when the government receives cash, and are therefore not susceptible to accrual.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency's debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the Redevelopment Agency.

The Certificates of Participation (COPS) debt service fund accounts for the resources accumulated and payments made for principal, interest and trustee fees on certificates of participation.

The Capital Outlay fund accounts for the construction and installation of street and highway capital improvements for the City, including improvements funded by the ½ % sales tax approved by Riverside County in 1988.

The Redevelopment Agency's capital project fund accounts for the acquisition, relocation, demolition and sale of land for those portions of the City designated to be in need of redevelopment activities.

The government reports the following major proprietary funds:

The Electric fund accounts for the activities of the City's electric distribution operations.

The Water fund accounts for the activities of the City's water distribution operations.

The Sewer fund accounts for the activities of the City's sewer systems.

Additionally, the government reports the following fund types:

Internal service funds account for the central stores, central garage, and the three self-insured risks of workers compensation, unemployment and public liability on a cost reimbursement basis.

The agency (fiduciary) fund is used to account for special assessments that service no-commitment debt.

The permanent fund is a governmental fund that is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's Library programs. Non-expendable net assets on the Statement of Net Assets includes $1 million of permanent fund principal which are considered nonexpendable net assets.

Pronouncements regarding accounting and financial reporting issued by the Financial Accounting Standards Board prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Significant interfund activity has been eliminated from the government-wide financial statements with the exception of charges between the City's electric, water, sewer and refuse functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The sewer fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

The City values its cash and investments in accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31)," which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the statement of net assets/balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using published market prices.

Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Investments are stated at fair value. All highly liquid investments (including restricted assets) with a maturity of 90 days or less when purchased are considered cash equivalents. Cash and investments held on behalf of proprietary funds by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the Statement of Cash Flows.

E. Restricted Cash and Investments

Certain proceeds of Enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Additionally, unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Land and Improvements Held for Resale

Land and improvements held for resale are generally acquired under Developer Disposition Agreements in the normal course of Redevelopment Agency activity. The Developer Disposition Agreements provide for transfer of property to developers after certain redevelopment obligations have been fulfilled. Additionally, the General fund has acquired property which is to be held for resale at a later date. This property is carried at cost until an event occurs to indicate a lower net realizable value.

G. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

H. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

I. Capital Assets and Nuclear Fuel

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right of way, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs include: labor; materials; interest during construction; allocated indirect charges such as engineering, construction and transportation equipment, retirement plan contributions and other fringe benefits. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets other than land are depreciated using the straight-line method.

Nuclear Fuel

The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one dollar per megawatt-hour of energy generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility pays this fee to its operating agent, Southern California Edison Company, on a quarterly basis.

J. Compensated Absences

City employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years' vacation accrual may be accumulated and unused vacation is paid in cash upon separation.

City employees generally receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death, certain employees or their estates receive a percentage of unused sick leave paid in a lump sum based on longevity. The General, Redevelopment Agency Capital Projects Housing and Community Development Special Revenue, Electric and Water funds have been primarily used to liquidate such balances.

The liability associated with these benefits is reported in the government-wide statements. Vacation and sick leave of proprietary funds is recorded as an expense and as a liability of those funds as the benefits accrue to employees.

K. Long-Term Obligations

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are classified as deferred charges and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, government fund types recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Decommissioning

Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant.

Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside $59,072 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by Southern California Edison and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately $1,600 per year to fund this obligation. Decommissioning is expected to commence around the year 2022.

L. Claims and Judgments Payable

Claims and judgments payable are recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Such claims, including an estimate for claims incurred but not reported at year end, are recorded as liabilities in the appropriate internal service fund.

M. Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management or the governing board for the future use of financial resources.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

O. Interfund Transactions

Interfund transactions are accounted for as revenues and expenditures or expenses. Transactions, which constitute reimbursements, are eliminated in the reimbursed fund and accounted for as expenditures or expenses in the fund to which the transaction is applicable.

During the year, transactions occur between individual funds for goods provided or services rendered. Related receivables and payables are classified as "due from/to other funds" on the accompanying fund level statements. The noncurrent portion of long-term interfund loans receivable are reported as interfund receivables/payables and, for governmental fund types, are equally offset by a fund balance reserve to indicate that the receivable does not constitute available expendable financial resources. Interfund payables also include accrued interest, which has been offset by deferred revenue.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

P. Deferred Revenue

Governmental and proprietary funds report unearned revenue on the statement of net assets. Unearned revenues arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. Deferred revenues arise in governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The majority of the City's governmental fund unearned revenue for June 30, 2009 relates to unearned revenue on a capital lease. See Note 4.

Q. Property Tax Calendar

Under California law, general property taxes are assessed for up to 1% of the property's assessed value. General property taxes are collected by the counties along with other special district taxes and assessments and voter approved debt. General property tax revenues are collected and pooled by the county throughout the fiscal year and then allocated and paid to the county, cities and school districts based on complex formulas prescribed by State statutes.

For the year ended June 30, 2009 (amounts expressed in thousands)

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On July 1 of the fiscal year the levy is placed and a lien is attached to the property. Property taxes are due in two installments. The first installment is due November 1 and is delinquent on December 10. The second installment is due February 1 and is delinquent on April 10. Property taxes receivable represent current and prior years' uncollected tax levies, adjusted for uncollectable amounts.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures. Specifically, the City has made certain estimates and assumptions relating to the revenues due and expenditures incurred through fiscal year end, collectability of its receivables, the valuation of property held for resale, the useful lives of capital assets, and the ultimate outcome of claims and judgments. Actual results may differ from those estimates and assumptions.

S. Implementation of new accounting principles

GASB has issued three pronouncements prior to June 30, 2009 (for years ending after June 30, 2009) that have effective dates that may impact future financial presentations. Management has currently determined that GASB Statement No 51, “Accounting and Reporting for Intangible Assets”, GASB Statement No. 53 “Accounting and Financial Reporting for Derivative Instruments” and GASB Statement No 54, “Fund Balance Reporting and Governmental Fund Type Definitions” apply to the City, and are currently evaluating the impacts of implementing the pronouncements.

2. Legal Compliance - Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

During the period December through February of each fiscal year, department heads prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding fiscal year. The operating budget is presented by the City Manager to the City Council for review. Public hearings are conducted to obtain citizen comments. The City Council generally adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

3. Cash and Investments

Cash and investments at fiscal year end consist of the following:

Investments	$360,777
Investments at fiscal agent	445,420
	806,197
Cash on hand and deposits with financial institutions	1,132
	$807,329

The amounts are reflected in the government-wide statement of net assets:

Cash and investments	$328,568
Restricted cash and cash equivalents	38,696
Restricted cash and investments at fiscal agent	419,873
Total per statement of net assets	787,137
Fiduciary fund cash and investments	20,192
	$807,329

The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies.

Interest income earned on pooled cash and investments is allocated monthly to funds based on the beginning and month-end balances. Interest income from cash and investments held at fiscal agents is credited directly to the related account. Bank deposits are covered by federal depository insurance for the first $250 or by collateral held in the pledging bank's trust department in the name of the City.

For the year ended June 30, 2009 (amounts expressed in thousands)

Authorized Investments

Under provisions of the City's investment policy, and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

	Max Maturity	Max % of Portfolio
Securities of the U.S. Gov't. and its sponsored agencies	5 Years	100%
Repurchase Agreements	1 Year	100%
Reverse Repurchase Agreements	90 Days	20%
Negotiable Certificates of Deposit	5 Years	30%
Bankers Acceptances	180 Days	40%
Commercial Paper of "prime" quality	270 Days	25%
Local Agency Investment Fund (State Pool)	N/A	100%
Mutual Funds	N/A	20%
Medium-Term Corporate Notes	5 Years	30%

Investments in Medium Term Corporate Notes may be invested in securities rated A or better by Moody's or Standard and Poor's rating services and no more than 15% of the market value of the portfolio may be invested in one corporation.

The City's investment policy provides two exceptions to the above; one is for investments authorized by debt agreements (described below) and the other for funds reserved in the San Onofre Nuclear Generating Station Decommissioning Account for which the five-year maturity limitation may be extended to the term of the operating license.

Investments Authorized by Debt Agreements

Provisions of debt agreements, rather than the general provisions of the California Government Code or the City's investment policy, govern investments of debt proceeds held by bond fiscal agents. Permitted investments are specified in related trust agreements and include the following:

Securities of the U.S. Government and its sponsored agencies
Bankers' Acceptances rated in the single highest classification
Commercial Paper rated in the single highest classification
Investments in money market funds rated in the single highest classification
Municipal obligations rated Aaa/AAA or general obligations of states with ratings of at least A2/A or higher by both Moody's and S&P
Investment Agreements

No maximum percentage of the related debt issue or maximum investment in one issuer is specified.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy requires that the interest rate risk exposure be managed by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 42,549	$ 42,549	$ -	$ -	$ -
Federal Agency Securities	200,278	40,997	31,410	127,871	-
Corp Medium Term Notes	30,875	-	10,279	20,596	-
State Investment Pool	87,075	87,075	-	-	-
Held by Fiscal Agent					
Money Market Funds	47,810	47,810	-	-	-
State Investment Pool	80,519	80,519	-	-	-
Investment Contracts	232,025	30,155	164,081	8,409	29,380
Commercial Paper	502	502	-	-	-
Fed Agency Securities	41,454	2,318	5,676	16,230	17,230
Negotiable CDs	19,839	3,601	2,796	13,442	-
Corp Med Term Notes	23,271	-	1,028	4,216	18,027
Total	$806,197	$335,526	$215,270	$190,764	$64,637

For the year ended June 30, 2009 (amounts expressed in thousands)

The City assumes that callable investments will not be called.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type:

		Ratings as of Year End			
Investment Type	Total	AAA	AA	A-1+	Unrated
Money Market Funds	$ 42,549	$ 42,549	$ -	$ -	$ -
Federal Agency Securities	200,278	200,278	-	-	-
Corp Medium Term Notes	30,875	30,875	-	-	-
State Investment Pool	87,075	-	-	-	87,075
Held by Fiscal Agent					
Money Market Funds	47,810	47,626	-	-	184
State Investment Pool	80,519	-	-	-	80,519
Investment Contracts	232,025	-	-	-	232,025
Commercial Paper	502	-	-	502	-
Fed Agency Securities	41,454	41,454	-	-	-
Negotiable CDs	19,839	-	-	-	19,839
Corp Med Term Notes	23,271	-	23,271	-	-
Total	$806,197	$362,782	$23,271	$ 502	$419,642

Concentration on Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stated above. Investments in any one issuer (other than U.S. Treasury securities, money market funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Trinity Funding Company, LLC	Investment Contract	$159,336
General Electric	Corporate Medium Term Notes	43,440

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires that a third party bank trust department hold all securities owned by the City. All trades are settled on a delivery vs. payment basis through the City's safekeeping agent. The City has no deposits with financial institutions; bank balances are swept daily into a money market account.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. Capital Lease Receivable

The Redevelopment Agency has a direct financing lease arrangement with the State of California (the State) for a twelve-story office building. The lease term is for thirty years and the State takes ownership of the facility at the conclusion of that term. The lease calls for semi-annual payments not less than the debt service owed by the Redevelopment Agency on the lease revenue bonds issued for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

2010	$ 2,355
2011	2,381
2012	2,413
2013	2,443
2014	2,473
Thereafter	29,267
Total Due	41,332
Less: amount applicable to interest	(16,392)
Total capital lease receivable	$24,940

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2009.

For the year ended June 30, 2009 (amounts expressed in thousands)

Governmental activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$250,582	$23,541	$(3,543)	$270,580
Construction in progress	84,661	78,194	(50,113)	112,742
Total capital assets not being depreciated	335,243	101,735	(53,656)	383,322
Capital assets being depreciated:				
Buildings	122,330	401	-	122,731
Improvements other than Buildings	95,264	20,456	-	115,720
Machinery and Equipment	72,175	4,309	(3,239)	73,245
Infrastructure	642,659	105,159	-	747,818
Total capital assets being depreciated	932,428	130,325	(3,239)	1,059,514
Less accumulated depreciation for:				
Buildings	(31,091)	(3,273)	-	(34,364)
Improvements other than Buildings	(32,242)	(3,984)	-	(36,226)
Machinery and Equipment	(43,777)	(6,893)	3,089	(47,581)
Infrastructure	(194,494)	(15,357)	-	(209,851)
Total accumulated depreciation	(301,604)	(29,507)	3,089	(328,022)
Total capital assets being depreciated, net	630,824	100,818	(150)	731,492
Governmental activities capital assets, net	$966,067	$202,553	$(53,806)	$1,114,814

Business type activities:	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 37,200	$3,635	$ -	$40,835
Construction in progress	108,663	138,646	(112,051)	135,258
Total capital assets not being depreciated	145,863	142,281	(112,051)	176,093
Capital assets being depreciated:				
Buildings	234,591	5,764	(1,919)	238,436
Improvements other than Buildings	1,124,861	94,028	(2,859)	1,216,030
Machinery and Equipment	54,513	12,260	(2,496)	64,277
Total capital assets being depreciated	1,413,965	112,052	(7,274)	1,518,743
Less accumulated depreciation for:				
Buildings	(80,717)	(5,416)	13	(86,120)
Improvements other than Buildings	(396,044)	(31,508)	2,097	(425,455)
Machinery and Equipment	(33,057)	(4,847)	2,436	(35,468)
Total accumulated depreciation	(509,818)	(41,771)	4,546	(547,043)
Total capital assets being depreciated, net	904,147	70,281	(2,728)	971,700
Business type activities capital assets, net	$1,050,010	$212,562	$(114,779)	$1,147,793

Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

Depreciation expense was charged to functions of the government as follows:

Governmental activities:	
General government	$ 3,430
Public safety	4,102
Highways and streets, including depreciation of general infrastructure assets	16,725
Culture and recreation	5,250
Total depreciation expense – governmental activities	$29,507
Business type activities:	
Electric	$23,091
Water	9,771
Sewer	6,084
Refuse	1,378
Special Transportation	270
Airport	607
Public Parking	570
Total depreciation expense – business type activities	$41,771

6. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property insurance coverage has a limit of $1,000,000, with a deductible of $50. Earthquake and flood insurance coverage has a limit of $15,000, with a deductible of 5% for earthquake and 2% for flood. Workers' compensation insurance coverage has a limit of $25,000, with a deductible of $3,000 per occurrence. The City carries commercial insurance up to $23,000 for general and auto liability claims greater than $3,000 per occurrence. There were no claims settled in the last three fiscal years that exceed insurance coverage. Internal service funds have been established to account for and finance the uninsured risks of loss.

For the year ended June 30, 2009 (amounts expressed in thousands)

All funds of the City participate in the Risk Management program and make payments to the Internal Service Funds based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. Interfund premiums are accounted for as quasi - external transactions and are therefore recorded as revenues of the Internal Service funds in the fund financial statements.

Changes in the funds' claims liability amounts are:

	Workers' Compensation	Unemployment Compensation	Public Liability	Total
Unpaid Claims, June 30, 2007	$19,687	$ 76	$8,226	$27,989
Incurred claims	2,086	104	6,451	8,641
Claim payments	(2,530)	-	(5,621)	(8,151)
Unpaid Claims, June 30, 2008	19,243	180	9,056	28,479
Incurred claims (including IBNR's)	(6,442)	41	6,647	246
Claim payments and adjustments	1,801	-	(5,568)	(3,767)
Unpaid claims, June 30, 2009	$14,602	$ 221	$ 10,135	$24,958

7. Long-Term Obligations

Changes in Long-Term Obligations: The following is a summary of changes in long-term obligations during the fiscal year:

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects. The Redevelopment Agency does issue debt for the above purposes as well as for redevelopment related purposes such as housing and blight removal.

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Agency bonds	$292,244	$ -	$ 6,501	$285,743	$ 6,625
General Obligation Bonds	18,774	-	603	18,171	625
Pension Obligation Bonds	142,170	30,425	33,185	139,410	33,960
Certificates of Participation	200,273	-	2,005	198,268	2,045
Capital leases	9,391	-	1,936	7,455	1,325
Notes Payable	9,040	-	291	8,749	586
Compensated Absences*	20,494	13,007	13,007	20,494	12,500
Net OPEB Obligation	1,892	2,592	762	3,722	-
Total	$694,278	$46,024	$58,290	$682,012	$57,666

*Beginning balances have been adjusted for a change in the amount of compensated absences reported in the prior year. Beginning net assets of the governmental activities have not been restated since the net affect of changes are not material.

Business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$720,749	$ -	$46,103	$674,646	$25,715
Notes Payable	8,569	-	654	7,915	666
Capital Leases	211	2,433	70	2,574	408
Landfill Capping	2,881	4,923	292	7,512	300
Arbitrage Liability	481	28	7	502	-
Water Stock Acquisition Rights	963	-	15	948	150
Net OPEB Obligation	1,204	1,794	528	2,470	-
Total	$735,058	$ 9,178	$ 47,669	$696,567	$27,239

For the year ended June 30, 2009 (amounts expressed in thousands)

Long-Term Obligations at June 30, 2009:

Revenue Bonds:	Principal Outstanding
Electric	
$98,730 1998 Electric Revenue Bonds (partial refunding issue); $63,165 serial bonds, 4.25% to 5.38%, due in annual installments from $4,650 to $7,085 through October 1, 2013; $35,565 term bonds, 5%, due October 1, 2022 (partially advance refunded in 2005, with final maturity in 2018).	$ 35,125
$47,215 2001 Electric Revenue Bonds; 2.9% to 5.25%, due in annual installments from $2,855 to $4,280 through October 1, 2016 (partially advance refunded in 2005, with final maturity in 2014).	22,740
$75,405 2003 Electric Revenue Bonds; 2.0% to 5.0%, due in annual installments from $1,035 to $8,535 through October 1, 2013.	39,305
$27,500 2004 Electric Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.5%, due in annual installments from $2,615 to $3,695 through October 1, 2014.	19,305
$199,115 2008 Electric Refunding/Revenue Bonds; Series A, B, and C; variable rate subject to weekly repricing (rate at June 24, 2009 was 3.5%), due in annual installments from $1,800 to $9,285 through October 1, 2035.	198,565
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $125 to $24,960 through October 1, 2038.	209,740
Subtotal	524,780
Add: Unamortized bond premium	9,762
Less: Unamortized deferred bond refunding costs	(7,034)
	$527,508

Water	
$69,840 1991 Water Revenue Bonds; $25,050 serial bonds, 4.25% to 9.0%, due in annual installments from $675 to $3,100 through October 1, 2002; $25,900 Capital Appreciation Bonds, due in annual installments from $3,235 to $3,240 from October 1, 2003 to October 1, 2010; (partially advance refunded in 1998)	$ 6,475
$30,965 1998 Water Revenue Bonds (partial refunding issue); $15,055 serial bonds, 4.0% to 5.38%, due in annual installments from $205 to $4,080 through October 1, 2013; $15,910 term bonds, 5%, due October 1, 2027 (with final maturity in 2018).	20,405
$20,000 2001 Water Revenue Bonds; 2.6% to 5.0%, due in annual installments from $345 to $585 through October 1, 2031 (partially advance refunded in 2005, with final maturity in 2016).	4,030
$60,300 2008 Water Refunding/Revenue Bonds; Series A variable rate subject to weekly repricing (rate at June 25, 2009 was 3.6%), due in annual installments from $425 to $3,950 through October 1, 2035	59,875
$58,235 2008 Water Revenue Bonds; Series B fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,210 to $7,505 through October 1, 2038.	58,235
Subtotal	149,020
Less: Unamortized bond premium	1,219
Less: Unamortized deferred bond refunding costs	(3,101)
	$ 147,138
Total Revenue Bonds	$674,646

For the year ended June 30, 2009 (amounts expressed in thousands)

Remaining revenue bond debt service payments will be made from revenues of the Electric and Water Enterprise funds. Annual debt service requirements to maturity are as follows:

	Electric Utility Fund			Water Utility Fund		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	21,300	21,735	43,035	4,415	5,939	10,354
2011	22,295	20,709	43,004	4,465	5,892	10,357
2012	21,050	19,693	40,743	4,590	5,939	10,529
2013	22,040	18,692	40,732	4,820	5,709	10,529
2014	21,080	17,640	38,720	5,050	5,289	10,339
2015-2019	66,230	78,514	144,744	20,850	23,255	44,105
2020-2024	63,970	67,585	131,555	19,275	19,677	38,952
2025-2029	77,070	54,104	131,174	23,160	15,674	38,834
2030-2034	94,000	36,768	130,768	28,085	10,638	38,723
2035-2039	115,745	14,449	130,194	34,310	4,235	38,545
Premium (Discount)	9,762	-	9,762	1,219	-	1,219
Refunding Costs	(7,034)	-	(7,034)	(3,101)	-	(3,101)
Total	$527,508	$349,889	$877,397	$ 147,138	$102,247	$249,385

Redevelopment Agency Bonds:	Principal Outstanding
$13,285 1991 Public Financing Authority Revenue Bonds, Series A, Multiple Project Areas; $1,470 serial revenue bonds 7.15% to 7.6%, due in annual installments from $100 to $145 through February 1, 2003; and $4,175 term bonds, 8.0%, due in annual installments from $155 to $450 through February 1, 2018 (portion not refunded)	$ 160
$17,025 1999 University Corridor/Sycamore Canyon Merged Project Area, Tax Allocation Bonds, Series A; $6,205 serial bonds, 3.4% to 4.7% due in annual installments from $40 to $570 through August 1, 2014; $4,810 term bonds at 4.75% due August 1, 2021; and $6,010 term bonds at 5.0% due August 1, 2027	13,885
$6,055 1999 University Corridor/Sycamore Canyon Merged Project Area, Subordinate Tax Allocation Bonds, Series B; $1,900 serial bonds, 4.5% to 5.5% due in annual installments from $35 to $190 through September 1, 2013; $1,135 term bonds at 5.5% due September 1, 2018; and $3,020 term bonds at 5.625% due September 1, 2027	5,025
$20,395 1999 Casa Blanca Project Area, Tax Allocation Bonds, Series A; $8,925 serial bonds, 3.4% to 4.7% due in annual installments from $455 to $780 through August 1, 2014; $2,565 term bonds at 4.75% due August 1, 2017; $4,035 term bonds at 4.75% due August 1,2021; and $4,870 term bonds at 5.0% due August 1, 2025.	15,680
$4,550 Arlington Redevelopment Project, 2004 Tax Allocation Bonds, Series A; $420 term bonds at 3.8% due August 1, 2014; $615 term bonds at 4.6% due August 1, 2024; and $3,515 term bonds at 4.7% due August 1, 2034	4,395
$2,975 Arlington Redevelopment Project, 2004 Tax Allocation Bonds; Series B: 5.5% due in annual installments from $85 to $235 through August 1, 2024	2,605
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2.0% to 5.0% due in annual installments from $545 to $2,230 through October 1, 2024	22,330
$4,810 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through October 1, 2004; $620 term bonds at 3.090% due Oct. 1, 2008; $1,110 term bonds at 4.340% due Oct. 1, 2014 and $2,770 term bonds at 5.480% due Oct. 1, 2024	3,880

For the year ended June 30, 2009 (amounts expressed in thousands)

$40,435 Downtown/Airport Merged Project Area, 2003 Tax Allocation and Refunding Bonds; $32,720 serial bonds 2.0% to 5.25% due in annual installments from $1,220 to $1,955 through August 1, 2023; and $7,715 term bonds at 5.0% due in annual installments from $195 to $2,060 through August 2034	34,045
$24,115 2005 Housing Set-Aside Tax Allocation Bonds; $17,025 serial bonds 3.0% to 4.625% due in annual installments from $505 to $1,165 through August 1, 2025; $2,425 term bonds at 5.0% due August 1, 2028; and $4,665 term bonds at 4.85% due August 1, 2034	21,850
$1,465 California Statewide Communities Development Authority 2005 Taxable Revenue Bonds, Series A (CRA/ERAF Loan Program); 3.87% to 5.01% due in annual installments of $105 to $180 through August 1, 2015	1,105
$8,340 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Tax Exempt, Series A, serial bonds 4.0% to 4.25% due in annual installments from $20 to $590,000 through August 1, 2025; $4,980 term bonds at 4.5% due August 1, 2029; $410 term bonds at 4.375% due August 1, 2037	8,320
$14,850 Downtown/Airport Merged Project Area and Casa Blanca Project Area 2007 Tax Allocation Bonds, Taxable, Series B, $4,050 term bonds at 5.2% due August 1, 2017; $10,800 term bonds at 5.8% due August 1, 2028	14,575
$89,205 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Tax-Exempt, Series C, serial bonds 4.0% to 5.0% due in annual installments from $50 to $3,210 through August 1, 2025; $17,955 term bonds at 4.5% due August 1, 2030; $47,775 term bonds at 5.0% due August 1, 2037	89,155
$43,875 University Corridor/Sycamore Canyon Merged Project Area, Arlington Project Area, Hunter Park/Northside Project Area, Magnolia Center Project Area, and La Sierra/Arlanza Project Area 2007 Tax Allocation Bonds, Taxable, Series D, $15,740 term bonds due August 1, 2017; $28,135 term bonds due August 1, 2032	42,275
Subtotal	279,285
Add: Unamortized bond premium	6,457
Total Redevelopment Agency Bonds	$285,742

Remaining debt service will be paid by the Redevelopment Agency Debt Service Funds from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2010	6,625	13,670	20,295
2011	6,925	13,380	20,305
2012	7,235	13,072	20,307
2013	7,565	12,753	20,318
2014	7,920	12,411	20,331
2015-2019	45,695	56,073	101,768
2020-2024	61,015	42,744	103,759
2025-2029	58,175	26,736	84,911
2030-2034	45,205	13,826	59,031
2035-2039	32,925	3,110	36,035
Premium	6,457	-	6,457
Total	$285,742	$207,775	$493,517

General Obligation Bonds:	Principal Outstanding
$20,000 Fire Facility Projects, Election of 2003 General Obligation Bond; 3.0% to 5.5%, due in annual installments from $410 to $1,740 through August 1, 2024	$17,940
Add; Unamortized bond premium	231
Total General Obligation Bonds	$18,171

For the year ended June 30, 2009 (amounts expressed in thousands)

Remaining general obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2010	625	819	1,444
2011	675	794	1,469
2012	725	766	1,491
2013	780	737	1,517
2014	840	706	1,546
2015-2019	5,210	2,934	8,144
2020-2024	7,345	1,485	8,830
2025-2029	1,740	48	1,788
Premium	231	-	231
Total	$18,171	$8,289	$26,460

Pension Obligation Bonds:	Principal Outstanding
$89,540 California Statewide Community Development Authority (Public Safety) 2004 Taxable Pension Obligation Bond; 2.65% to 5.896%, due in annual installments from $1,125 to $10,715 through June 1, 2023	$82,100
$30,000 2005 Taxable Pension Obligation Bonds Series A; 3.85% to 4.78%, due in annual installments $630 to $3,860 through June 1,2020	26,885
$30,425 2009 Taxable Pension Obligation Refunding Bond Anticipation Notes; rate at June 30, 2009 was 1.5%, $30,425 due June 1, 2010.	30,425
Total Pension Obligation Bonds	$139,410

Remaining pension obligation bond debt service payments will be made from unrestricted revenues of the General fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2010	*33,960	6,414	40,374
2011	4,130	5,792	9,922
2012	4,780	5,593	10,373
2013	5,475	5,357	10,832
2014	6,230	5,079	11,309
2015-2019	44,815	19,539	64,354
2020-2024	40,020	5,891	45,911
Total	$139,410	$53,665	$193,075

* Principal payment includes the refunding

Certificates of Participation:	Principal Outstanding
$6,360 1999 Municipal Improvements Corporation Certificates of Participation; 6.0% to 7.6%, due in annual installments from $310 to $815 through April 1, 2010	$ 815
$53,185 2003 Riverside Public Financing Authority Certificates of Participation; 2.0% to 5.0%, due in annual installments from $755 to $2,830 through September 1,2033	47,845
$19,945 2006 Galleria at Tyler Public Improvements Certificates of Participation; 4.0% to 5.0%, due in annual installments from $435 to $1,270 through September 1, 2036	19,945
$128,300 2008 Riverside Renaissance Certificates of Participation; rate at June 30, 2008 was 3.62%, due in annual installments from $2,900 to $7,200 through March 1, 2037	128,300
Subtotal	196,905
Add: Unamortized bond premium	1,363
Total Certificates of Participation	$198,268

For the year ended June 30, 2009 (amounts expressed in thousands)

Remaining certificates of participation debt service payments will be made from unrestricted revenues of the Debt Service funds. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2010	2,045	7,533	9,578
2011	4,175	7,403	11,578
2012	4,750	7,250	12,000
2013	4,920	7,079	11,999
2014	5,085	6,902	11,987
2015-2019	28,660	31,418	60,078
2020-2024	34,970	25,346	60,316
2025-2029	39,490	18,138	57,628
2030-2034	48,275	9,618	57,893
2035-2039	24,535	1,525	26,060
Premium	1,363	-	1,363
Total	$198,268	$122,212	$320,480

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$948

Notes Payable - Redevelopment Agency:	Principal Outstanding
These notes payable have been issued to promote development and expansion within the City's redevelopment areas.	
Pepsi Cola Bottling Company of Los Angeles, 10.5%, payable in net annual installments of $341, including principal and interest through June 2020	$2,987
HUD Section 108 loan for University Village, 5.36% to 7.66%, payable in semi-annual installments beginning August 1, 1996 of $272 to $425 through August 1, 2015	2,260
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning August 1, 1999 of $110 to $420 through August 1, 2018	3,175
Note payable to California Housing Finance Agency, interest at 3%, payable in annual installments of $88 through 2013, for housing projects.	327
Total notes payable – Redevelopment Agency	$ 8,749

Remaining notes payable debt service payments will be made from unrestricted revenues of the Redevelopment Agency. Annual debt service requirements to maturity are as follows:

	Redevelopment Agency		
Fiscal Year	Principal	Interest	Total
2010	586	601	1,187
2011	631	574	1,205
2012	677	543	1,220
2013	728	509	1,237
2014	692	471	1,163
2015-2019	2,907	1,779	4,686
2020-2024	471	1,238	1,709
2025-2029	777	932	1,709
2030-2034	1,280	430	1,710
Total	$ 8,749	$7,077	$15,826

Notes payable – Sewer Fund:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339,474, beginning January 29, 2003 through January 29, 2022	$ 3,574
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477,387, beginning November 6, 1999 through November 6, 2018	4,341
Total notes payable – Sewer Fund	$7,915

For the year ended June 30, 2009 (amounts expressed in thousands)

Remaining notes payable debt service payments will be made from unrestricted revenues of the Sewer fund. Annual debt service requirements to maturity are as follows:

	Sewer Fund		
Fiscal Year	Principal	Interest	Total
2010	666	151	817
2011	679	138	817
2012	692	125	817
2013	705	112	817
2014	718	99	817
2015-2019	3,797	286	4,083
2020-2021	658	21	679
Total	$7,915	$932	$8,847

Capital Leases:

The City leases various equipment through capital leasing arrangements in the governmental and proprietary fund types. These activities are recorded for both governmental and business-type activities in the government-wide financial statements. The assets and related obligations under leases in governmental funds are not recorded in the fund statements. For proprietary funds, the assets and their related liabilities are reported directly in the fund. Amortization applicable to proprietary assets acquired through capital lease arrangements is included with depreciation for financial statement presentation. The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
Buildings and improvements	$6,069	$488
Equipment	4,763	2,727
Subtotal	10,832	3,215
Less: Accumulated		
Depreciation	(2,330)	(133)
Total	$8,502	$3,082

The future minimum lease obligations as of June 30, 2009 were as follows:

Years Ending June 30,	Governmental Activities	Business-type Activities
2010	1,598	497
2011	1,598	497
2012	1,081	446
2013	938	446
2014	703	446
Thereafter	2,140	497
Copiers	585	-
Total Minimum lease payments	8,643	2,829
Less: Amount representing interest		(255)
(rates ranging from 2.5% to 9%)	(1,188)	
Total capital lease payable	$7,455	$2,574

The following are legally required debt service cash reserves. These amounts, at a minimum, are held by the City or fiscal agents at June 30, 2009:

General long-term obligations:	
Redevelopment Agency	$ 7,033
Certificates of Participation	12,908
Total	$19,941
Enterprise funds:	
Electric	$31,398
Water	8,259
Total	$39,657

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. The debt service coverage ratios also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

For the year ended June 30, 2009 (amounts expressed in thousands)

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)	Annual Debt Service Payments (of all debt secured by this revenue)	Debt Service Coverage Ratio for FYE 6/30/09
Tax increment:			
Non-Housing	$42,659	$15,440	2.76
Housing	7,611	2,776	2.74
Electric revenues	117,543	45,286	2.60
Water revenues	25,247	11,201	2.25

There are also a number of limitations and restrictions contained in Assessment Bond indentures. The City believes they are in compliance with all significant limitations and restrictions.

Defeasance of Debt:

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt issues. Accordingly, the trust account assets and liability for the defeased debt issues are not included in the City's financial statements.

At June 30, 2009, the following amounts are considered defeased:

2001 Electric Revenue Bonds	$9,260,000
2001 Water Revenue Bonds	13,320,000
1993 Sewer Revenue Bonds	17,590,000

Landfill Capping:

State and Federal laws and regulations require the City to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. To comply with these laws and regulations, the City is funding the costs of closure and "final capping" of the Tequesquite landfill located in the City. This area, comprised of approximately 120 acres, operated as a "Class II Sanitary Landfill" until its closure in 1985. During its operation, the landfill did not accept hazardous waste and no clean up and abatement or cease and desist orders have been issued to the City. The capacity used at June 30, 2009 was 100%.

The estimated costs as determined by an independent consultant and updated by the City's Engineering Department are associated with flood control upgrades, remediation of possible ground water contamination and control of methane gas. All potential costs have been recognized in the financial statements. There is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. To fund the cost, the City imposed a landfill capping surcharge on customers effective August 1, 1988. The minimum unamortized estimated cost is recorded as a deferred charge in the accompanying financial statements of the Refuse fund and is being amortized on a straight-line basis over the remaining post closure period, currently 23 years. The estimated cost of meeting the State's requirements was increased by $4.9 million during 2009 based on the engineer's annual review of closure and post-closure maintenance costs.

8. Other Long-Term Obligations

Assessment Districts Bonds (Not obligations of the City)
As of June 30, 2009, the City has several series of Assessment District Bonds outstanding in the amount of $64,102. Bonds issued for improvements in certain special assessment districts, in accordance with the provisions of the Municipal Improvements Acts, are liabilities of the property owners and are secured by liens against the assessed property. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since the debt does not constitute an obligation of the City, it is not reflected as a long-term obligation of the City and is not reflected in the accompanying basic financial statements.

Conduit Debt Obligations

Mortgage Revenue Bonds outstanding of $10,385 and Industrial Development Revenue Bonds of $11,275 are not included in the accompanying financial statements. These bonds are special obligations of third parties and payable solely from and secured by a pledge of the receipts received from the acquired mortgage loans and certain other reserve funds and related monies. The bonds are not payable from any other revenues or assets of the City or Redevelopment Agency. Neither the faith and credit nor the taxing power of the City, the Redevelopment Agency, the State of California or any political subdivision thereof is pledged to the payment of the principal and interest on the bonds.

9. Interest Rate Swaps

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, at the time of issuance in May 2008, the City entered into interest rate swap agreements in connection with its $198,115 2008 Electric Revenue Bonds (Series A, B, and C) and $61,300 2008 Water Revenue Bonds. Also, in 2008, the City entered into an additional interest rate swap agreement in connection with its $128,300 2008 Certificates of Participation.

For the year ended June 30, 2009 (amounts expressed in thousands)

Terms: Per the existing swap agreements, the City pays a counterparty a fixed payment and receives a variable payment computed as 62.68% of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points for the Electric and Water swaps. For the COP swap, the City again pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The swaps have notional amounts equal to the principal amounts stated above. Starting in fiscal year 2009, the notional value of the swaps and the principal amounts of the associated debt decline by $975 to $7,200 until the debt is completely retired in fiscal year 2037.

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029 and the 2008B and C Electric and 2008 Water Revenue/Refunding Bonds both mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037.

As of June 30, 2009 rates were as follows:

	Terms	2008 Water Refunding/ Revenue Bonds Series A Rates	2008 Electric Refunding/ Revenue Bonds Series B Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20000%	3.20100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(2.50962%)	(2.49327%)
Net interest rate swap payments		0.69038%	0.70773%
Variable-rate bond coupon payments		2.72754%	2.79314%
Synthetic interest rate on bonds		3.41792%	3.50087%

	Terms	2008 Electric Refunding/ Revenue Bonds Series C Rates	2008 Electric Refunding/ Revenue Bonds Series A Rates
Interest rate swap:			
Fixed payment to counterparty	Fixed	3.20400%	3.11100%
Variable payment from counterparty	62.68 LIBOR + 12 bps	(2.48821%)	(2.50897%)
Net interest rate swap payments		0.71579%	0.60203%
Variable-rate bond coupon payments		2.79678%	2.76583%
Synthetic interest rate on bonds		3.51258%	3.36786%

	Terms	COP 2008 Bonds Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.36200%
Variable payment from counterparty	63.00 LIBOR + 7 bps	(1.16340%)
Net interest rate swap payments		2.19860%
Variable-rate bond coupon payments		1.23936%
Synthetic interest rate on bonds		3.43796%

Fair Value: As of June 30, 2009, in connection with all swap arrangements, the transactions had a total negative fair value of <$29,870>. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Credit risk: As of June 30, 2009, the City was not exposed to credit risk because the swap had a negative fair value. The swap counterparties, Bank of America, J.P. Morgan and Merrill Lynch were rated AA+, AA- and A respectively by Standard & Poor's. To mitigate the potential for credit risk, the swap agreements require the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2009, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: As noted above, the swaps expose the City to basis risk should the relationship between LIBOR and the variable interest rate, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the City if either counterparty's credit quality falls below "BBB-" as issued by Standard and Poor's. The City or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

For the year ended June 30, 2009 (amounts expressed in thousands)

Swap payments and associated debt: As of June 30, 2009, the debt service requirements of the variable-rate debt and net swap payments assuming current interest rates remain the same, for their term are summarized in the following table. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 1,000	$ 7,305	$ 4,601	$ 12,906
2011	1,025	7,276	4,588	12,889
2012	6,350	7,175	4,505	18,030
2013	6,575	7,071	4,420	18,066
2014	6,800	6,962	4,332	18,094
2015-2019	63,975	30,804	19,688	114,467
2020-2024	75,475	23,494	15,749	114,718
2025-2029	82,650	15,944	10,902	109,496
2030-2034	91,825	7,697	5,567	105,089
2034-2037	49,050	436	504	49,990
Total	$384,725	$114,164	$ 74,856	$573,745

10. Reserved Fund Balances:

Reserved fund balances at June 30, 2009 for the General Fund, Redevelopment Debt Service Fund, COPS Debt Service Fund, Capital Outlay Fund and the Redevelopment Capital Projects Fund consist of the following:

Reserved for:	
Encumbrances	$ 49,926
Interfund receivable	27,465
Debt service	39,109
Prepaid items	314
Notes receivable	527
Fire bond	9,928
Land & improvements held for resale	73,511
Total reserved fund balance	$200,780

11. Interfund Assets, Liabilities and Transfers

Due From/To Other Funds: These balances resulted from expenditures being incurred prior to receipt of the related revenue source.

The following table shows amounts receivable/payable between funds within the City at June 30, 2009:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$2,945
	Capital Outlay Fund	10,237
	Unemployment Insurance*	12
	Central Stores *	2,787
		15,981
RDA Capital Projects	RDA Debt Service	3
Nonmajor Governmental Funds	Capital Outlay Fund	12,553
	Nonmajor Governmental Funds	95
		12,648
Total		$28,632

* Internal service funds

Advances To/From Other Funds: These balances consist of advances used to fund capital projects in advance of related financing/assessments and for other long-term borrowing purposes.

The following table shows amounts advanced from funds within the City to other funds within the City at June 30, 2009:

Receivable Fund	Payable Fund	Amount
General	Electric	$12,979
	Redevelopment Capital Projects	745
	Water	5,584
	Sewer	3,572
	Nonmajor Governmental Funds	598
	Nonmajor Enterprise Funds	2,401
	Workers' Compensation *	234
	Central Stores *	246
	Central Garage *	1,106
		27,465

For the year ended June 30, 2009 (amounts expressed in thousands)

Workers' Compensation *	Nonmajor Enterprise Funds	6,881
	General	217
	Redevelopment Capital Projects	5,518
		12,616
Sewer	Redevelopment Capital Projects	10,018
Electric	Redevelopment Capital Projects	5,269
	Central Stores*	650
		5,919
Total		$56,018

Transfers In/Out: Transfers are used to (1) move revenues to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) record the difference between the sales price and original carrying value of an asset that was transferred from the General Fund to the Water Fund (4) use unrestricted revenues collected in the General fund to finance various programs accounted for in the other funds in accordance with budgetary operations.

The following table shows amounts transferred to/from funds within the City as of June 30, 2009:

Transfer In Fund	Transfer Out Fund	Amount
General	Electric	$29,583
	Water	11,664
	Capital Outlay	7,500
	COPS Debt Service Fund	1,903
		50,650
Redevelopment Debt Service	Nonmajor Governmental Funds	3,185
		3,185
COPS Debt Service Fund	General Fund	7,775
	Redevelopment Debt Service	245
	Capital Outlay	337
	Nonmajor Enterprise Funds	840
		9,197
Capital Outlay	COPS Debt Service Fund	304
		304
Redevelopment Capital Projects	Redevelopment Debt Service	35,991
		35,991
Nonmajor Governmental Funds	Redevelopment Capital Projects	414
	Nonmajor Governmental Funds	1,056
		1,470
Total		$100,797

12. Deficit Fund Balances/Net Assets

Deficit fund balance/net assets exist in the Urban Areas Security Initiative Special Revenue Fund ($92), Housing & Community Development Special Revenue Fund ($120), Transportation Capital Projects Fund ($20), Unemployment Compensation Internal Service Fund ($229), and the Public Liability Internal Service Fund ($7,580) at fiscal year end. The deficit in these funds will be primarily reduced based on a rate increase implemented in the subsequent fiscal year. Management's analysis shows that continuing cost control together with the rate increase will eliminate these deficits over the next few years.

13. Litigation

The City continues to participate in key FERC dockets impacting the City's Electric Utility, such as the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU).

The Electric and Water Utilities are defendants in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the

For the year ended June 30, 2009 (amounts expressed in thousands)

Electric and Water Utilities are incidental to the ordinary course of operations and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the City.

The Water Utility is also a plaintiff in a lawsuit against the manufacturers and distributors of methyl tertiary-butyl ether (MTBE) and its by-products, and of fuel containing these chemicals, arising out of the threat to the Water Utility wells of contamination with those chemicals from leaking underground storage tanks.

The defendants removed this lawsuit to federal court and then transferred the case to the Judicial Panel on Multidistrict Litigation, New York, where it was consolidated with all other pending MTBE water contamination litigation cases in the country. Although the City has tentatively settled with a number of the defendants, the settlement has not been approved by the court and no trial date for the remainder of the case.

The City also detected perchlorate in a number of its drinking water wells. While Lockheed Martin has not admitted liability for the presence of perchlorate in the City's wells, Lockheed Martin has agreed to pay for the design, construction, installation, rental and permitting, and to reimburse the City for its operational and maintenance costs associated with perchlorate treatment facilities on certain of the City's drinking water wells, under an agreement between the City and Lockheed Martin dated October 29, 2002 (the "Interim Perchlorate Agreement"). The Interim Perchlorate Agreement has been thrice amended, on November 25, 2003, on February 22, 2005, and on May 31, 2007, with each amendment increasing the number of wells from an original four wells to fourteen wells being treated for perchlorate at Lockheed Martin's expense.

14. City Employees Retirement Plan

(A) Plan Description. The City of Riverside contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

(B) Funding Policy. For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Annual Pension Cost. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% per year compounded annually, attributable to inflation, and (c) 3.0% expected long term inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the affects of short-term volatility in the market value of investments (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years.

Three-year trend information for CalPERS:

Fiscal Year June 30,	Plan	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation (Asset)
2007	Misc	$11,693	100%	(58,908)
2007	Safety	10,622	100%	(87,813)
2008	Misc	12,457	100%	(58,334)
2008	Safety	11,134	100%	(87,043)
2009	Misc	14,735	100%	(57,548)
2009	Safety	12,543	100%	(85,909)

A total of $143,457 of net pension assets are included as a deferred charge in the Government-wide Statement of Net Assets. The deferred charge relating to the net pension assets will be amortized over 19 years in accordance with the method used by CalPERS for calculating actuarial gains and losses.

For the year ended June 30, 2009 (amounts expressed in thousands)

Determination of Net Pension Asset as of June 30, 2009:

	Misc	Safety
Annual required contribution	$13,949	11,409
Interest on net pension asset	(4,521)	(6,746)
Adjustment to annual required contribution	5,307	7,880
Annual pension cost	14,735	12,543
Less contributions made	(13,949)	(11,409)
Decrease (Increase) in net pension asset	786	1,134
Net pension asset, beginning of year	(58,334)	(87,043)
Net pension asset, end of year	$(57,548)	(85,909)

Schedule of funding for CalPERS:

Plan	Actuarial Valuation Date	Entry Age Normal Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded/ (Overfunded) Actuarial Accrued Liability (UAAL)	% Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Misc.	6/30/05	$655,642	634,694	20,948	96.8	84,290	24.9
Safety	6/30/05	486,880	468,652	18,228	96.3	50,368	36.2
Misc.	6/30/06	712,551	677,903	34,648	95.1	92,844	37.3
Safety	6/30/06	523,914	498,433	25,481	95.1	53,728	47.4
Misc.	6/30/07*	770,089	731,550	38,539	95.0	102,435	37.6
Safety	6/30/07*	567,733	536,774	30,959	94.5	61,058	50.7

* Information presented is for the most recent valuation date available.

Other Post-Employment Benefits
(All amounts are in whole dollars unless otherwise stated)

Plan Description

The City of Riverside (City) contributes to two single-employer defined benefit healthcare plans: a Stipend Plan and the Implied Subsidy Plan. The plans provide other post-employment health care benefits (OPEB) for eligible retirees and beneficiaries.

The Stipend Plan is available to eligible retirees and beneficiaries pursuant to their collective bargaining agreements. The City currently contributes to seven bargaining units through their associations. The following seven associations are responsible for the administration of their individual plans: The Riverside City Fire Association (RCFA), International Brotherhood of Electrical Workers General Trust (IBEW), The Riverside Police Administrator's Association (RPAA), The Riverside Police Association Sergeants Trust 1991 (RPOA 91), The Riverside Police Association Sergeants Trust 2006 (RPOA 06), Service Employee's International Union General Trust (SEIUG), and the Service Employee's International Union Refuse (SEIUR). The RCFA and the RPAA associations are new trusts and the benefit levels are not yet established, therefore the actuarial information was excluded and the actuarial information stated that the ARC for both trusts would be equal to the City's contribution.

The City also provides benefits to retirees in the form of an implied rate subsidy (Implied Subsidy). Under an implied rate subsidy, retirees and current employees are insured together as a group, thus creating a lower rate for retirees than if they were insured separately. Although the retirees are solely responsible for the cost of their health insurance benefits through this plan, the retirees are receiving the benefit of a lower rate.

Benefit provisions for the Stipend Plan for eligible retirees and beneficiaries are established and amended through the various memoranda of understanding (MOU). The MOU's are agreements established between the City and the respective employee associations. The City does not issue separate stand-alone financial reports for the plans, instead financial information for the trust funds can be obtained by contacting the individual association. The benefit summary information is as followed:

For the year ended June 30, 2009 (amounts expressed in thousands)

BENEFIT SUMMARY[1]			
Eligibility & Benefit	Trust/Group	Eligibility	Monthly Benefit
	• IBEW	• DOR>7/1/2000 50 & 5, or disability	• $100 until Medicare eligible
	• RPOA 91	• Active on 6/1/90 or bought into plan, 20 yrs as Police officer (15 with City), or industrial disability with 5 yrs City Police service	• DOR<6/1/1990: $75 • DOR>6/1/1990: $150
	• RPOA 06	• DOR>7/1/06, 15 yrs City police service, or industrial disability	• $200
	• SEIUG	• 20 yrs City service or industrial disability with 5 yrs service	• DOR<6/30/90: $50 • DOR>6/30/90: $100
	• SEIUR	• 20 yrs City service or industrial disability with 5 yrs service	• $100

1 Chart information obtained from the Bartel Associates, LLC Stipend and Implied Subsidy Plans-GASB 45 Actuarial Valuation report dated July 24, 2008.

BENEFIT SUMMARY		
▪ Eligibility	▪ Retire directly from City under CalPERS (age 50, 5 years of service or disability), and meet plan eligibility above	
▪ City Contribution	Trust/Group	Contribution
	• IBEW	• $50/month for each active
	• RPOA 91	• Initial contribution of $750,000
	• RPOA 06	• $100/month for each active
	• SEIUG	• Each January 1st through 2010, City contributes 0.25% of annual full-time payroll
	• SEIUR	• Each January 1st through 2011, City contributes 0.25% of annual full-time payroll

Funding Policy and Annual OPEB Cost

The contribution requirements of the City for the Stipend Plan are established and may be amended through the memoranda of understanding (MOU) between the City and the unions. The City's contribution is paid on a "pay-as-you-go-basis", which is currently less than the annual required contribution.

Assets Trust Amounts As of Most Recent Actuarial Valuation		
IBEW General Retiree Health Trust	$	204,858
RPOA 1991 Trust		531,376
RPOA 2006 Trust		230,105
SEIU General Retiree Health		1,839,569
SEIU Refuse Retiree Health		30,317
Total	$	2,836,225

The contribution requirements of the City's Implied Subsidy Plan are established by the City Council. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

The City's annual OPEB cost (expense) for each plan is reported based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) (UAAL) over a period not to exceed thirty years.

The City's annual OPEB costs for the current year and the related information for each plan are as follows (amounts in thousands):

RESULTS – STIPEND PLANS

Annual Required Contribution (ARC) at 4.5%
2008/09 Fiscal Year
(amounts in 000's)

	IBEW	RPOA 1991 Trust	RPOA 2006 Trust	SEIU General	SEIU Refuse
▪ ARC $					
• Normal Cost[2]	$19	$44	$303	$172	$7
• UAAL Amortization[3]	4	94	150	128	8
• Total	23	138	453	300	15
▪ 2008/09 Payroll	15,326	8,343	27,253	47,621	1,762
▪ ARC as % of payroll					
• Normal Cost	0.1%	0.5%	1.1%	0.4%	0.4%
• UAAL Amortization	0.0%	1.1%	0.6%	0.3%	0.5%
• Total	0.1%	1.6%	1.7%	0.7%	0.9%
▪ Current Contribution					
• $	$123	-	$424	$113[4]	-
• % of payroll	0.8%	-	1.6%	0.24%	-

2 Level $

3 Amortized as a level percent of payroll over 30 years

4 Contribution was based on annual projected payroll figures as of January 1, 2009. If actual payroll had been used, contributions would be $119.

RESULTS – IMPLIED SUBSIDY

Discount Rate and Amortization Sensitivity
(amounts in 000's)

▪ **Discount Rate**	**4.5%**	
▪ **Amortization Period**	20 Years	30 Years
▪ **Present Value of Benefits[5]**	$75,665	$75,665
▪ **Funded Status[5]**		
• AAL (Accrued Actuarial Liability)	50,430	50,430
• Assets	-	-
• UAAL	50,430	50,430
▪ **2008/2009 ARC[5]**		
• Normal Cost	2,306	2,306
• UAAL Amortization	2,947	2,080
• ARC	5,253	4,386
• ARC as % of payroll	3%	3%

The City's annual OPEB cost (AOC), the contribution, and the net OPEB obligation (NOO) for the year ended June 30, 2009 for each of the plans were as follows (dollar amounts in thousands):

RESULTS – STIPEND PLANS

Estimated Net OPEB Obligation
(amounts in 000's)

4.5% Discount Rate

	IBEW	RPOA 1991 TRUST	RPOA 2006 TRUST	SEIU GENERAL	SEIU REFUSE	Total
▪ **NOO 6/30/2007**	$ -	$ -	$ -	$ -	$ -	$ -
o AOC[6]	23	138	453	300	15	929
o Contribution	(105)	-	(322)	(113)	(4)	(544)
▪ **NOO 6/30/2008**	$ (82)	$ 138	$ 131	$ 187	$ 11	$ 385
o AOC[5]	23	138	453	300	15	929
o Contribution	(123)	-	(424)	(113)	-	(660)
▪ **Estimated NOO 6/30/2009**	$(182)	$ 276	$ 160	$ 374	$ 26	$ 654

5 Based on most recent actuarial valuation performed as of 6/30/08.

6 30 year amortization. Level $ for IBEW, RPOA 1991 & RPOA 2006. Level % of payroll for SEIU General and SEIU Refuse.

RESULTS – IMPLIED SUBSIDY
Estimated Net OPEB Obligation
(amounts in 000's)

	No Pre-Funding 4.5%
▪ **NOO 6/30/2007**	$ -
o 2007/08 ARC[7]	4,386
o Contributions[8]	(1,290)
▪ **NOO 6/30/2008**	$ 3,096
o 2008/09 ARC[9]	4,386
o Contributions[7]	(1,290)
▪ **Estimated NOO 6/30/2009**	$ 6,192

Funding Status and Funding Progress

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information normally provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Based on the most recent actuarial valuation performed on June 30, 2008, the actuarial accrued liability for benefits was $50.4 million. The funded status of the Stipend Plan was as follows (amounts in thousands):

Stipend Plan

Actuarial Value of Assets (a)	**Actuarial Accrued Liability (AAL)- Entry Age** (b)	**Unfunded AAL (UAAL)** (b-a)	**Actuarial Valuation Date**	**Funded Ratio** (a/b)	**Covered Payroll** (c)	**UAAL as a Percentage of Covered Payroll** ((b-a)/c)
$ 2,885	$ 12,186	$9,301	06/30/08*	24%	92,643	10%

* Information presented is for the most recent valuation date available.

7 UAAL amortized as a level percent of payroll over 30 years.
8 Includes benefit payments.
9 Based on most recent actuarial valuation performed as of 6/30/08.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the city and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

ACTUARIAL ASSUMPTIONS

	June 30, 2007 Valuation
▪ Valuation Date	• June 30, 2007 • Cost for fiscal year 2007/08 (end of year)
▪ Discount Rate:	• 6.0% Baseline • 4.5% Assets invested conservatively • 7.75% Pre-funded with CalPERS CERBT – diversified and irrevocable trust
▪ General Inflation	• 3.0%
▪ Aggregate Payroll Increases	• 3.25%
▪ Retirement	• CalPERS 1997-2002 Experience Study Misc / Fire / Police Level: 2.7%@55 / 3%@50 / 3%@50 Hire Age: 34 / 27 / 27 Exp. Ret. Age: 60 (M) 59 (F) / 56 / 54
▪ Mortality, Termination, & Disability	• CalPERS 1997-2002 Experience Study

For the year ended June 30, 2009 (amounts expressed in thousands)

▪ Medicare Eligible Rate	• 100%
▪ Plan Assets	▪ Market value of assets ▪ No smoothing
▪ Cost Method	▪ Entry Age Normal • As a level % of pay: ➢ SEIU General ➢ SEIU Refuse • As a level $ amount: ➢ IBEW Trust ➢ RPOA 1991 Trust ➢ RPOA 2006 Trust ▪ Acceptable under GASB 27
▪ Amortization Period	▪ 30 years ▪ 20 years -- sensitivity
▪ Amortization Method	▪ Level Percent of Payroll (same as CalPERS) ▪ Level Dollar Amount
▪ Future New Entrants	▪ None – Closed Group

15. Commitments and Contingencies

A. Long-Term Electric Utility Commitments

Intermountain Power Agency

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements. Such payments are considered a cost of production.

Southern California Public Power Authority

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as a member. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 2008-09 and 2007-08 fiscal years, the Electric Utility paid approximately $17,792 and $17,074, respectively, to SCPPA under various take-or-pay contracts. These payments are reflected as a component of production and purchased power or transmission expense in the financial statements.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

Project	Percent Share	Entitlement
Palo Verde Nuclear Generating Station (PV)	5.40%	11.7MW
Southern Transmission System (STS)	10.20%	195.0MW
Hoover Dam Uprating (Hoover)	31.90%	30.0MW
Mead – Phoenix Transmission (MPP)	4.00%	12.0MW
Mead – Adelanto Transmission (MAT)	13.50%	118.0MW

Terms of Take or Pay Commitments

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long–term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

Interest rates on the outstanding debt associated with the take-or-pay obligations range from 3.0 percent to 6.38 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

Fiscal Year	IPA	SCPPA PV	SCPPA STS	SCPPA Hoover	SCPPA MPP	SCPPA MAT	Total
2010	$19,926	$ 692	$ 6,457	$ 708	$ 229	$ 2,454	$ 30,466
2011	25,742	662	7,538	708	319	3,100	38,069
2012	23,323	666	7,936	706	318	3,090	36,039
2013	20,116	669	9,614	704	318	3,087	34,508
2014	22,918	672	8,764	705	318	3,092	36,469
Thereafter	165,263	2,725	102,231	2,803	1,826	20,653	295,501
Total	$277,288	$ 6,086	$142,540	$ 6,334	$ 3,328	$35,476	$471,052

Take-or-pay commitments expire upon final maturity of outstanding bonds for each project. Final fiscal year maturities are as follows:

Project	Final Maturity Date
Intermountain Power Project	2024
Palo Verde Nuclear Generating System	2017
Southern Transmission System	2023
Hoover Dam Upgrading	2017
Mead-Phoenix Transmission	2020
Mead-Adelanto Transmission	2020

In addition to debt service, Riverside's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service and vary each year. The costs incurred for the year ended June 30, 2009 and 2008, are as follows (in thousands):

Fiscal Year	IPA	PV	STS	MAT	MPP	Hoover	Total
2009	$28,010	$3,044	$1,975	$ 243	$ 121	$ 81	$33,474
2008	27,759	2,758	2,181	248	97	88	33,131

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Equity.

B. Other Commitments

Power Purchase Agreements:

The Electric Utility has executed five firm power purchase agreements. The agreements are with Deseret Generation and Transmission Cooperative (Deseret) of Murray, Utah; and Bonneville Power Administration (BPA). The minimum annual obligations under each of these contracts are shown in the following table.

Minimum Obligations 2009-2010

Supplier	Capacity	Energy	Total
Deseret	$1,732	$1,143	$2,875
BPA (two agreements)	1,096	-	1,096
Total	$2,828	$1,143	$3,971

The agreement with Deseret is for five megawatts of capacity and associated energy from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts of capacity and associated energy through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998, resulting in litigation which was settled on July 31, 1999. Under the terms of the settlement agreement, the notice of termination was rescinded and the power purchase agreement was amended to reflect substantial price reductions after fiscal year 2002 through the term of the agreement in 2009. In exchange, Riverside Public Utilities paid Deseret $25,000 from Electric fund reserves, which is reflected on the Balance Sheets as Deferred purchased power. On July 1, 2002, the Electric Utility began to amortize the $25,000, and will continue to amortize the remaining balance over the term of the agreement using the straight-line method.

As of June 30, 2009 and 2008, Deferred purchased power was $1,670 and $5,011, respectively, and the Utility had recorded amortization of $3,341 in both fiscal years.

The first agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) beginning February 1, 1991, for a period of 20 years. The second BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the second agreement.

On June 6, 2003 and July 8, 2003, the Public Utilities Board and the City Council respectively, adopted a RPS to increase procurement of renewable resources to reach a target of 20% of the Utility's energy by 2015. On March 16, 2007, the Public Utilities Board approved a new RPS, increasing the targets to 20% and 25% by 2010 and 2015, respectively. On May 4, 2007, the Public Utilities added an additional target of 33% by 2020.

For the year ended June 30, 2009 (amounts expressed in thousands)

The contracts in the following table were executed as part of compliance with this standard. The Utility also has an agreement with Bonneville Power Administration for the purchase of energy credits that add to the total renewable portfolio.

Long-term renewable power purchase agreements:

Supplier	Type	Maximum Contract	Contract Expiration	Estimated Annual Cost for 2009
Wintec	Wind	8.0MW	11/10/2021	233
Salton Sea Power	Geothermal	20.0MW	5/31/2020	22,123
Total		28.0MW		$22,356

All contracts are contingent on energy production from specific related generating facilities. Riverside has no commitment to pay any amounts except for energy produced on a monthly basis from these facilities.

On August 23, 2005, the City Council approved an amendment to the Power Purchase Agreement between Salton Sea and the City. The agreement increases the amount of renewable energy available to the City from the current 20 MW to 46 MW effective June 1, 2009 through May 31, 2020, at the same price under the current contract until 2013, with escalation thereafter based on an inflationary type index. Similar to other renewable power purchase agreements, the City is only obligated for purchases of energy delivered to the City.

On November 10, 2006, the City of Riverside entered into a second Renewable Power Purchase Agreement with Wintec Energy, Ltd for wind generation capacity of up to 8 MW. The contract term is for 15 years, with capacity available upon completion of Wintec's Facility II Wind Turbine Project.

On June 19, 2008 and December 12, 2008, the City of Riverside entered into two separate Renewable Power Purchase Agreements with Shoshone Renaissance, LLC for geothermal power. The contract term is for 30 years with an estimated start date in late 2011 and will provide a combined 96 MW of geothermal energy.

Construction Commitments:

As of June 30, 2009, the Electric Utility had major commitments of approximately $17,207, with respect to unfinished capital projects, of which $16,560 is expected to be funded by bonds and $647 funded by rates.

As of June 30, 2009, the Water Utility had major commitments of approximately $8,663 with respect to unfinished capital projects, of which $8,000 is expected to be funded by bonds and $663 funded by rates.

C. Jointly-Owned Utility Project

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3, equating to 19.2 MW and 19.3 MW respectively, of the available capacity. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the City of Anaheim, 3.16 percent. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

SCE, as operating agent, has declared an "operating impairment" due to deterioration of the steam generators ("SGs"), which would likely result in permanent shutdown of the plant in the 2009-2010 timeframe. The estimated costs to replace the SGs is $680,000, of which approximately $12,200 would represent the City's share. Replacement of the SGs is expected to enable plant operations through at least 2022, and perhaps beyond if Nuclear Regulatory Commission approval is obtained. Although the City Council has approved participation in the replacement of the SGs, Anaheim has opted not to participate. During 2006, the FERC, Nuclear Regulatory Commission and the California Public Utility Commission (CPUC) approved the transfer of Anaheim's shares to SCE, and as a result, SCE's ownership was increased to 78.21 percent in units 2 and 3 of SONGS.

The original operating license for SONGS units 2 and 3 was set to expire in 2013; however, this was subsequently extended due to a construction recapture provision, and now expires February 16, 2022 and November 15, 2022 for Units 2 and 3 respectively.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled $146,027 and $142,120 for fiscal years ended June 30, 2009 and 2008, respectively. During fiscal year ended June 30, 2006, the City Council approved participation in SONGS through the extended operations date. As a result, all acquisitions are now depreciated through 2022, to include the construction recapture extension period. The accumulated depreciation amounted to $120,549 and $114,511 for the fiscal years ended June 30, 2009 and 2008, respectively. The Electric Utility made provisions for future decommissioning costs of $1,581 for both fiscal years plus earnings on the Decommissioning Trust Fund of $2,968 and $2,336 for fiscal years June 30, 2009 and June 30, 2008, respectively (see Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

16. Uncertainty Relating to the State of California's Budget Deficit

The State of California continues to have significant financial challenges and remains an ongoing uncertainty for the City as they continue to look to local municipalities to assist with closing their budget gap. When adopting its budget for fiscal year 2009-10, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2009-10 and 2010-11. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time. The specific impact on the City's redevelopment agency would be to re-direct $17 million from the redevelopment agency to offset a portion of the State budget deficit.

17. Subsequent Events

On August 6, 2009, the City issued the 2009 Sewer Revenue Bonds in the amount of $240,910. The bonds were issued to reimburse certain previously incurred improvement costs and to finance certain capital projects of the City's sewer system. Interest on the bonds is payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2010. The rate of interest varies from 4.0% to 7.2% per annum depending on maturity date. Principal is payable in annual installments ranging from $6,760 to $109,130 commencing August 1, 2012 and ending August 1, 2039.

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Urban Areas Security Initiative (UASI) Fund – To account for UASI grants received from the U.S. Department of Homeland Security.

Special Gas Tax Fund – To account for the construction and maintenance of the road network system of the City. Financing is provided by the City's share of state gasoline taxes which state law requires to be used to maintain streets.

Air Quality Improvement Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing and Community Development Fund – To account for Federal grants received from the Department of Housing and Urban Development (HUD). The grants are used for the development of a viable urban community by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons with low and moderate incomes.

Redevelopment Agency Fund – To account for the portion of Redevelopment tax increment monies which California Redevelopment Law requires be set aside for the development of low and moderate income housing.

National Pollution Discharge Elimination System (NPDES) – To account for storm drain maintenance and inspection required for California storm water permits. Activities are funded by a special assessment district of Riverside County, California.

Neglected Property Abatement Fund – To account for revenues and expenditures associated with the neglected property abatement activities of the Code Enforcement Division of the Community Development Department.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources and payment of long-term debt obligations of the City and related entities.

Debt Service Fund – To accumulate monies for the payment of interest and principal on long-term debt obligations of the City. Debt service is financed via special property tax assessments.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Special Capital Improvements Fund – To account for the acquisition, construction and installation of capital improvements and a Community Facilities District within the City.

Storm Drain Fund – To account for the acquisition, construction and installation of storm drains in the City.

Transportation Fund – To account for the construction and installation of street and highway improvements in accordance with Articles 3 and 8 of the Transportation Development Act of 1971 of the State of California.

Permanent Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Special Fund – To account for the monies held in trust for the benefit of the Riverside City Public Library System..

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(amounts expressed in thousands)

	Special Revenue							
Assets	**Urban Areas Security Initiative**	**Gas Tax**	**Air Quality Improvements**	**Housing & Community Development**	**Redevelopment Agency**	**NPDES Storm Drain**	**Neglected Property Abatement**	**Total**
Cash and investments	$ -	$ 9,413	$ 701	$ -	$ 23,475	$ -	$ -	$ 33,589
Cash and investments at fiscal agent	-	-	-	-	386	-	-	386
Receivable (net of allowance for uncollectibles):								
Interest	-	48	4	-	165	-	-	217
Accounts	-	-	-	2	-	-	1,671	1,673
Intergovernmental	-	991	-	3,294	-	438	-	4,723
Notes	-	-	-	6,064	12,383	-	-	18,447
Land & improvements held for resale	-	-	-	-	10,591	-	-	10,591
Total assets	$ -	$ 10,452	$ 705	$ 9,360	$ 47,000	$ 438	$ 1,671	$ 69,626
Liabilities and fund balances								
Liabilities:								
Accounts payable	$ -	$ 67	$ 11	$ 758	$ 72	$ 2	$ 49	$ 959
Accrued payroll	-	-	-	18	-	-	9	27
Retainage payable	-	2,640	-	-	-	-	-	2,640
Deferred revenue	-	-	-	6,066	12,459	-	-	18,525
Deposits	-	-	-	-	26	-	-	26
Due to other funds	92	-	-	2,040	1	436	375	2,944
Advance from other funds	-	-	-	598	-	-	-	598
Total liabilities	92	2,707	11	9,480	12,558	438	433	25,719
Fund balances								
Reserved:								
Reserved for noncurrent loans receivable	-	-	-	-	52	-	-	52
Reserved for encumbrances	600	164	11	2,518	900	-	25	4,218
Reserved for land & improvements held for resale	-	-	-	-	10,591	-	-	10,591
Unreserved, designated for future operations	-	6,463	523	-	19,034	-	77	26,097
Unreserved, undesignated	(692)	1,118	160	(2,638)	3,865	-	1,136	2,949
Total fund balances	(92)	7,745	694	(120)	34,442	-	1,238	43,907
Total liabilities and fund balances	$ -	$ 10,452	$ 705	$ 9,360	$ 47,000	$ 438	$ 1,671	$ 69,626

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(amounts expressed in thousands)

	Debt Service		Capital Projects				Permanent Fund	
Assets	**Debt Service**	**Total**	**Special Capital Improvement**	**Storm Drain**	**Transportation**	**Total**	**Library Special**	**Total Nonmajor Governmental Funds**
Cash and investments	$ -	$ -	$ 3,201	$ 5,046	$ -	$ 8,247	$ 1,273	$ 43,109
Cash and investments at fiscal agent	-	-	4,302	-	-	4,302	-	4,688
Receivable (net of allowance for uncollectibles):								
Interest	-	-	95	28	-	123	-	340
Accounts	-	-	277	-	-	277	-	1,950
Intergovernmental	-	-	-	-	76	76	-	4,799
Notes	-	-	-	-	-	-	-	18,447
Due from other funds	-	-	12,648	-	-	12,648	-	12,648
Land & improvements held for resale	-	-	-	-	-	-	-	10,591
Total assets	$ -	$ -	$ 20,523	$ 5,074	$ 76	$ 25,673	$ 1,273	$ 96,572
Liabilities and fund balances								
Liabilities:								
Accounts payable	$ -	$ -	$ 242	$ 18	$ -	$ 260	$ -	$ 1,219
Accrued payroll	-	-	-	-	-	-	-	27
Retainage payable	-	-	1,028	-	-	1,028	-	3,668
Deferred revenue	-	-	-	1	-	1	-	18,526
Deposits	-	-	-	-	-	-	-	26
Due to other funds	-	-	-	-	96	96	-	3,040
Advance from other funds	-	-	-	-	-	-	-	598
Total liabilities	-	-	1,270	19	96	1,385	-	27,104
Fund balances								
Reserved:								
Reserved for noncurrent loans receivable	-	-	-	-	-	-	-	52
Reserved for encumbrances	-	-	3,091	144	-	3,235	-	7,453
Reserved for land & improvements held for resale	-	-	-	-	-	-	-	10,591
Reserved for library services	-	-	-	-	-	-	1,273	1,273
Unreserved, designated for future operations	-	-	8,524	3,395	-	11,919	-	38,016
Unreserved, undesignated	-	-	7,638	1,516	(20)	9,134	-	12,083
Total fund balances	-	-	19,253	5,055	(20)	24,288	1,273	69,468
Total liabilities and fund balances	$ -	$ -	$ 20,523	$ 5,074	$ 76	$ 25,673	$ 1,273	$ 96,572

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Special Revenue							
	Urban Area Security Initiative	Gas Tax	Air Quality Improvement	Housing & Community Development	Redevelopment Agency	NPDES Storm Drain	Neglected Property Abatement	Total
Revenues								
Taxes	$ -	$ -	$ -	$ -	$ 13,094	$ -	$ -	$ 13,094
Intergovernmental	-	7,217	345	9,958	151	-	-	17,671
Charges for services	-	-	-	-	-	-	96	96
Fines and forfeitures	-	-	-	-	-	-	1,564	1,564
Special assessments	-	-	-	-	-	438	563	1,001
Rental and investment income	-	329	38	38	1,489	-	-	1,894
Miscellaneous	-	-	-	242	229	-	-	471
Total revenues	-	7,546	383	10,238	14,963	438	2,223	35,791
Expenditures								
Current:								
General government	-	1,090	414	315	2,373	267	985	5,444
Culture and recreation	92	-	-	-	-	-	-	92
Capital outlay	-	3,685	-	10,098	1,925	171	-	15,879
Total expenditures	92	4,775	414	10,413	4,298	438	985	21,415
Excess (deficiency) of revenues over (under) expenditures	(92)	2,771	(31)	(175)	10,665	-	1,238	14,376
Other financing sources (uses)								
Transfers in	-	-	-	561	909	-	-	1,470
Transfers out	-	-	-	(506)	(3,735)	-	-	(4,241)
Sales of capital assets	-	-	-	-	(4,681)	-	-	(4,681)
Total other financing sources (uses)	-	-	-	55	(7,507)	-	-	(7,452)
Net change in fund balances	(92)	2,771	(31)	(120)	3,158	-	1,238	6,924
Fund balances - beginning	-	4,974	725	-	31,284	-	-	36,983
Fund balances - ending	$ (92)	$ 7,745	$ 694	$ (120)	$ 34,442	$ -	$ 1,238	$ 43,907

City of Riverside
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Debt Service		Capital Projects				Permanent Fund	
	Debt Service	**Total**	**Special Capital Improvement**	**Storm Drain**	**Transportation**	**Total**	**Library Special**	**Total Nonmajor Governmental Funds**
Revenues								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,094
Licenses and permits	-	-	868	119	-	987	-	987
Intergovernmental	-	-	-	-	162	162	-	17,833
Charges for services	-	-	-	-	-	-	-	96
Fines and forfeitures	-	-	-	-	-	-	-	1,564
Special assessments	-	-	-	-	-	-	-	1,001
Rental and investment income	-	-	979	288	-	1,267	55	3,216
Miscellaneous	-	-	-	-	-	-	107	578
Total revenues	-	-	1,847	407	162	2,416	162	38,369
Expenditures								
Current:								
General government	54	54	294	-	-	294	-	5,792
Culture and recreation	-	-	-	-	-	-	121	213
Capital outlay	-	-	5,733	1,035	191	6,959	-	22,838
Total expenditures	54	54	6,027	1,035	191	7,253	121	28,843
Excess (deficiency) of revenues over (under) expenditures	(54)	(54)	(4,180)	(628)	(29)	(4,837)	41	9,526
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	1,470
Transfers out	-	-	-	-	-	-	-	(4,241)
Sales of capital assets	-	-	-	-	-	-	-	(4,681)
Total other financing sources (uses)	-	-	-	-	-	-	-	(7,452)
Net change in fund balances	(54)	(54)	(4,180)	(628)	(29)	(4,837)	41	2,074
Fund balances - beginning	54	54	23,433	5,683	9	29,125	1,232	67,394
Fund balances - ending	$ -	$ -	$ 19,253	$ 5,055	$ (20)	$ 24,288	$ 1,273	$ 69,468

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Special Revenue								
	Urban Area Security Initiative			Gas Tax			Air Quality Improvement		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	2,601	-	(2,601)	7,850	7,217	(633)	385	345	(40)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	-	-	50	329	279	-	38	38
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	2,601	-	(2,601)	7,900	7,546	(354)	385	383	(2)
Expenditures									
Current:									
General government	-	-	-	1,090	1,090	-	914	414	500
Culture and recreation	2,601	92	2,509	-	-	-	112	-	112
Capital outlay	-	-	-	11,652	3,685	7,967	-	-	-
Total expenditures	2,601	92	2,509	12,742	4,775	7,967	1,026	414	612
Excess (deficiency) of revenues over (under) expenditures	-	(92)	(92)	(4,842)	2,771	7,613	(641)	(31)	610
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	(92)	(92)	(4,842)	2,771	7,613	(641)	(31)	610
Fund balances (deficit), beginning	-	-	-	4,974	4,974	-	725	725	-
Fund balances (deficit), ending	$ -	$ (92)	$ (92)	$ 132	$ 7,745	$ 7,613	$ 84	$ 694	$ 610

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Special Revenue								
	Housing & Community Development			Redevelopment Agency			NPDES Storm Drain		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ 12,477	$ 13,094	$ 617	$ -	$ -	$ -
Intergovernmental	9,354	9,958	604	281	151	(130)	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	565	438	(127)
Rental and investment income	-	38	38	1,372	1,489	117	-	-	-
Miscellaneous	288	242	(46)	3	229	226	-	-	-
Total revenues	9,642	10,238	596	14,133	14,963	830	565	438	(127)
Expenditures									
Current:									
General government	924	315	609	1,483	2,373	(890)	293	267	26
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	18,841	10,098	8,743	39,530	1,925	37,605	227	171	56
Total expenditures	19,765	10,413	9,352	41,013	4,298	36,715	520	438	82
Excess (deficiency) of revenues over (under) expenditures	(10,123)	(175)	9,948	(26,880)	10,665	37,545	45	-	(45)
Other financing sources (uses)									
Transfers in	561	561	-	909	909	-	-	-	-
Transfers out	(506)	(506)	-	(3,735)	(3,735)	-	-	-	-
Sale of capital assets	-	-	-	-	(4,681)	(4,681)	-	-	-
Total other financing sources	55	55	-	(2,826)	(7,507)	(4,681)	-	-	-
Net change in fund balances	(10,068)	(120)	9,948	(29,706)	3,158	32,864	45	-	(45)
Fund balances (deficit), beginning	-	-	-	31,284	31,284	-	-	-	-
Fund balances (deficit), ending	$ (10,068)	$ (120)	$ 9,948	$ 1,578	$ 34,442	$ 32,864	$ 45	$ -	$ (45)

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Special Revenue			Capital Projects					
	Neglected Property Abatement			Capital Outlay			Redevelopment		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	95,783	57,211	(38,572)	3,225	827	(2,398)
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	266	96	(170)	-	-	-	-	-	-
Fines and forfeitures	440	1,564	1,124	-	-	-	-	-	-
Special assessments	262	563	301	350	195	(155)	-	-	-
Rental and investment income	-	-	-	300	3,067	2,767	4,560	5,278	718
Miscellaneous	-	-	-	1,087	-	(1,087)	261	393	132
Total revenues	968	2,223	1,255	97,520	60,473	(37,047)	8,046	6,498	(1,548)
Expenditures									
Current:									
General government	924	985	(61)	-	136	(136)	10,972	11,226	(254)
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	207,549	105,309	102,240	158,166	47,411	110,755
Total expenditures	924	985	(61)	207,549	105,445	102,104	169,138	58,637	110,501
Excess (deficiency) of revenues over (under) expenditures	44	1,238	1,194	(110,029)	(44,972)	65,057	(161,092)	(52,139)	108,953
Other financing sources (uses)									
Transfers in	-	-	-	-	304	304	36,891	35,991	(900)
Transfers out	-	-	-	-	(7,837)	(7,837)	(1,303)	(414)	889
Sale of capital assets	-	-	-	-	2	2	-	(1,354)	(1,354)
Total other financing sources	-	-	-	-	(7,531)	(7,531)	35,588	34,223	(1,365)
Net change in fund balances	44	1,238	1,194	(110,029)	(52,503)	57,526	(125,504)	(17,916)	107,588
Fund balances (deficit), beginning	-	-	-	100,716	100,716	-	192,654	192,654	-
Fund balances (deficit), ending	$ 44	$ 1,238	$ 1,194	$ (9,313)	$ 48,213	$ 57,526	$ 67,150	$ 174,738	$ 107,588

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances -Budget and Actual
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Capital Projects								
	Special Capital Improvement			Storm Drain			Transportation		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues									
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	-	-	296	162	(134)
Licenses and permits	-	868	868	100	119	19	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-
Rental and investment income	-	979	979	29	288	259	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	1,847	1,847	129	407	278	296	162	(134)
Expenditures									
Current:									
General government	1,237	294	943	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-
Capital outlay	20,806	5,733	15,073	3,658	1,035	2,623	225	191	34
Total expenditures	22,043	6,027	16,016	3,658	1,035	2,623	225	191	34
Excess (deficiency) of revenues over (under) expenditures	(22,043)	(4,180)	17,863	(3,529)	(628)	2,901	71	(29)	(100)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	(8)	-	8	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources	(8)	-	8	-	-	-	-	-	-
Net change in fund balances	(22,051)	(4,180)	17,871	(3,529)	(628)	2,901	71	(29)	(100)
Fund balances (deficit), beginning	23,433	23,433	-	5,683	5,683	-	9	9	-
Fund balances (deficit), ending	$ 1,382	$ 19,253	$ 17,871	$ 2,154	$ 5,055	$ 2,901	$ 80	$ (20)	$ (100)

Nonmajor Enterprise Funds

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is to demonstrate that the cost of services provided to the general public on a continuing basis is financed or recovered through user charges; or the City has decided that the periodic determination of net income is appropriate for accountability purposes.

Airport Fund – To account for the operations of the City's airport.

Refuse Fund – To account for the operations of the City's solid waste and sanitation program which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses.

Transportation – To account for the operations of the City's Senior Citizens' and Handicapped Transportation System in accordance with Article 4 of the Transportation Development Act of 1971 (SB325) of the State of California. Federal Transit Administration Funds are also accounted for in this fund.

Public Parking – To account for the operations and construction of the City's public parking facilities.

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2009
(amounts expressed in thousands)

Assets	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current assets:					
Cash and investments	$ 784	$ 87	$ 1,805	$ 2,756	$ 5,432
Receivables (net of allowance for uncollectibles)					
Interest	9	22	10	42	83
Utility billed	-	597	-	-	597
Utility unbilled	-	637	-	-	637
Accounts	78	186	-	138	402
Intergovernmental	201	275	46	50	572
Prepaid items	-	-	12	-	12
Restricted assets:					
Cash and cash equivalents	-	2,975	-	-	2,975
Total current assets	1,072	4,779	1,873	2,986	10,710
Non-current assets:					
Deferred charges	248	10,212	650	182	11,292
Capital assets:					
Land	9,988	-	-	3,713	13,701
Buildings	2,114	-	22	18,202	20,338
Accumulated depreciation-buildings	(965)	-	(8)	(2,822)	(3,795)
Improvements other than buildings	16,557	-	-	3,261	19,818
Accumulated depreciation-improvements other than buildings	(3,709)	-	-	(337)	(4,046)
Machinery and equipment	438	13,390	2,756	1,112	17,696
Accumulated depreciation-machinery and equipment	(174)	(7,601)	(1,434)	(496)	(9,705)
Construction in progress	1,987	-	120	2,544	4,651
Total non-current assets:	26,484	16,001	2,106	25,359	69,950
Total assets	27,556	20,780	3,979	28,345	80,660

(continued)

City of Riverside
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2009
(amounts expressed in thousands)

Liabilities	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current liabilities:					
Accounts payable	41	437	22	668	1,168
Accrued payroll	46	529	92	53	720
Retainage payable	1	-	-	-	1
Unearned revenue	45	-	1,695	-	1,740
Deposits	1	-	-	-	1
Capital leases-current	17	-	-	-	17
Landfill capping-current	-	300	-	-	300
Other payables	20	195	86	30	331
Total current liabilities	171	1,461	1,895	751	4,278
Non-current liabilities:					
Capital leases	81	-	-	-	81
Advances from other funds	245	1,334	642	7,061	9,282
Landfill capping	-	7,212	-	-	7,212
Total non-current liabilities	326	8,546	642	7,061	16,575
Total liabilities	497	10,007	2,537	7,812	20,853
Net Assets					
Invested in capital assets, net of related debt	26,155	5,789	1,456	25,177	58,577
Restricted for other purposes	-	2,975	-	-	2,975
Unrestricted	904	2,009	(14)	(4,644)	(1,745)
Total net assets	$ 27,059	$ 10,773	$ 1,442	$ 20,533	$ 59,807

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Airport	Refuse	Transportation	Public Parking	Total
Operating revenues:					
Charges for services	$ 1,232	$ 18,394	$ 336	$ 4,332	$ 24,294
Operating expenses:					
Personal Services	587	3,888	1,816	751	7,042
Contractual services	38	3,125	60	1,152	4,375
Maintenance and operation	227	5,460	406	393	6,486
General	185	3,364	274	165	3,988
Materials and supplies	16	608	301	15	940
Insurance	26	99	34	92	251
Depreciation and amortization	607	1,800	270	570	3,247
Total operating expenses	1,686	18,344	3,161	3,138	26,329
Operating Income (loss)	(454)	50	(2,825)	1,194	(2,035)
Nonoperating revenues (expenses):					
Operating grants	-	168	1,761	-	1,929
Interest income	90	179	60	261	590
Other	118	197	-	596	911
Loss on retirement of capital assets	-	(13)	-	(1,627)	(1,640)
Interest expense and fiscal charges	(48)	(68)	(33)	(330)	(479)
Total non-operating revenues	160	463	1,788	(1,100)	1,311
Income before capital contributions and transfers	(294)	513	(1,037)	94	(724)
Cash capital contributions	2,082	-	937	10	3,029
Transfers out	-	-	-	(840)	(840)
Change in net assets	1,788	513	(100)	(736)	1,465
Total net assets - beginning	25,271	10,260	1,542	21,269	58,342
Total net assets - ending	$ 27,059	$ 10,773	$ 1,442	$ 20,533	$ 59,807

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Airport	Refuse	Trans- portation	Public Parking	Totals
Cash flows from operating activities:					
Cash received from customers and users	$ 1,286	$ 18,164	$ 336	$ 4,147	$ 23,933
Cash paid to employees for services	(588)	(4,010)	(1,791)	(754)	(7,143)
Cash paid to other suppliers of goods or services	(618)	(13,269)	(1,074)	(1,595)	(16,556)
Other receipts	118	197	-	596	911
Net cash provided (used) by operating activities	198	1,082	(2,529)	2,394	1,145
Cash flows from noncapital financing activities:					
Operating grants	-	168	2,843	-	3,011
Transfers to other funds	-	-	-	(840)	(840)
Cash received (repaid) on loans from other funds	(731)	(23)	(11)	738	(27)
Cash repaid on amounts due to the General Fund	(645)	-	-	-	(645)
Net cash provided (used) by noncapital financing activities	(1,376)	145	2,832	(102)	1,499
Cash flows from capital and related financing activities:					
Purchase of capital assets	(742)	(1,690)	(915)	(3,729)	(7,076)
Interest paid on long-term obligations	(47)	(68)	(33)	(330)	(478)
Capital contributions	2,670	-	937	10	3,617
Net cash provided (used) for capital and related financing activities	1,881	(1,758)	(11)	(4,049)	(3,937)
Cash flows from investing activities:					
Income from investments	81	199	60	263	603
Net cash provided by investing activities	81	199	60	263	603
Net change in cash and cash equivalents	784	(332)	352	(1,494)	(690)
Cash and cash equivalents, beginning	-	3,394	1,453	4,250	9,097
Cash and cash equivalents, ending	$ 784	$ 3,062	$ 1,805	$ 2,756	$ 8,407

continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Airport	Refuse	Trans-portation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating Income (loss)	$ (454)	$ 50	$ (2,825)	$ 1,194	$ (2,035)
Other receipts	118	197	-	596	911
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	607	1,800	270	570	3,247
Amortization of pension costs	3	18	9	3	33
Decrease in utility billed receivable	-	61	-	-	61
Decrease in utility unbilled receivable	-	7	-	-	7
(Increase) decrease in accounts receivable	54	(130)	-	(139)	(215)
(Increase) in intergovernmental receivable	-	(168)	-	(50)	(218)
(Increase) in prepaid items	-	-	(12)	-	(12)
Increase (decrease)in accounts payable	(126)	(321)	13	206	(228)
(Decrease) in accrued payroll	(4)	(237)	(29)	(3)	(273)
Increase in other payable	-	97	45	17	159
(Decrease) in landfill capping	-	(292)	-	-	(292)
Net cash provided (used) by operating activities	$ 198	$ 1,082	$ (2,529)	$ 2,394	$ 1,145

CITY OF
RIVERSIDE

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one City department to other City departments on a cost-reimbursement basis.

Workers' Compensation Fund – To account for the operations of the City's self-insured workers' compensation program.

Unemployment Compensation Fund – To account for the operations of the City's self-insured unemployment compensation program.

Public Liability Fund – To account for the operations of the City's self-insured liability program.

Central Stores Fund – To account for the operations of the City's centralized supplies inventory, including receiving and delivery services provided to City departments.

Central Garage Fund – To account for the maintenance and repair of all city-owned vehicles and motorized equipment, except for Police vehicles.

City of Riverside
Combining Statement of Net Assets
Internal Service funds
June 30, 2009
(amounts expressed in thousands)

	Self-Insurance					
Assets	**Workers' Compensation**	**Unemployment Compensation**	**Public Liability**	**Central Stores**	**Central Garage**	**Totals**
Current assets:						
Cash and investments	$ 5,991	$ 4	$ 2,784	$ -	$ 1,177	$ 9,956
Receivables (net of allowance for uncollectibles):						
Interest	110	-	17	-	4	131
Accounts	13	-	-	-	9	22
Intergovernmental	14	-	-	-	1	15
Inventory	-	-	-	5,470	365	5,835
Prepaid items	8	-	-	-	-	8
Total current assets	6,136	4	2,801	5,470	1,556	15,967
Advances to other funds	12,616	-	-	-	-	12,616
Deferred charges	237	-	-	249	1,118	1,604
Capital assets:						
Buildings	-	-	-	-	1,488	1,488
Accumulated depreciation-buildings	-	-	-	-	(151)	(151)
Machinery and equipment	7	-	-	148	9,420	9,575
Accumulated depreciation-machinery and equipment	(7)	-	-	(134)	(7,190)	(7,331)
Capital assets (net of accumulated depreciation)	-	-	-	14	3,567	3,581
Total noncurrent assets	12,853	-	-	263	4,685	17,801
Total assets	18,989	4	2,801	5,733	6,241	33,768
Liabilities						
Current liabilities:						
Accounts payable	-	-	246	295	324	865
Accrued payroll	65	-	-	76	392	533
Claims and judgements	14,603	221	10,135	-	-	24,959
Deposits	-	-	-	-	-	-
Due to other funds	-	12	-	2,787	-	2,799
Other payables	21	-	-	25	118	164
Total current liabilities	14,689	233	10,381	3,183	834	29,320
Noncurrent liabilities:						
Advances from other funds	234	-	-	896	1,105	2,235
Total noncurrent liabilities	234	-	-	896	1,105	2,235
Total liabilities	14,923	233	10,381	4,079	1,939	31,555
Net Assets						
Invested in capital assets	-	-	-	14	3,567	3,581
Unrestricted	4,066	(229)	(7,580)	1,640	735	(1,368)
Total net assets	$ 4,066	$ (229)	$ (7,580)	$ 1,654	$ 4,302	$ 2,213

City of Riverside
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Self-Insured					
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	Totals
Operating revenues:						
Charges for services	$ 5,000	$ 86	$ 3,001	$ 1,265	$ 6,482	$ 15,834
Operating expenses:						
Personal services	387	-	-	544	2,720	3,651
Contractual services	65	-	3	-	40	108
Maintenance and operation	1	-	-	21	1,491	1,513
General	432	6	315	275	705	1,733
Materials and supplies	3	-	-	10	-	13
Claims/Insurance	(1,500)	403	6,177	8	26	5,114
Depreciation and amortization	-	-	-	4	936	940
Total operating expenses	(612)	409	6,495	862	5,918	13,072
Operating income (loss)	5,612	(323)	(3,494)	403	564	2,762
Non-operating revenues (expenses):						
Interest income	1,182	7	259	-	20	1,468
Other	-	-	3	-	-	3
Loss on retirement of capital assets	-	-	-	-	(5)	(5)
Interest expense and fiscal charges	(12)	-	-	(13)	(57)	(82)
Total non-operating revenue (expenses)	1,170	7	262	(13)	(42)	1,384
Change in net assets	6,782	(316)	(3,232)	390	522	4,146
Total net assets - beginning	(2,716)	87	(4,348)	1,264	3,780	(1,933)
Total net assets - ending	$ 4,066	$ (229)	$ (7,580)	$ 1,654	$ 4,302	$ 2,213

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Self Insured					
	Workers' Compensation	Unemployment Compensation	Public Liability	Central Stores	Central Garage	Total
Cash flows from operating activities:						
Cash received from customers and users	$ 5,001	$ 86	$ 3,001	$ 1,265	$ 6,541	$ 15,894
Cash paid to employees for services	(413)	-	-	(575)	(2,789)	(3,777)
Cash paid to other suppliers of goods or services	(3,650)	(356)	(5,447)	(673)	(2,169)	(12,295)
Other	-	-	3	-	-	3
Net cash provided (used) by operating activities	938	(270)	(2,443)	17	1,583	(175)
Cash flows from noncapital financing activities:						
Cash received (repaid) on loans from other funds	-	-	-	(4)	(20)	(24)
Advances to other funds	(12,620)	-	-	-	-	(12,620)
Net cash (used) by noncapital financing activities	(12,620)	-	-	(4)	(20)	(12,644)
Cash flows from capital and related financing activities:						
Interest paid on long-term obligation	(12)	-	-	(13)	(57)	(82)
Proceeds from the sale of capital assets	-	-	-	-	(5)	(5)
Purchase of capital assets	-	-	-	-	(698)	(698)
Net cash (used) for capital and related financing activities	(12)	-	-	(13)	(760)	(785)
Cash flows from investing activities:						
Income from investments	1,124	9	242	-	18	1,393
Net cash provided by investing activities	1,124	9	242	-	18	1,393
Net increase (decrease) in cash and cash equivalents	(10,570)	(261)	(2,201)	-	821	(12,211)
Cash and cash equivalents, beginning	16,561	265	4,985	-	356	22,167
Cash and cash equivalents, ending	$ 5,991	$ 4	$ 2,784	$ -	$ 1,177	$ 9,956

continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

Reconciliation of operating income to net cash provided (used) by operating activities:	Self Insured Workers' Compensation	Self Insured Unemployment Compensation	Self Insured Public Liability	Central Stores	Central Garage	Total
Operating income (loss)	$ 5,612	$ (323)	$ (3,494)	$ 403	$ 564	$ 2,762
Other	-	-	3	-	-	3
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	-	-	-	4	936	940
Amortization of pension costs	3	-	-	3	16	22
(Increase) decrease in account receivable	(11)	-	-	-	31	20
(Increase) in intergovernmental receivable	12	-	-	-	3	15
(Increase) decrease in prepaid items	(8)	-	-	-	25	17
Decrease in inventory	-	-	-	632	169	801
(Decrease) in accounts payable	(1)	-	(31)	(23)	(76)	(131)
Increase in other payable	10	-	-	13	58	81
(Decrease) in accrued payroll	(39)	-	-	(47)	(143)	(229)
Increase (decrease) in due to other funds	-	12	-	(968)	-	(956)
Increase (decrease) in claims and judgments	(4,640)	41	1,079	-	-	(3,520)
Net cash provided (used) by operating activities	$ 938	$ (270)	$ (2,443)	$ 17	$ 1,583	$ (175)

Fiduciary Fund

The City’s Fiduciary Fund is comprised of an Agency Fund, which is used to account for special assessments that service no-commitment debt.

City of Riverside
Fiduciary Fund - Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets:				
Cash and investments	$ 11,176	$ 9,724	$ 10,002	$ 10,898
Cash and investments at fiscal agent	9,308	11,072	11,086	9,294
Interest receivable	93	830	862	61
Property taxes receivable	286	187	286	187
Total assets	$ 20,863	$ 21,813	$ 22,236	$ 20,440
Liabilities:				
Accounts payable	$ -	$ 169	$ 148	21
Held for bond holders	20,863	9,237	9,681	20,419
Total liabilities	$ 20,863	$ 9,406	$ 9,829	$ 20,440

CITY OF
RIVERSIDE

City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2009
(amounts expressed in thousands)

Governmental funds capital assets:		
Land	$	270,580
Buildings and improvements		122,731
Improvements other than buildings		115,720
Machinery and equipment		73,245
Infrastructure		747,818
Construction in progress		112,742
Total governmental funds capital assets	$	1,442,836

Investments in governmental funds capital assets by source:		
Certificates of participation	$	122,962
Gifts		304,213
Operating revenue		299,870
General obligation bonds		4,483
Revenue bonds		21,104
County contracts and grants		397
State grants		1,026
Asset forfeiture - state		2,279
Asset forfeiture - federal		218
Housing and community development grants		33,771
Other federal grants		148
Community facilities bonds		2,045
Assessment district bonds		28,234
Capital leases		18,385
RDA tax increment bonds		13,264
Capital projects funds		590,437
Total governmental funds capital assets	$	1,442,836

City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2009
(amount expressed in thousands)

	Land	Construction in Progress/ Buildings and Improvements	Construction in Progress/ Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
General government	$ 10,652	$ 59,677	$ 10,807	$ 13,423	$ 0	$ 94,559
Public safety	14,242	58,355	1,704	34,452	0	108,753
Highways and streets	217,754	13,810	4,159	20,182	747,818	1,003,723
Recreation and culture	26,643	178,996	23,315	4,918	0	233,872
Community development	1,289	370	0	270	0	1,929
Total governmental funds capital assets	$ 270,580	$ 311,208	$ 39,985	$ 73,245	$ 747,818	$ 1,442,836

City of Riverside
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended June 30, 2009
(amount expressed in thousands)

	Governmental Funds Capital Assets July 1, 2008	Additions	Deductions and Transfers	Governmental Funds Capital Assets June 30, 2009
General government	$ 46,018	$ 57,511	$ 8,970	$ 94,559
Public safety	109,237	1,831	2,315	108,753
Highways and streets	907,221	126,224	29,722	1,003,723
Recreation and culture	204,113	34,743	4,984	233,872
Community development	1,082	875	28	1,929
Total governmental funds capital assets	$ 1,267,671	$ 221,184	$ 46,019	$ 1,442,836

CITY OF
RIVERSIDE

City of Riverside
Statistical Section
For the year ended June 30, 2009

Table of Contents

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in the year ended June 30, 2001; schedules presenting government-wide information include information beginning in that year.

Table 1
City of Riverside
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year								
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Governmental activities									
Invested in capital assets, net of related debt	$ 422,886	$ 465,803	$ 471,380	$ 484,784	$ 515,354	$ 622,336	$ 712,801	$ 850,740	$ 950,496
Restricted	106,320	115,352	106,862	137,126	154,957	158,038	107,982	102,677	98,903
Unrestricted	(54,406)	(59,893)	(10,227)	(41,353)	(46,419)	(51,261)	(34,245)	(31,429)	(41,861)
Total governmental activities net assets	$ 474,800	$ 521,262	$ 568,015	$ 580,557	$ 623,892	$ 729,113	$ 786,538	$ 921,988	$ 1,007,538
Business-type activities									
Invested in capital assets, net of related debt	$ 279,165	$ 293,936	$ 323,094	$ 341,041	$ 402,377	$ 425,285	$ 520,059	$ 601,999	$ 659,904
Restricted	31,154	38,535	40,869	49,242	54,540	71,386	57,613	43,341	38,621
Unrestricted	172,344	177,537	181,985	217,762	229,462	250,041	242,966	225,281	207,405
Total business-type activities net assets	$ 482,663	$ 510,008	$ 545,948	$ 608,045	$ 686,379	$ 746,712	$ 820,638	$ 870,621	$ 905,930
Primary government									
Invested in capital assets, net of related debt	$ 702,051	$ 759,739	$ 794,474	$ 825,825	$ 917,731	$ 1,047,621	$ 1,232,860	$ 1,452,739	$ 1,610,400
Restricted	137,474	153,887	147,731	186,368	209,497	229,424	165,595	146,018	137,524
Unrestricted	117,938	117,644	171,758	176,409	183,043	198,780	208,721	193,852	165,544
Total primary government net assets	$ 957,463	$ 1,031,270	$ 1,113,963	$ 1,188,602	$ 1,310,271	$ 1,475,825	$ 1,607,176	$ 1,792,609	$ 1,913,468

The City of Riverside implemented GASB 34 in the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.

Table 2
City of Riverside
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year								
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Expenses									
Governmental activities:									
General government	$ 60,688	$ 47,245	$ 59,530	$ 63,000	$ 58,460	$ 74,458	$ 105,486	$ 113,897	$102,665
Public safety	71,285	80,944	88,969	102,500	110,969	120,470	114,312	122,783	127,350
Highways and streets	12,277	6,819	15,625	22,017	20,364	20,757	22,556	26,986	18,731
Culture and Recreation	10,512	29,607	29,236	22,988	26,353	32,602	28,016	31,659	24,121
Interest on long-term debt	8,083	7,727	7,696	10,996	15,885	16,358	26,378	34,075	34,361
Total governmental activities expenses	162,845	172,342	201,056	221,501	232,031	264,645	296,748	329,400	307,228
Business-type activities:									
Electric	251,185	215,131	186,917	196,727	200,030	226,186	232,346	271,412	269,209
Water	27,460	28,978	29,715	33,921	36,709	39,486	42,108	47,570	53,931
Sewer	19,463	19,214	20,053	23,273	26,108	27,299	29,510	31,209	34,853
Refuse	11,069	10,821	11,577	11,510	12,841	14,546	16,490	18,430	18,425
Airport	892	1,045	1,151	1,088	1,185	1,004	1,201	1,418	1,734
Transportation	1,580	1,735	2,110	2,286	2,557	2,917	2,831	3,190	3,194
Public parking	-	-	1,392	1,389	824	2,701	3,762	4,093	5,095
Total business-type activities expenses	311,649	276,924	252,915	270,194	280,254	314,139	328,248	377,322	386,441
Total primary government expenses	$ 474,494	$ 449,266	$ 453,971	$ 491,695	$ 512,285	$ 578,784	$ 624,996	$ 706,722	$693,669
Program Revenues									
Governmental activities:									
Charges for services:									
General government	$ 27,910	$ 20,265	$ 22,675	$ 26,160	$ 25,995	$ 24,683	$ 10,245	$ 23,969	$ 13,691
Public safety	6,680	5,855	6,427	6,799	6,982	5,845	12,410	9,924	8,414
Highways and streets	22,067	18,891	20,867	22,286	23,108	25,412	30,563	19,695	14,391
Culture and recreation	5,121	4,671	8,304	5,056	7,002	7,716	8,302	4,370	3,168
Operating grants and contributions	3,490	7,257	12,716	12,935	16,140	13,150	12,101	15,024	23,313
Capital grants and contributions	617	19,528	2,144	1,136	5,292	18,618	10,557	115,982	69,745
Total governmental activities program revenues	65,885	76,467	73,133	74,372	84,519	95,424	84,178	188,964	132,722
Business-type activities:									
Charges for services:									
Electric	259,420	216,106	204,293	233,102	252,322	259,572	278,888	305,299	314,164
Water	26,597	29,527	28,637	32,382	34,002	37,613	47,080	49,855	54,923
Sewer	20,428	20,457	21,172	21,672	21,967	21,510	24,057	22,525	23,247
Refuse	11,475	11,220	11,795	13,759	14,492	15,160	15,833	16,289	18,394
Airport	955	1,089	1,046	1,051	1,088	1,162	1,263	1,423	1,232
Transportation	137	116	170	185	200	238	302	313	336
Public parking	-	-	2,385	2,760	2,961	2,837	3,431	3,717	4,332
Operating grants and contributions	2,411	2,992	3,663	1,723	2,261	2,704	1,939	3,308	1,929
Capital grants and contributions	3,293	1,877	4,976	26,390	32,317	29,293	40,066	29,215	17,288
Total business-type activities program revenues	324,716	283,384	278,137	333,024	361,610	370,089	412,859	431,944	435,845
Total primary government program revenues	$ 390,601	$ 359,851	$ 351,270	$ 407,396	$ 446,129	$ 465,513	$ 497,037	$ 620,908	$568,567

(continued)

Table 2
City of Riverside
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Revenues (Expense)									
Governmental activities	$ (96,960)	$ (95,875)	$ (127,923)	$ (147,129)	$ (147,512)	$ (169,221)	$ (212,570)	$ (140,436)	$ (174,506)
Business-type activities	13,067	6,460	25,222	62,830	81,356	55,950	84,611	54,622	49,404
Total primary government net expense	$ (83,893)	$ (89,415)	$ (102,701)	$ (84,299)	$ (66,156)	$ (113,271)	$ (127,959)	$ (85,814)	$ (125,102)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Sales	$ 33,981	$ 38,467	$ 41,691	$ 46,624	$ 53,348	$ 57,522	$ 55,666	$ 50,526	$ 41,882
Property	35,037	29,471	33,584	35,911	61,553	80,934	106,114	114,176	116,420
Utility Users	3,746	18,510	19,928	21,362	22,133	23,502	25,384	26,267	25,964
Franchise	19,613	4,070	3,811	4,261	4,481	4,813	5,031	4,972	5,144
Other	2,725	2,777	2,967	3,213	3,828	4,372	3,581	3,795	2,912
Intergovernmental, unrestricted	13,772	14,848	15,533	12,528	1,795	1,747	1,863	2,074	4,569
Unrestricted grants and contributions	-	-	-	18,710	15,220	39,653	29,743	-	-
Investment earnings	13,297	11,058	8,064	1,284	7,815	10,150	18,582	25,670	15,941
Miscellaneous	14,091	5,079	2,241	5,476	5,756	26,173	4,228	9,480	5,137
Transfers	17,527	18,057	18,218	10,302	14,918	25,576	31,171	32,326	42,087
Contributions	-	-	-	(2,800)	-	-	-	-	
Total governmental activities	153,789	142,337	146,037	156,871	190,847	274,442	281,363	269,286	260,056
Business-type activities:									
Unrestricted grants and contributions	19,501	12,638	15,972	-	-	-	-	-	
Investment income	16,022	12,780	9,115	5,016	7,548	11,259	16,988	22,756	23,402
Miscellaneous	2,414	5,624	3,849	4,553	7,362	18,700	3,498	4,931	4,590
Special item	2,982	7,900	-	-	(3,014)	-	-	-	
Transfers	(17,527)	(18,057)	(18,218)	(10,302)	(14,918)	(25,576)	(31,171)	(32,326)	(42,087)
Total business-type activities	23,392	20,885	10,718	(733)	(3,022)	4,383	(10,685)	(4,639)	(14,095)
Total primary government	177,181	163,222	156,755	156,138	187,825	278,825	270,678	264,647	245,961
Change in Net Assets									
Governmental activities	$ 56,829	$ 46,462	$ 18,114	$ 9,742	$ 43,335	$ 105,221	$ 68,793	$ 128,850	$ 85,550
Business-type activities	36,459	27,345	35,940	62,097	78,334	60,333	73,926	49,983	35,309
Total primary government	$ 93,288	$ 73,807	$ 54,054	$ 71,839	$ 121,669	$ 165,554	$ 142,719	$ 178,833	$ 120,859

The City of Riverside implemented GASB 34 in the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
General fund										
Reserved	$ 11,049	$ 9,089	$ 10,947	$ 14,362	$ 17,268	$ 44,487	$ 59,930	$ 50,631	$ 36,025	$ 41,400
Unreserved	33,643	61,048	63,829	67,376	117,259	109,266	68,967	44,135	45,192	35,979
Total general fund	44,692	70,137	74,776	81,738	134,527	153,753	128,897	94,766	81,217	77,379
All other governmental funds										
Reserved	25,564	30,589	29,856	28,123	35,177	47,677	54,173	99,986	195,082	178,749
Unreserved, reported in:										
Special revenue funds	23,945	12,350	12,168	14,691	14,960	24,991	26,718	22,731	22,071	29,046
Capital projects funds	68,027	65,698	67,211	69,444	93,722	89,303	94,070	307,224	185,444	123,733
Permanent funds	-	1,355	1,457	1,232	1,219	127	81	-	-	-
Total all other governmental funds	$ 117,536	$ 109,992	$ 110,692	$ 113,490	$ 145,078	$ 162,098	$ 175,042	$ 429,941	$ 402,597	$ 331,528

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Revenues:										
Taxes	$ 84,445	$ 88,121	$ 93,879	$ 102,286	$ 113,118	$ 142,056	$ 170,638	$ 191,131	$ 200,438	$ 192,322
Licenses and permits	12,273	13,232	12,317	14,394	11,343	14,389	16,351	12,984	10,027	7,368
Intergovernmental	42,259	48,960	47,410	43,829	42,609	42,568	55,178	47,934	79,423	86,873
Charges for services	7,160	7,879	7,866	8,878	10,046	11,299	11,538	11,914	11,325	9,099
Fines and forfeitures	2,226	2,330	2,346	2,095	2,188	2,006	2,098	2,778	4,573	6,213
Special assessments	6,587	5,258	5,420	6,324	10,259	6,272	6,247	6,170	5,245	5,431
Use of money and property	12,470	22,329	13,017	11,255	10,587	10,915	14,324	22,587	27,970	18,620
Miscellaneous	7,900	6,325	4,816	5,042	7,133	9,996	8,502	6,164	12,796	7,596
Total revenues	$ 175,320	$ 194,434	$ 187,071	$ 194,103	$ 207,283	$ 239,501	$ 284,876	$ 301,662	$ 351,797	$ 333,522
Expenditures:										
General government	$ 19,942	$ 28,552	$ 27,748	$ 22,031	$ 25,108	$ 21,800	$ 25,193	$ 39,093	$ 26,177	$ 25,995
Public safety	76,386	84,134	91,245	96,487	107,386	117,267	126,007	139,739	151,773	145,802
Highways and streets	9,388	9,979	10,551	12,034	11,990	11,695	11,281	19,722	25,209	18,452
Culture and recreation	18,856	21,239	23,835	27,579	24,836	28,939	31,017	31,039	30,622	26,859
Capital outlay	36,784	33,195	41,058	39,098	50,333	64,127	121,978	149,325	171,952	132,983
Debt Service:										
Principal	14,559	9,326	6,174	4,470	2,422	8,599	9,733	12,045	11,257	14,149
Interest	8,268	8,154	7,785	7,785	9,945	15,025	19,205	21,330	31,239	33,033
Debt issuance costs	469	-	-	-	950	1,538	-	2,551	697	47,670
Total expenditures	$ 184,652	$ 194,579	$ 208,396	$ 209,484	$ 232,970	$ 268,990	$ 344,414	$ 414,844	$ 448,926	$ 444,943
Excess of revenues over (under) expenditures	$ (9,332)	$ (145)	$ (21,325)	$ (15,381)	$ (25,687)	$ (29,489)	$ (59,538)	$ (113,182)	$ (97,129)	$ (111,421)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Other financing sources (uses):										
Transfers in	$ 32,914	$ 41,364	$ 31,305	$ 36,202	$ 41,440	$ 49,944	$ 59,545	$ 84,306	$ 62,841	$ 100,797
Transfers out	(15,902)	(23,837)	(13,248)	(17,984)	(31,338)	(35,026)	(33,969)	(53,135)	(30,515)	(58,710)
Sales of general capital assets	(191)	168	153	1,314	(675)	6,230	1,281	541	8,931	(5,798)
Advances from other funds	613	1,599	-	81	-	-	-	-	-	-
Long-term obligation proceeds	6,360	-	8,454	750	247,594	85,578	20,969	295,190	164,408	30,425
Premiums on bonds issued	-	-	-	-	-	113	-	4,455	-	-
Payments to refunded bond agent	-	-	-	-	(58,657)	(9,167)	-	-	(148,975)	(30,200)
Total other financing sources (uses)	23,794	19,294	26,664	20,363	198,364	97,672	47,826	331,357	56,690	36,514
Special item - pension contribution	-	-	-	-	(88,300)	(32,141)	-	-	-	-
Net change in fund balances	$ 14,462	$ 19,149	$ 5,339	$ 4,982	$ 84,377	$ 36,042	$ (11,712)	$ 218,175	$ (40,439)	$ (74,907)
Debt service as a percentage of noncapital expenditures	12.240%	14.287%	11.311%	9.018%	9.140%	16.676%	31.075%	32.274%	76.697%	54.770%
			(2)	**(2)**	**(1) (2)**	**(1) (2)**	**(2)**	**(2)**	**(2)**	

(1) Restatement of debt service principal payments to reflect proper reporting of payment to refunded bond agent for refundings during the fiscal year.
(2) Restatement of debt service percentages to exclude capitalized expenditures.

Table 5
City of Riverside
Business-Type Activities Electricity Revenue By Source
Last Nine Fiscal Years
(accrual basis of accounting) **(in thousands)**

Fiscal Year	Residential Sales	Commercial Sales	Industrial Sales	Wholesale Sales	Other Sales	Transmission Revenue	Other Operating Revenue	Total Revenues
2001	$ 65,426	$ 45,478	$ 51,558	$ 73,090	$ 21,897	$ -	$ 1,971	$ 259,420
2002	64,625	46,265	49,487	46,505	7,447	-	1,777	216,106
2003	68,649	48,974	52,380	17,806	5,619	8,661	2,230	204,319
2004	80,872	57,079	56,117	9,581	6,354	20,917	2,182	233,102
2005	79,786	59,998	59,157	15,249	6,337	20,213	12,697	253,437
2006	85,243	53,773	71,084	11,952	7,139	20,043	9,183	258,417
2007	94,426	55,421	83,698	9,913	5,713	20,097	9,536	278,804
2008	99,981	60,768	92,697	14,805	5,425	19,211	12,405	305,292
2009	105,525	65,532	97,100	9,400	5,684	18,673	12,250	314,164

The City started receiving Transmission Revenue in 2003.

The City of Riverside has elected to show nine years of data for this schedule.

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Nine Fiscal Years
(accrual basis of accounting) **(in thousands)**

Fiscal Year	Sales Tax	Property Tax	Utility Users Tax	Franchise Tax	Other Tax	Total Taxes
2001	35,037	33,981	19,613	3,746	2,725	$ 95,102
2002	38,467	29,471	18,510	4,070	2,777	93,295
2003	41,691	33,584	19,928	3,811	2,967	101,981
2004	46,624	35,911	21,362	4,261	3,213	111,371
2005	53,348	61,553	22,133	4,481	1,795	143,310
2006	57,522	80,934	23,502	4,813	4,372	171,143
2007	55,666	106,114	25,384	5,031	3,581	195,776
2008	50,526	114,176	26,267	4,972	3,795	199,736
2009	41,882	116,420	25,964	5,144	2,912	192,322

The City of Riverside has elected to show nine years of data for this schedule.

Table 7
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years **(in thousands)**

Fiscal Year Ended June 30	City				Redevelopment Agency				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	
2000	10,557,523	632,940	(1,899,625)	9,290,838	N/A	N/A	N/A	N/A	1.009
2001	11,269,877	686,215	(2,017,543)	9,938,549	N/A	N/A	N/A	N/A	1.009
2002	12,103,179	799,323	(2,129,115)	10,773,387	1,240,768	205,181	(16,263)	1,429,686	1.008
2003	13,071,416	980,529	(2,406,961)	11,644,984	1,390,108	276,506	(27,690)	1,638,924	1.057
2004	14,188,658	845,858	(2,526,503)	12,508,013	1,508,478	228,775	(30,286)	1,706,967	1.056
2005	15,540,982	951,211	(2,751,844)	13,740,349	1,775,655	158,148	(33,654)	1,900,149	1.074
2006	17,557,341	1,058,995	(4,002,177)	14,614,159	2,914,600	210,025	(51,992)	3,072,633	1.073
2007	20,672,126	1,140,891	(5,417,388)	16,395,629	4,145,700	410,625	(93,261)	4,463,064	1.065
2008	23,618,776	1,291,972	(6,960,666)	17,950,082	5,509,441	553,124	(138,490)	5,924,075	1.059
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	1.065

Notes:
In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Assessed valuations are based on 100 percent of estimated actual value.

NA - not available

Source: Riverside County Auditor-Controller

Table 8
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per $100 of Assessed Valuation)
Last Ten Fiscal Years

Fiscal Year	General	City General Obligation Debt Service	Riverside Unified School District	Riverside City Community College	Metro Water West	Total
2000	1.000	-	-	-	0.009	1.009
2001	1.000	-	-	-	0.009	1.009
2002	1.000	-	-	-	0.008	1.008
2003	1.000	-	0.050	-	0.007	1.057
2004	1.000	-	0.050	-	0.006	1.056
2005	1.000	0.010	0.040	0.018	0.006	1.074
2006	1.000	0.009	0.041	0.018	0.005	1.073
2007	1.000	0.008	0.035	0.018	0.004	1.065
2008	1.000	0.007	0.035	0.013	0.004	1.059
2009	1.000	0.007	0.041	0.013	0.004	1.065

Notes:
The City of Riverside has approximately 200 tax rate areas. The tax rates in these areas varied from 1.05% to 1.13% of assessed valuation. The direct and overlapping property tax rates shown above are for one of the largest tax rate areas in the City.

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the various intergovernmental overlapping debt.

Source: Riverside County, Auditor-Controller's Office

Table 9
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

Property Owner	2009 Taxable Assessed Value	2009 Rank	2009 Percentage of Total Taxable Assessed Value	2000 Taxable Assessed Value	2000 Rank	2000 Percentage of Total Taxable Assessed Value
Bre Prop Inc	$ 151,859	1	0.6%			
La Sierra University	124,565	2	0.5%			
Riverside Healthcare System	109,056	3	0.4%	80,724	3	0.8%
MEF Realty	89,303	4	0.4%			
State Street Bank & Trust Co of Calif	83,391	5	0.3%	88,095	2	0.9%
Press Enterprise Co	82,248	6	0.3%	44,500	5	0.5%
Riverside Plaza	68,502	7	0.3%			
Canyon Springs Marketplace Corp	66,978	8	0.3%	36,714	8	0.4%
Canyon Crossing I	60,997	9	0.2%			
Ohio Teacher Retirement				137,798	1	1.4%
Rohr Inc	60,690	10	0.2%	76,169	4	0.8%
Metal Container Corp				39,286	6	0.4%
Charter Communication				36,942	7	0.4%
Toro Company				36,679	9	0.4%
Nordstrom Inc				30,803	10	0.3%
Totals	$ 897,589		3.6%	607,710		6.3%

Notes:
The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: California Municipal Statistics, Inc.

Table 10
City of Riverside
Property Tax Levies and Collections
Last Seven Fiscal Years

(in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections for Fiscal Year	Total Fiscal Year Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	25,809	25,479	98.7%	603	26,082	101.1%
2004	31,829	31,429	98.7%	966	32,395	101.8%
2005	36,825	36,332	98.7%	706	37,037	100.6%
2006	52,532	51,815	98.6%	746	52,561	100.1%
2007	69,246	67,046	96.8%	934	67,981	98.2%
2008	83,996	82,345	98.0%	1,562	83,907	99.9%
2009	85,616	84,134	98.3%	2,540	86,674	101.2%

Note:
The table reflects amounts related to the City and the Redevelopment Agency. The amounts collected by the Redevelopment Agency include monies that were passed-through to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental tax levies.

Source: Riverside County Auditor Controller's Office and City Finance Division

The City of Riverside has elected to show seven years of data for this schedule.

Table 11
City of Riverside
Electricity Sold by Type of Customer,
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Type of Customer:										
Residential	594.0	610.0	600.0	618.0	707.0	675.0	696.0	748.0	734.0	733.0
Commercial	436.0	432.0	434.0	451.0	522.0	530.0	474.0	456.0	441.0	433.0
Industrial	651.0	654.0	629.0	658.0	687.0	707.0	810.0	924.0	960.0	946.0
Wholesale sales	419.0	600.0	541.0	378.0	354.0	470.0	287.0	295.0	357.0	299.0
Other	53.0	54.0	53.0	49.0	52.0	50.0	58.0	39.0	34.0	33.0
Total	2,153.0	2,350.0	2,257.0	2,154.0	2,322.0	2,432.0	2,325.0	2,462.0	2,526.0	2,444.0
Total direct rate										
Monthly Base Rate [1]	3.06	3.06	3.06	3.18	3.28	3.36	3.36	5.00	11.35	13.063
Rate per 250 KWH [1]	20.18	20.18	20.18	20.98	21.65	22.20	22.20	22.20	25.88	25.88

[1] Rates are based on a monthly base rate plus energy charge for the first 250 KWH.
The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 12
City of Riverside
Electricity Rates
Last Ten Fiscal Years
(Average Rate in Dollars per Kilowatt-Hour)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Other
2000	0.10767	0.10640	0.08081	0.11090
2001	0.10798	0.10637	0.07925	0.11112
2002	0.10768	0.10615	0.07844	0.11206
2003	0.10990	0.10779	0.07901	0.11869
2004	0.11439	0.10936	0.08167	0.12271
2005	0.11813	0.11321	0.08369	0.12768
2006	0.12222	0.11330	0.08798	0.12373
2007	0.12621	0.12164	0.09059	0.14493
2008	0.13613	0.13781	0.09658	0.16099
2009	0.14389	0.15122	0.10271	0.17169

NOTE:
Rates are based on a monthly base rate plus an energy charge for the first 250 KWH. The Utility charges an excess use rate over 250 KWH.

Source: Riverside Public Utilities, Finance Services

Table 13
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

Electricity Customer	2009 Electricity Charges	2009 Percent of Total Electric Revenues	2000 Electricity Charges	2000 Percent of Total Electric Revenues
County Agency	$ 7,805,664	2.85%	N/A	N/A
State University	7,481,477	2.73%	N/A	N/A
Local Government	6,184,476	2.26%	N/A	N/A
Local School District	4,351,162	1.59%	N/A	N/A
Grocery Store	3,251,002	1.19%	N/A	N/A
Corporation	2,323,394	0.85%	N/A	N/A
Shopping Mall	1,952,604	0.71%	N/A	N/A
Corporation	1,943,163	0.71%	N/A	N/A
Corporation	1,768,410	0.65%	N/A	N/A
Hospital	1,762,868	0.64%	N/A	N/A
	$ 38,824,220	14.18%	N/A	N/A

Retail Sales Per Financial Statements $ 273,841,491

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands)

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Redevelopment Bonds	Revenue Bonds	Assessment Bonds	Pension Obligation Bonds	Certificates of Participation	Capital Leases	Notes Payable
2000	-	115,605	6,795	245	-	6,050	4,719	12,998
2001	-	113,980	2,830	195	-	5,615	7,316	11,629
2002	-	111,880	525	135	-	5,150	6,430	11,096
2003	-	109,615	-	-	-	4,650	5,517	11,447
2004	20,285	131,590	-	-	89,540	58,706	8,938	11,057
2005	20,280	144,024	-	-	148,280	57,336	7,431	10,645
2006	19,858	140,195	-	-	146,470	55,571	6,008	10,215
2007	19,331	296,598	-	-	144,450	192,874	4,929	9,759
2008	18,774	292,244	-	-	142,170	200,273	9,391	9,040
2009	18,171	285,743	-	-	139,410	198,268	7,455	8,749

	Business-Type Activities					
Fiscal Year	Revenue Bonds	Loans Payable	Capital Leases	Total Primary Government	Percentage of Personal Income	Debt Per Capita
2000	310,424	7,956	409	465,201	12.96%	1.79
2001	299,244	7,315	653	448,777	11.86%	1.69
2002	355,621	6,966	571	498,374	13.52%	1.85
2003	342,559	11,524	498	485,810	12.54%	1.77
2004	440,970	11,066	439	772,591	18.68%	2.79
2005	419,581	10,459	392	818,428	19.02%	2.87
2006	509,577	9,841	317	898,052	14.31%	3.12
2007	482,929	9,211	253	1,160,334	17.62%	3.98
2008	720,749	8,569	211	1,401,421	20.84%	4.72
2009	674,646	7,915	2,574	1,342,931	20.42%	4.48

Source: City of Riverside Notes to Financial Statements and Statistical Table 20.

Table 15
City of Riverside
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Pension Bonds	Certificates of Participation	Tax Allocation Bonds [2]	Total	Percent of Assessed Value [1]	Per Capita
2000	-	-	-	115,605	115,605	1.24%	478
2001	-	-	-	113,980	113,980	1.15%	472
2002	-	-	-	111,880	111,880	1.04%	463
2003	-	-	-	109,615	109,615	0.94%	454
2004	20,285	89,540	58,706	131,590	300,121	2.40%	1,242
2005	20,280	148,280	57,336	144,024	369,920	2.69%	1,531
2006	19,858	146,470	55,571	140,195	362,094	2.48%	1,499
2007	19,331	144,450	192,874	290,407	647,062	3.95%	2,188
2008	18,774	142,170	200,273	292,244	653,461	3.64%	2,201
2009	18,171	139,410	198,268	285,743	641,592	3.57%	2,161

Notes:
General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (which, the City has none.)

[1] Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

[2] Amount presented is net of restricted resources held for the repayment of outstanding debt principal.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Division.

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2009

City Assessed Valuation:	$ 24,879,165,206
Redevelopment Agency Incremental Valuation:	6,409,441,520
Adjusted Assessed Valuation:	$ 18,469,723,686

	Percentage Applicable [3]	Outstanding Debt 06/30/2009	Estimated Share of Overlapping Debt
Direct and Overlapping Tax and Assessment Debt:			
Metropolitan Water District	1.000%	$ 2,934,250	$ 29,343
Riverside City Community College District	27.607%	39,013,138	10,770,357
Alvord Unified School District	62.090%	64,483,570	40,037,849
Riverside Unified School District	83.470%	134,595,375	112,346,760
Corona-Norco Unified School District	0.002%	4,759	-
Jurupa Unified School District	0.400%	2,190	9
Moreno Valley Unified School District	4.816%	2,300,291	110,782
City of Riverside	100%	17,940,000	17,940,000
Alvord Unified School District Community District No.2006-1	69%	6,079,154	4,175,832
Riverside Unified School District Community Facilities Districts	96.650-100%	93,126,760	90,007,014
City of Riverside Community Facilities Districts	100%	29,317,000	29,317,000
City of Riverside 1915 Act Bonds	100%	36,950,000	36,950,000
Total Direct and Overlapping Tax and Assessment Debt:		$ 426,746,487	$ 341,684,946

(continued)

Table 16
City of Riverside
Direct and Overlapping Debt
As of June 30, 2009

Direct and Overlapping General Fund Debt:				
Riverside County General Fund Obligations	10.677%	$ 82,615,863	$ 8,820,896	
Riverside County Pension Obligations	10.677%	40,795,749	4,355,762	
Riverside County Board of Education Certificates of Participation	10.677%	882,988	94,277	
Alvord Unified School District Certificates of Participation	0.000%	-	-	
Corona-Norco Unified School District Certificates of Participation	0.200%	580	1	
Jurupa Unified School District Certificates of Participation	0.400%	299	1	
Moreno Valley Unified School District Certificates of Participation	4.816%	1,070,356	51,548	
Riverside Unified School District General Fund Obligations	83.470%	18,513,646	15,453,340	
City of Riverside General Fund Obligations	100%	196,905,000	196,905,000	**(1)**
City of Riverside Pension Obligations	100%	142,170,000	142,170,000	
Total Gross Direct and Overlapping General Fund Debt:		482,954,481	367,850,825	
Less: Riverside County Self-Supporting Obligations		1,808,561	2,363,665	
Total Net Direct and Overlapping General Fund Debt:		$ 481,145,920	$ 365,487,160	
Net Direct and Overlapping Debt:			$ 707,172,106	
Gross Direct and Overlapping Debt:			$ 709,535,771	**(2)**

(1) Excludes certificates of participation to be sold
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
(3) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.
Note: April 2009 is the latest information available from the California Municipal Statistics, Inc. for this schedule.

Table 17
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

(in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed valuation	$9,290,838	$9,938,549	$10,773,387	$11,644,984	$12,508,013	$13,740,349	$14,614,159	$16,395,629	17,950,082	18,243,019
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	2,322,710	2,484,637	2,693,347	2,911,246	3,127,003	3,435,087	3,653,540	4,098,907	4,487,521	4,560,755
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	348,406	372,696	404,002	436,687	469,050	515,263	548,031	614,836	673,128	684,113
Total net debt applicable to limit:	-	-	-	-	20,285	20,280	19,858	19,331	18,774	18,171
Legal debt margin	348,406	372,696	404,002	436,687	448,765	494,983	528,173	595,505	654,354	665,942
Total net debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	4.3%	3.9%	3.6%	3.1%	2.8%	2.7%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect a the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Source: City of Riverside, Statistical Table 6 and Notes to Financial Statements.

Table 18
City of Riverside
Pledged-Revenue Coverage
Governmental Activity Debt
Last Ten Fiscal Years **(in thousands)**

	Tax Allocation Bonds			
		Debt Service		
Fiscal Year	Pledged Revenue[1]	Principal	Interest	Coverage
2000	12,829	1,894	7,194	1.41
2001	13,279	3,099	7,363	1.27
2002	14,859	2,745	7,252	1.49
2003	16,180	2,694	7,371	1.61
2004	17,410	1,873	9,599	1.52
2005	21,242	4,507	6,307	1.96
2006	35,268	4,390	7,236	3.03
2007	35,966	3,185	7,663	3.32
2008	50,911	3,305	12,988	3.12
2009	50,270	5,360	12,856	2.76

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] Amount has been calculated in accordance with the provisions set forth in the debt covenants.

Table 19
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

	Electric Revenue Bonds						Water Revenue Bonds					
		Less:	Net	Debt Service				Less:	Net	Debt Service		
Fiscal Year	Pledged Revenue[1]	Operating Expenses[1]	Available Revenue	Principal	Interest	Coverage	Pledged Revenue[1]	Operating Expenses[1]	Available Revenue	Principal	Interest	Coverage
2000	197,842	150,175	47,667	6,610	10,669	2.76	33,327	16,397	16,930	2,755	2,591	3.17
2001	271,828	227,081	44,747	6,930	10,350	2.59	36,259	18,643	17,616	2,955	2,364	3.31
2002	229,529	190,426	39,103	7,385	9,841	2.27	43,215	19,244	23,971	3,215	2,941	3.89
2003	211,553	157,450	54,103	7,840	10,966	2.88	36,837	19,928	16,909	3,895	2,720	2.56
2004	239,842	168,162	71,680	10,780	10,183	3.42	47,093	23,767	23,326	4,010	2,622	3.52
2005	262,350	164,159	98,191	14,555	12,143	3.68	45,348	26,436	18,912	4,045	2,591	2.85
2006	265,086	184,421	80,665	15,015	15,245	2.67	66,226	27,028	39,198	3,875	3,790	5.11
2007	289,784	187,700	102,084	18,815	14,200	3.09	55,699	29,461	26,238	4,300	3,454	3.38
2008	314,733	219,680	95,053	19,460	16,790	2.62	67,312	33,827	33,485	4,355	4,275	3.88
2009	325,174	207,631	117,543	20,345	24,941	2.60	60,886	35,639	25,247	4,375	6,826	2.25

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] Amounts have been calculated in accordance with the provisions set forth in the debt covenants. Total operating expenses exclusive of depreciation.

Table 20
City of Riverside
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2000	259,738	3,590,877,850	13,825	5.3
2001	265,684	3,783,605,844	14,241	5.2
2002	269,402	3,687,305,174	13,687	6.5
2003	274,100	3,874,951,700	14,137	6.8
2004	277,030	4,135,503,840	14,928	6.2
2005	285,537	4,303,042,590	15,070	5.9
2006	287,820	6,275,627,280	21,804	5.4
2007	291,398	6,583,846,412	22,594	6.5
2008	296,842	6,725,549,194	22,657	8.3
2009	300,096	6,576,903,936	21,916	14.1

Source: City of Riverside, Development Department

Table 21
City of Riverside
Principal Employers
Current Year and Nine Years Ago

	2009			2000		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
University of California	7,127	1	4.6%	N/A	N/A	N/A
Riverside Unified School District	4,200	2	2.7%	N/A	N/A	N/A
Kaiser Permanente	3,900	3	2.5%	N/A	N/A	N/A
City of Riverside	2,749	4	1.8%	N/A	N/A	N/A
Alvord Unified School District	2,000	5	1.3%	N/A	N/A	N/A
Riverside Community College	2,000	6	1.3%	N/A	N/A	N/A
Fleetwood Motorhome Svc	1,963	7	1.3%	N/A	N/A	N/A
Riverside Community Hospital	1,600	8	1.0%	N/A	N/A	N/A
Parkview Community Hospital	915	9	0.6%	N/A	N/A	N/A
Riverside Medical Clinic	750	10	0.5%	N/A	N/A	N/A
Total	27,204		17.5%	N/A		N/A

N/A - not available

Source: City of Riverside, Development Department

Table 22
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Function										
General government	276.22	288.26	313.29	314.39	318.36	331.88	377.15	412.22	436.35	439.10
Public safety										
Police [1]	534.95	544.65	560.65	569.65	567.83	568.83	589.33	618.33	637.33	591.93
Fire	188.64	218.64	217.65	218.65	219.65	221.11	221.73	251.73	254.21	254.21
Firefighters and Police Officers	505.00	539.00	552.00	561.00	557.00	557.46	566.46	620.46	632.46	633.46
Highways and streets	267.10	269.10	266.10	280.10	285.10	281.35	262.35	286.35	318.35	369.65
Sanitation	44.49	44.49	44.49	44.49	48.49	48.49	59.49	60.29	64.29	58.60
Culture and recreation	256.52	265.08	282.93	301.97	302.92	300.92	311.45	324.26	339.52	340.71
Airport	5.00	5.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00
Water	121.00	122.00	123.00	123.00	130.00	130.00	133.00	142.00	167.00	167.00
Electric	276.60	280.60	282.60	291.60	295.60	305.60	337.60	351.35	404.60	408.10
Total	1,970.52	2,037.82	2,096.71	2,149.85	2,173.95	2,194.18	2,298.10	2,453.53	2,628.65	2,636.30

[1] In fiscal year 2009 the Crossing Guards program (46.40 FTEs) was moved from the Police Department to the Public Works Department (highways and streets).

Source: City of Riverside, Budget Office

Table 23
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Police											
Arrests	8,756	9,638	10,047	10,541	11,951	11,280	10,093	9,827	9,367	10,150	
Fire											
Number of calls answered	22,824	23,968	24,115	24,886	25,876	26,505	26,696	27,458	27,429	26,397	
Inspections	N/A	N/A	N/A	14,229	16,306	17,028	19,261	7,261	10,812	7,638	(1)
Public works:											
Street resurfacing (miles)	N/A	109.09	104.04	67.39	62.37	102.45	51.26	73.40	26.27	18.90	
Parks and recreation											
Number of recreation classes	14,492	14,492	14,619	14,787	15,135	15,195	16,272	19,079	22,146	21,884	
Number of facility rentals	26,327	26,327	26,533	26,854	27,014	27,074	27,483	32,980	35,076	36,822	
Water											
Number of accounts	59,088	59,709	60,059	60,625	61,668	62,492	62,985	63,431	63,494	64,062	
Annual consumption (ccf)	31,211,892	29,287,333	30,682,171	29,283,851	30,596,320	27,875,253	28,865,030	32,110,208	30,583,266	30,300,384	
Electric											
Number of accounts	94,004	96,056	97,793	99,018	100,766	103,463	104,294	105,226	106,015	106,385	
Annual consumption (kwh)	2,153	2,350	2,257	2,154	2,322	2,432	2,359	2,462	2,526	2,444	(2)
Sewer:											
New connections	N/A	4,073	5,267	5,825	7,034	9,621	16,717	15,423	16,412	18,765	
Average daily sewage treatment (millions of gallons)	30.92	32.59	34.75	33.15	35.24	38.07	35.91	32.50	32.10	33.00	

[1] Inspections were not tracked prior to 2003
[2] Amounts expressed in millions
N/A - not available

Source: City of Riverside, various departments

Table 24
City of Riverside
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005 (1)**	**2006**	**2007**	**2008**	**2009**
Function										
Public Safety										
Police										
Stations	2	2	2	2	2	2	3	3	3	3
Substations	9	9	9	7	11	7	5	4	4	5
Helicopters	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	13	13	13	13	13	13	13	14	14	14
Active apparatus	26	26	26	30	30	30	29	30	30	30
Reserve apparatus	4	4	5	6	5	5	6	6	6	7
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	811.74	819.18	816.34	1,100.00	829.00	836.00	845.35	852.04	864.68	866.89
Streetlights	27,622	27,841	28,058	28,246	28,401	28,581	28,847	29,028	29,312	29,675
Traffic signals	287	299	320	320	322	322	353	358	363	365
Culture and recreation										
Parks acreage	2,664.60	2,664.60	2,665.00	2,534.00	2,500.00	2,534.00	2,534.00	2,800.00	2,939.22	3,003.15
Community centers	10	10	10	10	10	11	11	11	11	11
Playgrounds	32	32	35	30	26	26	27	38	38	41
Swimming pools	9	9	9	6	6	7	6	7	7	7
Softball & baseball diamonds	36	36	36	34	34	35	33	44	44	44
Library branches	5	5	5	7	5	5	6	6	6	7
Museum exhibit-fixed	51	51	51	52	11	8	7	13	8	6
Museum exhibit-special	7	7	11	13	4	1	-	2	5	2
Museum reference library volumes	2,575	2,575	2,600	2,750	3,000	5,224	5,500	5,600	4,500	4,500
Water										
Fire hydrants	6,504	6,566	6,715	6,763	6,763	6,926	7,127	7,187	7,381	7,523
Sewer										
Sanitary sewers (miles)	1,100	1,100	800	750	755	755	810	815	820	820
Electric										
Miles of overhead distribution system	543.9	554.9	539.1	593.3	539.0	531.0	527.0	528.0	523.5	523.0
Miles of underground system	523.5	540.1	575.8	538.2	608.0	622.0	663.0	704.0	741.6	760.0

Source: City of Riverside, various departments

(1) During the 2004/05 fiscal year, four police substations closed.

Table 25
City of Riverside
Cash Debt Reserves
Tax Allocation Bonds
Last Ten Fiscal Years

(in thousands)

		Cash Debt Reserve									
Tax Allocation Bond	**Minimun Required Reserve**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
1991 Issue $13,285,000 Series A	28	75	76	76	74	29	29	29	29	28	28
1994 Issue PFA Multiple Project Areas A/B	900	911	927	902	904	906	-	-	-	-	-
1994 Issue RDA CA Towers Series A	2,481	2,699	2,699	2,411	2,411	-	-	-	-	-	-
1994 Issue RDA CA Towers Series B	431	465	417	431	431	-	-	-	-	-	-
1999 Issue $17,025,000 Series A Univ Corr	1,257	1,259	1,220	1,256	1,257	1,257	1,257	1,257	1,257	1,257	1,257
1999 Issue $6,055,000 Series B Univ Corr	442	442	442	443	442	442	442	442	442	442	442
1999 Issue $20,395,000 Casa Blanca	343	340	340	341	344	344	344	344	348	344	344
2004 Issue A Arlington $4,550,000	301	-	-	-	-	299	305	309	309	310	307
2004 Issue B Arlington $2,975,000	197	-	-	-	-	195	199	198	193	198	187
2003 Issue A Cal Towers $26,255,000	2,341	-	-	-	-	2,342	2,342	2,342	2,342	2,342	2,342
2003 Issue B Cal Towers $4,810,000	371	-	-	-	-	371	371	371	371	371	371
2004 Issue A Multiple Project $24,115,000	1,753	-	-	-	-	-	1,753	1,753	1,753	1,753	1,757
	$ 10,845	$ 6,191	$ 6,121	$ 5,860	$ 5,863	$ 6,185	$ 7,042	$ 7,045	$ 7,044	$ 7,045	$ 7,035

Fox Performing Art Center Project

CITY OF RIVERSIDE

APPENDIX D

PROPOSED FORM OF FINAL OPINION

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FORM OF OPINION OF SPECIAL COUNSEL

Closing Date

City of Riverside
3900 Main Street
Riverside, California 92522

Riverside Public Financing Authority
3900 Main Street
Riverside, California 92522

$20,660,000
City of Riverside
Certificates of Participation Series 2010
(Recovery Zone Facility Hotel Project)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery of $20,660,000 aggregate principal amount of City of Riverside Certificates of Participation Series 2010 (Recovery Zone Facility Hotel Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of March 1, 2010 (the "Trust Agreement"), among the City of Riverside (the "City"), the Riverside Public Finance Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). The Certificates are payable from, among other specified sources, base rental ("Base Rental") payments payable by the City pursuant to a Lease and Option to Purchase, dated as of March 1, 2010 (the "Lease Agreement"), between the Authority and the City. The City has leased certain real property and improvements (the "Leased Premises") to the Authority pursuant to a Site and Facilities Lease, dated as of March 1, 2010 (the "Site Lease"). The Authority has agreed to construct certain improvements on the Leased Premises and to lease the Leased Premises back to the City pursuant to the Lease Agreement. The City is obligated under the Lease Agreement to make rental payments including the Base Rental payments for the use and occupancy of the Leased Premises from any source of legally available funds in amounts intended to be sufficient in both time and amount to pay, when due, the principal, interest and premium, if any, with respect to the Certificates. The Authority has assigned all of its rights under the Site Lease and the Lease Agreement (excluding the Authority's right to indemnification and payment or reimbursement for any costs or expenses) to the Trustee for the benefit of the owners of the Certificates pursuant to an Assignment Agreement, dated as of March 1, 2010, between the Authority and the Trustee. A portion of each Base Rental payment is designated as interest. All capitalized terms not defined herein shall have the meanings assigned to them in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Lease Agreement, the Site Lease, the Tax and Nonarbitrage Certificate, dated the date hereof (the "Tax Certificate"), certificates of the Authority, the City, the Trustee, and others, opinions of counsel to the Authority, the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Lease Agreement, the Site Lease, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Lease Agreement) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Certificate or the portion of each Base Rental payment designated as and comprising interest and received by the owners of the Certificates if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Certificates has concluded with their delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City and the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreement and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of each Base Rental payment designated as and comprising interest and received by the owners of the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Lease Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to any of the property described in the Lease Agreement and the Site Lease or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Site Lease, the Lease Agreement and the Trust Agreement have been duly authorized, executed and delivered by the City and the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the City and the Authority, enforceable in accordance with their terms.

2. The obligation of the City to make Base Rental payments during the term of the Lease Agreement constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City, the State of California or any of their political subdivisions within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City, the State of California or any of their political subdivisions is obligated to levy or pledge any form of taxation or for which the City, the State of California or any of their political subdivisions has levied any form of taxation.

3. Assuming due authorization and execution of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. The portion of each Base Rental payment due under the Lease Agreement designated as and comprising interest and received by the owners of the Certificates is excludable from gross income for federal income tax purposes, except that no opinion is expressed as to the exclusion from gross income of the interest portion of the Base Rental payments with respect to any Certificate for any period during which such Certificate is held by a person who, within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is a "substantial user" of the facilities with respect to which the proceeds of the Certificates were used or is a "related person." Furthermore, the interest portion of each Base Rental payment is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxable income. Although we are of the opinion that the interest portion of each Base Rental payment is excludable from gross income for federal income tax purposes, the accrual or receipt of the interest portion of each Base Rental payment may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations, corporations subject to the environmental tax imposed by Section 59A of the Code and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, or taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred or

continued indebtedness to carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Certificates.

5. The portion of each Base Rental payment due under the Lease Agreement designated as and comprising interest and received by the owners of the Certificates is exempt from present State of California personal income taxes.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$20,660,000
CITY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION, SERIES 2010
(RECOVERY ZONE FACILITY HOTEL PROJECT)

This CONTINUING DISCLOSURE CERTIFICATE (this "**Disclosure Certificate**") is executed and delivered by the CITY OF RIVERSIDE (the "**City**") in connection with the execution and delivery of the certificates of participation captioned above (the "**Certificates**"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of March 1, 2010 (the "**Trust Agreement**"), by and among U.S. Bank National Association, as trustee (the "**Trustee**"), the Riverside Public Financing Authority (the "**Authority**") and the City.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's fiscal year (currently March 1 based on the City's fiscal year end of June 30).

"*Dissemination Agent*" means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the execution and delivery of the Certificates.

"*Participating Underwriter*" means Stone & Youngberg LLC, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, with the report for the 2009-10 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, including information showing tax revenue collections by source;

(ii) information showing the aggregate principal amount of long-term bonds, leases and other obligations of the Issuer which are payable out of the General Fund of the City, as of the close of the most recent completed Fiscal Year;

(iii) information concerning the assessed valuation of properties within the City from the most recently available County Assessor's Roll, showing the valuation for secured and unsecured property;

(iv) information showing the total secured property tax levy and actual amounts collected for the most recent completed Fiscal Year;

(v) table showing General Fund tax revenues by source; and

(vi) information showing the balance sheet of the General Fund of the City as of the close of the most recent completed Fiscal Year, including categorized assets, liabilities and reserved and unreserved fund balances.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Significant Events</u>.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities.

(11) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Certificate holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March 30, 2010

CITY OF RIVERSIDE

By ______________________________

Assistant City Manager,
Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	CITY OF RIVERSIDE
Name of Issue:	$20,660,000 City of Riverside Certificates of Participation, Series 2010 (Recovery Zone Facility Hotel Project)
Date of Issuance:	March 30, 2010

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated March 30, 2010. The City anticipates that the Annual Report will be filed by ________________.

Dated:__________________

DISSEMINATION AGENT:

____

By: _________________________
Its: _________________________

APPENDIX F

BOOK ENTRY PROVISIONS

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Certificates"). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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