NEW ISSUE – BOOK-ENTRY ONLY

Rating:
S&P: "AA-"
See "RATING."

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2019B Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2019B Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences concerning the Series 2019B Bonds.

$33,505,000
RIVERSIDE PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019B
(MAIN LIBRARY PROJECT)

Dated: Date of Delivery **Due: November 1, as shown on inside cover**

The captioned bonds (the "Series 2019B Bonds") are issued by the Riverside Public Financing Authority (the "Authority") and are payable from base rental payments (the "Base Rental Payments") to be made by the City of Riverside (the "City") for the right to the use of certain real property, consisting of certain real property and improvements of the City (the "Property") pursuant to a Lease Agreement, dated as of August 1, 2012, as supplemented by a First Supplement to Lease Agreement, dated as of June 1, 2019 (collectively, the "Lease Agreement"), by and between the City, as lessee, and the Authority, as lessor. See "SECURITY FOR THE SERIES 2019B BONDS." The Series 2019B Bonds will be issued pursuant to an Indenture, dated as of August 1, 2012, as supplemented by a First Supplemental Indenture, dated as of June 1, 2019 (collectively, the "Indenture"), by and among the City, the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The net proceeds of the sale of the Series 2019B Bonds will be used to: (i) finance the acquisition and construction of certain capital improvements as may be designated from time to time, including but not limited to a public library and related improvements, to be owned by the City and (ii) pay the costs of issuing the Series 2019B Bonds. See "FINANCING PLAN."

The City has covenanted under the Lease Agreement to make all scheduled Base Rental Payments, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The City's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property. See "RISK FACTORS—Abatement."

The Series 2019B Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2019B Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2019. Purchasers will not receive certificates representing their interest in the Series 2019B Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2019B Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2019B Bonds. See "THE SERIES 2019B BONDS—Book-Entry Only System."

The Series 2019B Bonds are being issued on a parity basis with the Authority's Lease Revenue Refunding Bonds, Series 2012A ("Series 2012A Bonds"), issued in the initial aggregate principal amount of $41,240,000 and currently outstanding in the aggregate principal amount of $32,780,000. The Authority may issue additional bonds ("Additional Bonds") payable from Base Rental Payments. See "THE SERIES 2019B Bonds – Additional Bonds." The Series 2012A Bonds, Series 2019B Bonds and any Additional Bonds are collectively referred to as the "Bonds."

The Series 2019B Bonds are subject to redemption prior to maturity as described in this Official Statement. See "THE SERIES 2019B BONDS—Redemption."

The Series 2019B Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2019B Bonds. The Authority has no taxing power.

The obligation of the City to make the Base Rental Payments does not constitute a debt of the City or the State of California 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 of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2019B Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Kutak Rock LLP is acting as counsel to the Underwriter. It is anticipated that the Series 2019B Bonds in definitive form will be available for delivery to DTC in New York, New York on or about June 13, 2019.

STIFEL

Dated: May 29, 2019

$33,505,000
RIVERSIDE PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019B
(MAIN LIBRARY PROJECT)

MATURITY SCHEDULE
BASE CUSIP†: 76926C

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2019	$2,165,000	3.000%	1.280%	100.654	BD5
2020	1,245,000	3.000	1.290	102.336	BE3
2021	1,285,000	4.000	1.310	106.290	BF0
2022	1,335,000	5.000	1.320	112.136	BG8
2023	1,400,000	5.000	1.330	115.575	BH6
2024	1,470,000	5.000	1.350	118.889	BJ2
2025	1,545,000	5.000	1.390	121.976	BK9
2026	1,625,000	5.000	1.430	124.928	BL7
2027	1,705,000	5.000	1.530	127.202	BM5
2028	1,790,000	5.000	1.620	129.311	BN3
2029	1,880,000	5.000	1.740	128.108 [C]	BP8
2030	1,970,000	5.000	1.880	126.722 [C]	BQ6
2031	2,070,000	5.000	1.980	125.742 [C]	BR4
2032	2,175,000	5.000	2.100	124.579 [C]	BS2
2033	2,285,000	5.000	2.180	123.810 [C]	BT0
2034	2,400,000	5.000	2.230	123.333 [C]	BU7
2035	2,515,000	5.000	2.270	122.952 [C]	BV5
2036	2,645,000	5.000	2.310	122.573 [C]	BW3

C Priced to the first optional call date of November 1, 2028 at par.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the City, or the Underwriter takes any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2019B Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Series 2019B Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact.

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 a 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.

This Official Statement and the information contained in this Official Statement are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties described in this Official Statement since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2019B Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “RISK FACTORS” and “APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION.”

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 THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019B BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019B BONDS 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 SERIES 2019B BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2019B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The City maintains a website; however, 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 Series 2019B Bonds.

CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

William R. Bailey, III, Mayor
Mike Gardner, Councilmember, Ward 1
Andy Melendrez, Councilmember, Ward 2
Mike Soubirous, Councilmember, Ward 3
Chuck Conder, Councilmember, Ward 4
Chris Mac Arthur, Councilmember, Ward 5
Jim Perry, Councilmember, Ward 6
Steve Adams, Councilmember, Ward 7

CITY STAFF

Al Zelinka, City Manager
Lee Deesing, Assistant City Manager
Rafael Guzman, Assistant City Manager
Colleen J. Nicol, City Clerk
Edward Enriquez, Chief Financial Officer/Treasurer
Gary G. Geuss, City Attorney

SPECIAL SERVICES

Bond Counsel
Stradling Yocca Carlson & Rauth,
a Professional Corporation,
Newport Beach, California

Municipal Advisor
CSG Advisors Incorporated
San Francisco, California

Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

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

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OFFICIAL STATEMENT

$33,505,000
RIVERSIDE PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019B
(MAIN LIBRARY PROJECT)

INTRODUCTION

Series 2019B Bonds. This Official Statement, which includes the cover page and Appendices (the "**Official Statement**"), provides certain information concerning the captioned bonds (the "**Series 2019B Bonds**") issued by the Riverside Public Financing Authority (the "**Authority**").

The Series 2019B Bonds will be issued pursuant to an Indenture, dated as of August 1, 2012, as supplemented by a First Supplemental Indenture, dated as of June 1, 2019 (collectively, the "**Indenture**"), by and among the Authority, the City of Riverside (the "**City**") and U.S. Bank National Association, as trustee (the "**Trustee**").

The Series 2019B Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Interest on the Series 2019B Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2019.

Purchasers will not receive certificates representing their interest in the Series 2019B Bonds. Individual purchases will be in principal amounts of $5,000 or integral multiples thereof. Principal of and interest on the Series 2019B Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Series 2019B Bonds. See "THE SERIES 2019B BONDS—Book-Entry Only System."

Redemption Prior to Maturity. The Series 2019B Bonds are subject to redemption prior to maturity as described in this Official Statement. See "THE SERIES 2019B BONDS—Redemption."

Financing Purpose. The net proceeds of the sale of the Series 2019B Bonds will be used to: (i) finance the acquisition and construction of certain capital improvements as may be designated from time to time, including but not limited to a public library and related improvements, to be owned by the City and (ii) pay the costs of issuing the Series 2019B Bonds.

Security for the Series 2019B Bonds; Base Rental Payments. The Series 2019B Bonds are equally and ratably payable from base rental payments (the "**Base Rental Payments**") to be made by the City for the right to use certain real property and improvements (the "**Property**") pursuant to a Lease Agreement dated as of August 1, 2012, as supplemented by a First Supplement to Lease Agreement, dated as of June 1, 2019 (collectively, the "**Lease Agreement**"), between the City, as lessee, and the Authority, as lessor.

Pursuant to a Ground Lease, dated as of August 1, 2012, as supplemented by a First Supplement to Ground Lease, dated as of June 1, 2019 (collectively, the "**Ground Lease**"), the City has leased the Property to the Authority. The Authority has subleased the Property to the City under the Lease Agreement. The Lease Agreement obligates the City to make Base Rental Payments to the Authority.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of August 1, 2012, as supplemented by a First Supplement to Assignment Agreement, dated as of June 1, 2019 (collectively, the "**Assignment Agreement**"), pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement and to enforce any remedies in the event of a default by the City.

The City covenants under the Lease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Lease Agreement), due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described in this Official Statement.

Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City's right to use and occupy the Property or any portion thereof. See "RISK FACTORS—Abatement." Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

Limited Obligation. THE SERIES 2019B BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2019B BONDS. THE AUTHORITY HAS NO TAXING POWER.

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.

No Debt Service Reserve Fund. The Authority is not funding a debt service reserve fund for the Series 2019B Bonds. See "RISK FACTORS – No Reserve Fund."

Additional Bonds. The Series 2019B Bonds are being issued on a parity basis with the Authority's Lease Revenue Refunding Bonds, Series 2012A, issued in the initial aggregate principal amount of $41,240,000 and currently outstanding in the aggregate principal amount of

$32,780,000 (the "**Series 2012A Bonds**"). The Authority may issue additional bonds (the "**Additional Bonds**") payable from the Base Rental Payments on a parity basis with the Series 2019B Bonds; the Series 2012A Bonds, Series 2019B Bonds and any Additional Bonds being collectively referred to in this Official Statement as the "**Bonds**."

Financial Statements. The City's financial statements for the fiscal year ended June 30, 2018, are included as Appendix C and have been audited by Macias Gini & O'Connell LLP, Newport Beach, California, independent certified public accountants (the "**Auditor**"). See "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Continuing Disclosure. The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Securities and Exchange Commission Rule 15c2-12 (the "**Rule**") certain annual financial information and operating data and, in a timely manner, notice of certain listed events. See "CONTINUING DISCLOSURE."

Certain Risk Factors. Certain events could affect the ability of the City to make the Base Rental Payments when due. See "RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Series 2019B Bonds.

Forward-Looking Statements. The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for budget discussion for fiscal year 2018-19, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Official Statement is a Summary. The summaries or references to the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement and other documents, agreements and statutes referred to in this Official Statement, and the description of the Series 2019B Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined in this Official Statement) are defined in the Indenture or the Lease Agreement and have the meanings set forth therein. See "APPENDIX B – Summary of the Principal Legal Documents."

THE SERIES 2019B BONDS

General

The Series 2019B Bonds will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple thereof. The Series 2019B Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page. Interest on the Series 2019B Bonds will be paid semiannually on May 1 and November 1 (each, an "**Interest Payment Date**") of each year, commencing November 1, 2019.

Interest on the Series 2019B Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2019B Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Series 2019B Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2019B Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2019B Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2019B Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2019B Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2019B Bonds will be subject to redemption as set forth in this Official Statement.

Registration, Transfers and Exchanges

The Series 2019B Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2019B Bonds (the "**Beneficial Owners**") in denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Series 2019B Bonds. See "THE SERIES 2019B BONDS—Book-Entry Only System."

Redemption

Extraordinary Redemption from Condemnation Award or Insurance Proceeds. The Series 2019B Bonds shall be subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Insurance Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2019B Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Optional Redemption. The Series 2019B Bonds maturing on or after November 1, 2029, shall be subject to optional redemption, in whole or in part, on any date on or after November 1, 2028, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement, at a Redemption Price equal to the principal amount of the Series 2019B Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds, among maturities of Bonds as directed in a Written Request of the Authority, (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 denominations, and such separate denominations will be treated as separate Bonds that may be separately redeemed.

Notice of Redemption. So long as the Bonds are held in book-entry form, notices of redemption will be mailed by the Trustee only to DTC and not to any Beneficial Owners. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption.

A redemption notice may state that the redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption. If a redemption notice has been mailed, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, have been set aside in the Redemption Fund, the Bonds will become due and payable on the redemption date, and, upon presentation and surrender of a Bond at the principal corporate trust office of the Trustee, the Authority will pay the Redemption Price of the Bond, together with interest accrued and unpaid to said date.

If, on the date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if a notice of redemption has been mailed and not canceled, then, from and after said date, interest on the Bonds to be redeemed will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2019B Bonds. The Series 2019B Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2019B Bond will be issued for each maturity of the Series 2019B Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX F – Book-Entry Only System."

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2019B Bonds apply only during any period in which the Series 2019B Bonds are not subject to DTC's book- entry system. While the Series 2019B Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee pursuant to the provisions of the Indenture by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be obligated to make any transfer or exchange of Bonds of a Series during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS

Pledge of Revenues

The Series 2019B Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the City from any and all legally available funds. See "CITY OF RIVERSIDE," "CITY OF RIVERSIDE FINANCES" and "RISK FACTORS." The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, has assigned to the Trustee for the benefit of the Series 2019B Bond Owners all of the Authority's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement; provided that, the Authority retains the rights to indemnification, to give approvals and consents under the Lease Agreement, and to payment of reimbursement of its reasonable costs and expenses under the Lease Agreement. The City pays Base Rental Payments directly to the Trustee, as assignee of the Authority. See "—Base Rental Payments" below. Pursuant to the Indenture, the Authority may issue Additional Bonds payable from the Base Rental Payments on a parity with the Series 2019B Bonds. See "APPENDIX B – Summary of the Principal Legal Documents."

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Series 2019B Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Series 2019B Bonds and the Series 2012A Bonds, on a parity basis, in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

THE SERIES 2019B BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM BASE RENTAL PAYMENTS AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2019B BONDS. THE AUTHORITY HAS NO TAXING POWER.

Additional Bonds

The Series 2019B Bonds are being issued on a parity basis with the Series 2012A Bonds. The Authority may issue additional bonds ("**Additional Bonds**") payable from Base Rental Payments on a parity basis with the Series 2019B Bonds. See "APPENDIX B – Summary of the Principal Legal Documents" for a summary of the conditions and procedures for issuance of Additional Bonds.

Base Rental Payments

General. Rental Payments, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the 15th day of the month next preceding each Interest Payment Date (the "Base Rental Deposit Date"). All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each November 1 for so long as the Series 2019B Bonds are Outstanding, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal of the Series 2019B Bonds on the applicable Interest Payment Date.

Base Rental Payment Schedule. Scheduled Base Rental Payments relating to the Series 2019B Bonds are set forth below under the heading "FINANCING PLAN – Base Rental Payment Schedule."

Covenant to Budget and Appropriate. The City covenants in the Lease Agreement to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The City covenants to deliver to the Authority and the Trustee a Certificate of the City stating that its final annual budget includes all Base Rental Payments due in such fiscal year within 10 days after the filing or adoption of the final annual budget. The Lease Agreement declares that these covenants are and shall be construed to be duties imposed by law and that it is 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 City's covenants and agreements under the Lease Agreement. See, however, "-Abatement" below.

Limited Obligation. 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.

Additional Rental Payments

For the right to use and occupy the Property, the Lease Agreement requires the City to pay, as Additional Rental Payments, such amounts as will be required for the payment of the following:

(i) All taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.

(ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees.

(iii) Insurance premiums for all insurance required pursuant to the Lease Agreement.

(iv) Any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.

(v) All other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture.

Amounts constituting Additional Rental Payments payable under the Lease Agreement 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 Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the City in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments will be subject to abatement proportionately, and the City waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended ten years beyond the stated termination date of the Lease Agreement. The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See "APPENDIX B – Summary of the Principal Legal Documents."

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Lease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Substitution, Addition and Removal of Property

Effective upon the issuance of the Series 2019B Bonds, the Lease Agreement is being amended to modify certain requirements related to the substitution, release or addition of the Property. The provisions related to substitution, release or addition, as amended, are summarized below.

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property, add additional real property to the Property or to release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement.

The Lease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the City as a result of such substitution, release or addition. Any such substitution, release, or addition, will be subject to the following specific conditions precedent:

(a) A Written Certificate of the City to the effect that the Property, as constituted after such substitution, release or addition, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds.

(b) With respect to any substituted or added property, the City will have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to the Property (as such term is defined after such substitution or addition) in an amount at least equal to the aggregate principal amount of any Outstanding Bonds, of the type and with the endorsements described in the Lease Agreement.

(c) The City, the Authority and the Trustee will have executed, and the City will have caused to be recorded with the Riverside County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted or added real property in the description of the Property contained in the Lease Agreement and in the Ground Lease.

(d) The City will have provided notice of such release, substitution or addition to each rating agency then rating the Bonds.

Notwithstanding the foregoing, upon the filing by the City of the Completion Certificate, the City may release some or all of the Property, without complying with subsection (b) above, provided that the City certifies to the Trustee that at least 90% of the proceeds of the Series 2019B Bonds deposited into the Project Fund have been applied toward the construction of the Library Project (as defined in the Lease Agreement) or other eligible projects as permitted by the Tax Certificate executed in connection with the Series 2019B Bonds.

See “APPENDIX B – Summary of the Principal Legal Documents” for additional details related to substitution, addition and release of Property. See “FINANCING PLAN” for a description of the Library Project anticipated to be funded with the proceeds of the Series 2019B Bonds.

Action on Default

Should the City default under the Lease Agreement, the Trustee, as assignee of the Authority under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the City, or may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in Base Rental Payments. Rental Payments may not be accelerated upon a default under the Lease Agreement. See “RISK FACTORS—Limited Recourse on Default; No Acceleration of Base Rental.”

For purposes of certain actions of Series 2019B Bond Owners under the Indenture and the Lease Agreement, such as certain consents and amendments and the direction of remedies following default, Series 2019B Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Lease Agreement and the Indenture, see "APPENDIX B – Summary of the Principal Legal Documents."

No Reserve Fund

The Authority has not funded a reserve fund in connection with the issuance of the Series 2019B Bonds.

Insurance

The Lease Agreement requires the City to maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents, and employees, and worker's compensation insurance as described in "APPENDIX B – Summary of the Principal Legal Documents." The Lease Agreement also requires the City to maintain or caused to be maintained fire, lightning and special extended coverage insurance (which will include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. Each such policy of insurance will contain a standard replacement cost endorsement providing for no deduction for depreciation and a stipulated amount endorsement. All insurance required to be maintained pursuant to the Lease Agreement may be subject to a deductible in an amount not to exceed $500,000.

The Lease Agreement requires the City to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City is not permitted to self-insure its obligation to maintain rental interruption insurance.

The City is required under the Lease Agreement to provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2019B Bonds, insuring the fee interest of the City in the Property, the Authority's leasehold estate in the Property under the Ground Lease, and the City's subleasehold estate in the Property under the Lease Agreement, subject only to Permitted Encumbrances, and providing that all proceeds thereunder are payable to the Trustee for the benefit of the Owners.

The City's obligation to maintain the insurance described above (except for rental interruption insurance) may be satisfied by self-insurance, provided such self-insurance complies with the requirements of the Lease Agreement. See "APPENDIX B – Summary of the Principal Legal Documents."

FINANCING PLAN

Financing Purpose. The net proceeds of the sale of the Series 2019B Bonds will be used to: (i) finance the acquisition and construction of certain capital improvements as may be designated from time to time, including but not limited to a new main public library and related improvements, to be owned by the City (the "New Main Library") and (ii) pay the costs of issuing the Series 2019B Bonds.

The New Main Library will be located at 3775 Fairmont Avenue (sometimes also referred to as 3911 University Avenue), on an approximately 2.7 acre site, and is expected to consist of a three-story, approximately 42,000 square-foot building that will be elevated by a 30-foot pedestal to create an outdoor arcade and pedestrian walkway. The estimated cost of the New Main Library (including a 10%-contingency, design fees, project management costs, and furniture, fixtures and equipment) is approximately $43.3 million. Construction is currently underway, and the New Main Library is scheduled to open by summer 2020. In addition to proceeds of the Series 2019B Bonds, the City anticipates using Measure Z funds and grants to fund construction.

Estimated Sources and Uses of Funds. The estimated sources and uses of funds with respect to the Series 2019B Bonds are shown below.

Sources	
Principal Amount of Series 2019B Bonds	$33,505,000.00
Plus: Original Issue Premium	6,915,528.50
Total Sources	$40,420,528.50
Uses	
Project Fund	$40,000,000.00
Cost of Issuance[1)]	420,528.50
Total Uses	$40,420,528.50

(1) Includes legal, rating agency, underwriter's discount, printing fees and other miscellaneous costs of issuance.

Base Rental Payment Schedule. Set forth below is the annual schedule of Base Rental Payments, which corresponds with the schedule of debt service payments for the Series 2012A Bonds and Series 2019B Bonds (except that (i) the Interest Payment Dates for the Series 2012A Bonds and Series 2019B Bonds are May 1 and November 1 and (ii) payments of principal on the Series 2019B Bonds are made according to the maturity schedule contained on the inside cover page of this Official Statement). The City has other long-term obligations payable from the General Fund; see "APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – Long-Term Obligations."

	Series 2012A			**Series 2019B**			
Year Ending Nov. 1	**Principal**	**Interest**	**Total Payments**	**Principal**	**Interest**	**Total Payments**	**Total Payments**
2019	$1,640,000	$1,472,475	$3,112,475	$2,165,000	$611,110	$2,776,110	$5,888,585
2020	1,725,000	1,390,475	3,115,475	1,245,000	1,529,250	2,774,250	5,889,725
2021	1,810,000	1,304,225	3,114,225	1,285,000	1,491,900	2,776,900	5,891,125
2022	1,905,000	1,213,725	3,118,725	1,335,000	1,440,500	2,775,500	5,894,225
2023	2,000,000	1,118,475	3,118,475	1,400,000	1,373,750	2,773,750	5,892,225
2024	1,940,000	1,018,475	2,958,475	1,470,000	1,303,750	2,773,750	5,732,225
2025	2,005,000	950,575	2,955,575	1,545,000	1,230,250	2,775,250	5,730,825
2026	2,090,000	880,400	2,970,400	1,625,000	1,153,000	2,778,000	5,748,400
2027	2,195,000	775,900	2,970,900	1,705,000	1,071,750	2,776,750	5,747,650
2028	2,310,000	666,150	2,976,150	1,790,000	986,500	2,776,500	5,752,650
2029	2,425,000	550,650	2,975,650	1,880,000	897,000	2,777,000	5,752,650
2030	2,530,000	429,400	2,959,400	1,970,000	803,000	2,773,000	5,732,400
2031	2,630,000	328,200	2,958,200	2,070,000	704,500	2,774,500	5,732,700
2032	2,735,000	223,000	2,958,000	2,175,000	601,000	2,776,000	5,734,000
2033	2,840,000	113,600	2,953,600	2,285,000	492,250	2,777,250	5,730,850
2034	--	--	--	2,400,000	378,000	2,778,000	2,778,000
2035	--	--	--	2,515,000	258,000	2,773,000	2,773,000
2036	--	--	--	2,645,000	132,250	2,777,250	2,777,250
Total	*$32,780,000*	*$12,435,725*	*$45,215,725*	*$33,505,000*	*$16,457,760*	*$49,962,760*	*$95,178,485*

Source: Underwriter.

THE PROPERTY

The Property consists of (1) the City Hall complex, (2) the Police Patrol Facility, (3) the General Services Administrative Building, and (4) Bobby Bonds Park and buildings located there. Each of these assets is described below. The City has estimated that the fair market rental value of all of the Property, in aggregate, is at least equal to the outstanding par amount of the Series 2012A Bonds and Series 2019B Bonds.

City Hall Complex. The City Hall complex consists of a seven-story office building complex, City council chambers, a four-level parking garage, a balcony and rooftop area, including storage space and a heliport, a utility building and a basement. The complex is located on a total land area of 3.766 acres and includes 262,789 square feet of usable space in the downtown area of the City. The City Hall complex has a concrete foundation with solid brick walls. Its lateral force-resisting system consists of a steel moment frame.

Police Patrol Facility. The Police Patrol Facility, which was originally constructed in 1988 and renovated in 2009, includes approximately 26,250 square feet on a 16.08 acre parcel. The Police Patrol Facility was constructed in accordance with the California Building Code in effect at the time of its construction. It has a concrete foundation with solid brick walls, and its lateral force-resisting system consists of reinforced shear walls.

General Services Administrative Building. The General Services Administrative Building is located on a 17.73 acre parcel (including the adjacent parking lot), and originally included approximately 72,700 square feet of usable space. Built in 1963, the building is constructed of reinforced masonry. In 2012, a new reception area and blue room were added to the building, adding approximately 20,000 square feet for a total of approximately 92,700 square feet.

Bobby Bonds Park and Buildings. Bobby Bonds Park is approximately 14.5 acres in size, and contains a baseball field, basketball court and other play areas. The buildings located at Bobby Bonds Park consist of the Cesar Chavez Community Center (approximately 37,604 square feet in size) and the Youth Opportunity Center/Gym (approximately 13,239 square feet in size). The Community Center is a 2-story building built in 1940, all of wood-frame materials. The Youth Opportunity Center is a 1-story building built in 1950, built of masonry with a wood roof.

Substitution and Release; New Main Library. The City has the right to substitute or release all or portion of the Property subject to certain conditions precedent. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Substitution and Removal of Property."

The net proceeds of the Series 2019B Bonds (together with other available funds) are expected to be used to construct the New Main Library, at an estimated cost of approximately $43.3 million. See "FINANCING PLAN." Upon completion of construction, the City anticipates substituting the New Main Library as the Property being leased under the Lease Agreement, and releasing some or all of the Property described above.

THE CITY

See "APPENDIX A – CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION" for certain financial and demographic information about the City, including its General Fund.

THE AUTHORITY

The Riverside Public Financing Authority exists pursuant to the provisions of Article I of Chapter 5 of Division 7 of Title 1 of the State Government Code and a Joint Exercise of Powers Agreement, dated as of December 15, 1987, as subsequently amended (the "**JPA Agreement**"), by and between the City, the Redevelopment Agency of the City of Riverside (the "**Former Agency**"), now succeeded by the Successor Agency to the Redevelopment Agency of the City of Riverside (the "**Successor Agency**") and the Parking Authority of the City of Riverside. The Authority has no financial liability to the Owners of the Series 2019B Bonds with respect to the payment of Base Rental Payments by the City or with respect to the performance by the City of the other agreements and covenants it is required to perform.

The State adopted ABx1 26 on June 28, 2011, pursuant to which the Former Agency was dissolved and the City acts as the Successor Agency. Pursuant to Section 34178(b)(3) of the Community Redevelopment Law, as amended by ABx1 26, the JPA Agreement is not invalid as a result of the dissolution of the Former Agency.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2019B Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations that may be relevant to an investment in the Series 2019B Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations

The Series 2019B Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State, or any political subdivision thereof, is pledged to the payment of the Series 2019B Bonds. The Authority has no taxing power.

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 under the Lease Agreement to pay the Base Rental Payments and Additional 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 Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The City is currently liable and may become liable on other obligations payable from general fund revenues.

To the extent that additional general fund obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. In the event 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. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues; however, the City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIIIB of the California Constitution."

Abatement

In the event of substantial interference with the City's right to use and occupy any portion of the Property by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Abatement." In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Series 2019B Bonds, there could be insufficient funds to make payments to Owners in full. The Authority has not funded a reserve fund for the Series 2019B Bonds.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Series 2019B Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2019B Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property, and if any abated Base Rental Payments, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and any eminent domain proceeds are insufficient to make all payments of principal and interest with respect to the Series 2019B Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Lease Agreement and the Indenture, no remedy is available to the Series 2019B Bond Owners for nonpayment under such circumstances.

No Reserve Fund

The Authority has not funded a reserve fund for the Series 2019B Bonds.

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 Payments 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 Series 2019B Bonds, Bond 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" above.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for the public purposes by the City) 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 Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, and the remainder is usable for public purposes by the City at the time of such taking, (1) the Lease Agreement will continue in full force and effect as to such remainder, 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 Insurance 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 Property.

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the City to make Base Rental Payments or other payments required to be made under the Lease Agreement, or failure to observe and perform any other terms, covenants or conditions contained in the Lease Agreement or in the Indenture for a period of 30 days or such additional time as is reasonably required to correct a default after written notice of such default and request that it be remedied has been given to the City by the Authority or the Trustee, constitute events of default under the Lease Agreement and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Lease Agreement or in the Indenture to the contrary, there will be no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor will the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Lease Agreement.

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. If the City defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City.

Alternatively, the Authority or the Trustee may terminate the Lease Agreement, retake possession of the Property and proceed against the City to recover damages pursuant to the Lease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Lease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2019B Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2019B Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS" and "APPENDIX B – SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

Substitution, Addition and Removal of Property; Additional Bonds

The Authority and the City may amend the Lease Agreement to substitute alternate real property for any portion of the Property, add additional real property to the Property, or release a portion of the Property from the Lease Agreement, upon compliance with all of the conditions set forth in the Lease Agreement. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Lease Agreement. See "SECURITY FOR AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS – Substitution, Addition and Removal of Property." Moreover, the Authority may issue Additional Bonds secured by Base Rental Payments which are increased from current levels.

Although the Lease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2019B Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See "APPENDIX B – SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

The Indenture requires, among other things, that upon the issuance of Additional Bonds, the Ground Lease and the Lease Agreement will have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period will be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith.

Utility Transfers; Articles XIIIC and XIIID of the State Constitution

The City's general fund receives a substantial amount of revenues from transfers-in from its utility enterprises. For example, the general fund transfers-in from utilities in fiscal years 2016-17 and 2017-18 were $44.9 million and $46.2 million, respectively. If the revenues of the utilities declined in the future, this could result in a decline in the amount of transfers-in to the general fund from the utilities, thereby reducing the overall revenues of the general fund available to pay lease payments.

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIIC and XIIID of the State Constitution," for additional information about certain risks to the City's general fund revenues under Articles XIIIC and Article XIIID of the California Constitution, including as relates to the transfers-in from the City's utility enterprises.

Geologic, Topographic and Climatic Conditions

General. The value of the Property, and the financial stability of the City, can be adversely affected by a variety of factors, particularly those that 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 Property. 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 Property, 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.

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.

The City is not obligated under the Lease Agreement to maintain flood insurance with respect to the Property. According to the Federal Emergency Management Agency, the Property is located in a moderate flood hazard area, which is an area between the limits of the base flood and the 0.2-percent-annual-chance (or 500-year) flood.

Wildfire Hazard Area. In recent years, wildfires have caused extensive damage throughout the State, including within the County. Areas that were not previously considered to be at risk from such events have been damaged or destroyed by fires started by wind-blown embers, not the fire itself.

The Property is not located in a "fire severity zone" based on current mapping. See "THE PROPERTY" above for information about the fire-related design of the buildings that are components of the Property.

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 Series 2019B Bonds.

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 anything to do with creating or handling the hazardous substance.

The effect, therefore, should the Property 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 Property could adversely impact the fair rental value of the Property 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

At various times, including recently, the State has experienced significant financial and budgetary stress. State budgets are affected by national and local 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 the State. 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.

For example, declining revenues and fiscal difficulties that arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies.

Although starting with fiscal year 2013-14, recent State budgets have been balanced, largely attributable to improvements in the economy, the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012, statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in prior years will not be used in the future, should the State budget again be stressed and if projections included in such budget do not materialize. See "APPENDIX A - CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – State Budget − Proposition 30" for more information about Proposition 30, and its renewal through Proposition 55, approved in November 2016.

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.

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "**Bankruptcy Code**"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the Series 2019B Bonds; and (iv) the possibility of the adoption of a plan (the "**Plan**") for the adjustment of the City's debt without the consent of the Trustee or all of the Owners of the Series 2019B Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

Recent bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to municipal securities. Specifically, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds were unsecured obligations and not entitled to the same priority of payments made to the related pension system. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Series 2019B Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners will not recover their principal and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance and delivery of the Series 2019B Bonds 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.

Possible Insufficiency of Insurance Proceeds

The Lease Agreement obligates the City to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the City make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2019B Bonds when due. In addition, certain risks, such as earthquakes and floods, are not covered by the insurance required under the Lease Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019B BONDS—Insurance."

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2019B Bonds with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

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 the heading "TAX MATTERS," the interest on the Series 2019B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2019B Bonds, as a result of acts or omissions of the Authority or the City in violation of its covenants in the Indenture and the Lease Agreement. Should such an event of taxability occur, the Series 2019B Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2019B Bonds or, if a secondary market exists, that any Series 2019B Bonds 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.

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 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to 1% of "full cash value," and provides that such tax will be collected by the counties and apportioned according to State statutes. Section 1(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. 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 that 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 that 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. The City is subject to and is operating in conformity with Article XIIIB.

Articles XIIIC and XIIID of the State Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

On November 2, 2010, California voters approved Proposition 26, the so-called "Supermajority Vote to Pass New Taxes and Fees Act." Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIIIA and XIIIC of the State Constitution. The amendments to Article XIIIA limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26's amendments to Article XIIIC broadly define "tax," but specifically exclude, among other things:

> "(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
>
> (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
>
> …
>
> (6) A charge imposed as a condition of property development.
>
> (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D."

Property-Related Fees and Charges. Under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, 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. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Articles XIIIC and XIIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not be subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, 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 indicated by its statement in *Richmond* 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. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

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"), none of the property-related fees or assessments currently collected by the City are deposited into the General Fund.

Water Utility Revenue Transfer Under the City Charter. In *Citizens for Fair REU Rates v. City of Redding (2015)* 233 Cal.App.4th 402, a California appellate court found that inter-city transfers from a utility fund to the general fund required voter approval under Proposition 218.

Section 1204 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 ("**Water Revenue Fund 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.

On July 6, 2012, a writ of mandate lawsuit entitled *Javier Moreno, et al v. City of Riverside* was filed against the City asserting that the Water Revenue Fund Transfer was a violation of Proposition 218. On March 5, 2013, the City Council unanimously voted to place a ballot resolution before the voters on June 4, 2013, entitled "Riverside Local Services and Clean Water Measure" (the "**Measure**") to allow the voters to decide upon the continuance of the Water Revenue Fund Transfer, which had been previously approved by voters in 1907, 1968 and 1977. The Measure was approved by the voters and the Water Revenue Fund Transfer was affirmed. On April 15, 2013, the City entered into a settlement agreement and release in *Moreno*. Under the terms of that agreement, the City agreed to cease any future Water Revenue Fund Transfers until the voters approved the Measure. Following the approval of the Measure, the City was also required to return, over a three-year period, the sum of $10 million to the Water Fund. The City made a final payment of this amount in fiscal year 2015-16.

Because the Water Revenue Fund Transfers were approved by the City's voters in 1907, 1968, 1977 and 2013, the City does not believe that it is prohibited from making Water Revenue Fund Transfers in the future.

The Water Revenue Fund Transfer to the General Fund of the City for the Fiscal Year ending June 30, 2018, was approximately $6.173 million. The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2019, is $6.584 million.

Transfers from the City's Electric Enterprise. The City also makes a revenue transfer to the City's general fund from the City's electric utility. See "—Revenue Transfer from Electric Utility."

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 that reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund.

Revenue Transfer from Electric Utility

General. 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 Section 1204 of the Riverside City Charter, as approved by the voters and adopted by the City Council on November 15, 1977 (each, an "**Electric Revenue Fund Transfer**"). 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 Electric Revenue Fund Transfer to the General Fund of the City for the fiscal year ending June 30, 2018, was approximately $40.073 million. The budgeted transfer to the General Fund of the City for the fiscal year ending June 30, 2019, is $40.705 million.

In general, California law (Government Code Section 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.

The statute of limitations for filing a claim is one year from the date that the City collected an electric service charge that was used to make the revenue transfer payments from the Electric Utility. The California Supreme Court held in *Ardon v. Los Angeles* 52 Cal 4th 241 (2011) that class action claims are permitted in local tax refund cases in the absence of a specific tax refund procedure set forth in an applicable governing claims statute. In 2003, the Riverside Municipal Code was amended to provide that no claim may be filed on behalf of a class of persons unless verified by every member of that class. To date, no court has ruled that this requirement is prohibited by California law, and the City has received no related class action claims for tax refunds.

If a court were to conclude that the Electric Revenue 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 Electric Revenue 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 challenged Electric Revenue Fund transfer would likely be returned to the Electric Utility.

On September 12, 2018, a class action petition for writ of mandate entitled *Parada v. City of Riverside* (Parada II) was filed against the City seeking to invalidate, rescind and void under Proposition 26 the Electric Utility's rates, approved by City Council on May 22, 2018, which took effect on January 1, 2019, challenging the portion of the electric rates that are attributable to the Electric Fund Revenue Transfer. On May 22, 2019, plaintiffs filed an amended complaint removing all class action allegations. No hearing/trial date has been set.

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% 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 actions, some of which could be adverse to the City.

See the section entitled "RISK FACTORS – Impact of State Budget" and "APPENDIX A - CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION – State Budget and Its Impact on the City" for information about the State's budget.

Proposition 22

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, borrow or change the distribution of state fuel tax revenues, and use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office on July 15, 2010, the longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos (2010)* 267 P.3d 580, finding California Assembly Bill 1X 26 to be constitutional and California Assembly Bill 1X 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and the property tax revenue that previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

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 Fiscal Year 1988-89, 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, XIIID, Proposition 22 and Proposition IA 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.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Series 2019B Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series 2019B Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2019B Bond (the first price at which a substantial amount of the Series 2019B Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2019B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Series 2019B Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Series 2019B Bond is excluded from gross income of such Beneficial Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Series 2019B Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2019B Bonds is based upon certain representations of fact and certifications made by the City, the Authority and others and is subject to the condition that the City and the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2019B Bonds to assure that interest (and original issue discount) on the Series 2019B Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series 2019B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019B Bonds. The City and the Authority will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Series 2019B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable Series 2019B Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a Series 2019B Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2019B Bond to the Beneficial Owner. Purchasers of the Series 2019B Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease Agreement and the Tax Certificate relating to the Series 2019B Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Series 2019B Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Series 2019B Bonds is excluded from gross income for federal income tax purposes provided that the City and the Authority continue to comply with certain requirements of the Code, the ownership of the Series 2019B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2019B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2019B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2019B Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2019B Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2019B Bonds might be affected as a result of such an audit of the Series 2019B Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2019B Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Series 2019B Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019B BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES 2019B BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2019B BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2019B BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019B BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2019B BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2019B BONDS.

The form of Bond Counsel's proposed opinion with respect to the Series 2019B Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2019B Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2019B Bonds.

Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Jones Hall, A Professional Law Corporation, as Disclosure Counsel.

Kutak Rock LLP, Los Angeles, California is acting as Underwriter's Counsel.

Bond Counsel, Disclosure Counsel and Underwriter's Counsel will receive compensation from the City contingent upon the sale and delivery of the Series 2019B Bonds.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Series 2019B Bonds. Neither the Authority nor the City is aware of any litigation pending or threatened questioning the political existence of the Authority or the City or contesting the Authority's ability to issue and pay the principal of and interest on the Series 2019B Bonds when due.

FINANCIAL STATEMENTS OF THE CITY

Included in this Official Statement, as Appendix C, are the audited financial statements of the City for the year ended June 30, 2018, audited by Macias Gini & O'Connell LLP, Newport Beach, California, independent certified public accountants (the "**Auditor**"). *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 review of the financial condition of the City*.

RATING

S&P Global Ratings has assigned the Series 2019B Bonds the rating set forth on the cover page of this Official Statement. Such rating reflects only the views of such rating agency, and an explanation of the significance of the rating may be obtained by contacting it at: S&P Global Ratings, 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the Series 2019B Bonds. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such organizations, if in the rating agency's judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2019B Bonds.

UNDERWRITING

The Series 2019B Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter will purchase the Series 2019B Bonds from the Authority at an aggregate purchase price of $40,202,746.00, representing the principal amount of the Series 2019B Bonds, plus $6,915,528.50 of original issue premium and less $217,782.50 of Underwriter's discount.

The Series 2019B Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Series 2019B Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

MUNICIPAL ADVISOR

The City has retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor for the sale of the Series 2019B Bonds (the "**Municipal Advisor**"). The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2019B Bonds to provide certain financial information and operating data (the "**Annual Report**") by not later than 270 days following the end of the City's fiscal year (which fiscal year currently ends on June 30), commencing with the Annual Report for the fiscal year ended June 30, 2019, and to provide notices of the occurrence of certain enumerated events as required by Securities and Exchange Commission Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended (the "**Rule**"). The specific nature of the information to be contained in the annual report or the notices of enumerated events is summarized under the caption "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

The City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of other obligations.

In the past, to assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings because on certain occasions in the last five years, the City did not timely file (1) notice of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations, (2) certain financial information or operating data for Fiscal Year 2014-15 required to be filed with respect to debt obligations of the City or its related government entities, and (3) a notice of successor trustee for a prior City debt obligation.

The City and its related governmental entities have made filings to correct all known instances of non-compliance during the last five years. The City believes that it has established internal processes, including a written continuing disclosure policy that will ensure that it and its related governmental entities will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles its and its related governmental entities' continuing disclosure obligations internally and no longer uses third-party dissemination agents for that purpose. Additionally, the City has engaged a consultant to annually verify its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

MISCELLANEOUS

References are made in this Official Statement to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Lease Agreement, the Ground Lease and other documents are available, upon request, and upon payment to the City of a charge for copying, mailing and handling, from the City Clerk at the City of Riverside, 3900 Main Street, Riverside, California 92522.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series 2019B Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

RIVERSIDE PUBLIC FINANCING AUTHORITY

By: /s/ Edward Enriquez
Treasurer

CITY OF RIVERSIDE

By: /s/ Edward Enriquez
Chief Financial Officer/Treasurer

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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 County or the County of 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 lies 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.

The County and the County of San Bernardino cover 27,400 square miles, a land area larger than the State of Virginia. As of January 1, 2019, the County had a population estimated at 2,440,124 and San Bernardino County had a population estimated at 2,192,203. With a population of over 4.5 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas ("**MSAs**") in the United States. The County alone is geographically 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 2,500 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 374 sworn officers and the Fire Department employs 224 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 Riverside Metropolitan Museum, a number of libraries, the Municipal Auditorium, the Fox Performing Arts Center, 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, 2019, the population of the City was estimated to be 328,101, an increase of approximately 0.6% over the estimated population of the City in 2018. 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
2010	302,597	2,179,692
2011	307,207	2,212,874
2012	311,332	2,239,715
2013	316,162	2,266,549
2014	318,511	2,291,093
2015	321,655	2,317,924
2016	324,696	2,347,828
2017	323,190	2,382,640
2018	326,270	2,412,536
2019	328,101	2,440,124

Sources: 1950-2010 U.S. Census; 2011-2019 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 – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2018."

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 will 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 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 General Fund Balance Sheet (Table 2), and General Fund revenues, expenditures, transfers, and ending fund balances (Table 3).

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

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS:					
Cash and Investments	$31,017	$46,747	$33,511	$59,347(2)	$84,142
Cash and investments at fiscal agent	4,564	4,563	2,758	1,943	18
Receivables (net)					
Interest	1	30	19	23	193
Property taxes	5,027	3,874	4,524	4,274	3,876
Sales taxes	13,106	14,178	19,117	20,360	23,854
Utilities billed	1,182	1,226	1,123	1,210	1,226
Accounts	8,014	7,607	12,674	6,525	5,642
Intergovernmental	4,445	3,202	5,388	4,050	5,325
Notes	--	--	1,597	1	10
Prepaid items	241	659	1,455	2,599	1,947
Deposits	300	300	300	300	
Due from other funds	18,116	6,934	1,564	1,722	858
Advances to other funds	23,226	22,064	20,757	22,715	-- (3)
Advances to Successor Agency	652	619	582	554	--
Land & Improvements held for resale	--	675	1,341	175	175
Total assets	$109,891	$112,678	$106,710	$125,798	$127,266
LIABILITIES:					
Accounts Payable	$7,531	$8,328	$7,640	$9,291	$7,463
Accrued payroll	8,635	11,697	14,985	19,072	16,442
Retainage payable	10	7	31	1	13
Intergovernmental	159	147	144	149	151
Unearned revenue	387	227	1,296(1)	273	330
Deposits	9,226	8,867	8,946	7,750	8,558
Advances from other funds	166	72	--	--	--
Total liabilities	$26,114	$29,345	$33,042	$36,536	$32,957
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	$4,917	$3,682	$8,090	$6,192	$4,685
Total deferred inflow of resources	$4,917	$3,682	$8,090	$6,192	$4,685
FUND BALANCE:					
Nonspendable	$24,419	$23,642	$23,094	$26,168	$1,947
Restricted	2,204	2,985	3,067	2,651	2,991
Committed Contingency	--	--	--	--	53,800(4)
Assigned	14,505	13,965	9,922	14,968	23,242
Unassigned	37,732	39,059	29,495	39,283	7,644(4)
Total fund balance	$78,860	$79,651	$65,578	$83,070	$89,624
Total liabilities and fund balance	$109,891	$112,678	$106,710	$125,798	$127,266

(1) The increase in Unearned revenue from fiscal year 2014-15 was related to grant revenue received, but not earned (approximately $630K), and land held for resale from the Successor Agency that was deferred (approximately $666K).
(2) The increase in Cash and investments from prior fiscal year was primarily due to increased sales tax revenue (Measure Z) and a $17.9 million loan payoff from the Successor Agency that was received earlier than anticipated.
(3) In fiscal year 2017-18, the 2005 Pension Obligation Bonds and 2017 Pension Obligation Bonds (each as defined under the heading "– Long-Term Obligations") expense was allocated to each fund to reflect its proportional share, eliminating Advances to other funds.
(4) Committed Contingency reflects a reserve for economic contingency that was previously classified in Unassigned.
Source: City Audited Financial Statements (except as noted).

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

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Revenues:					
Taxes	$143,748	$153,200	$156,172	$174,803[4]	$223,116[7]
Licenses and permits	7,694	8,490	9,077	9,815	10,015
Intergovernmental[1]	12,915	10,454	10,006	7,318	10,513
Charges for services	15,734	24,737	26,443	31,384	17,438[8]
Fines and forfeitures	7,283	3,957	1,937	1,975	3,699
Special assessments	4,219	4,480	4,424	4,443	402
Rental and investment Income	1,857	2,854	1,868	2,768	2,318
Miscellaneous	3,402	5,180	4,146	5,512	3,815
Total revenues	$196,852	$213,352	$214,073	238,018	$271,316
Expenditures					
Current:					
General government	$10,351	$14,027	$15,578	$16,451	$15,635
Public safety	149,450	156,648	163,837	162,868	184,608[9]
Highways and streets	16,944	16,594	17,416	17,504	18,643
Culture and recreation	34,165	37,405	39,413	40,440	29,136
Capital Outlay	8,589	4,899	8,139	3,361	2,646
Debt service[2]:					
Principal	9,262	10,954	12,232	44,225	-- [10]
Interest	6,259	5,940	5,626	5,209	-- [10]
Bond issuance costs	103	172	180	29	14
Total expenditures	$235,123	$246,639	$262,421	$290,087	$250,682
Excess (deficiency) of revenues over (under) expenditures	$(38,271)	$(33,257)	$(48,348)	$(52,069)	$20,634
Other financing sources (uses)					
Transfers in[3]	$45,695	$45,410	$44,790	$76,948[5]	$59,332
Transfers out	(13,184)	(16,024)	(16,747)	(13,497)	(50,738)[11]
Proceeds from issuance of long-term debt	30,940	30,940	31,145	--	--
Payment to escrow account for advance refunding[2]	(30,940)	(30,940)	(30,940)	--	--
Capital lease proceeds	6,625	4,450	5,846	2,109	--
Sale of capital assets	904	242	181	4,001[6]	422
Total other financing sources (uses)	$40,040	$34,078	$34,275	$69,561	$9,016
Net change in fund balance	1,769	791	(14,073)	17,492	29,650
Fund balance, July 1	77,091	78,860	79,651	65,578	83,070
Prior period adjustment	--	--	--	--	(23,096)[12]
Fund balance, June 30	$78,860	$79,651	$65,578	$83,070	$89,624

(1) Reflects revenue received from grants and motor vehicle in-lieu fees.
(2) Includes the City's Taxable Pension Obligation Refunding Bond Anticipation Notes, 2005 Pension Obligation Bonds and 2017 Pension Obligation Bonds.
(3) Includes Water Revenue Fund Transfer and Electric Revenue Fund Transfer.
(4) Increase from prior fiscal year was primarily due to an increase in sales tax revenue (Measure Z).
(5) Increase from prior fiscal year was due to approximately $31.1 million of proceeds from the issuance of the 2017 Pension Obligation Bonds.
(6) Represents proceeds from sale of surplus City properties.
(7) Increase from prior fiscal year was primarily due to Measure Z revenues. See "– Measure Z."
(8) Decrease from prior year was largely attributed to the establishment of the Civic Entertainment Fund related activities, which reported charges for services for the year ended June 30, 2018, of $16.4 million.
(9) Increase from prior fiscal year was primarily due to a one-time capital expenditure for a fire apparatus in the approximate amount of $10.9 million.
(10) General Fund-related debt service payments are now reflected in the Debt Service Fund. See footnote 11 below.

(11) Increase from prior fiscal year was due to a change in the way the City structures payment from certain of its funds. For example, approximately $28.7 million was due to a transfer to the Debt Service Fund and approximately $10.3 million was due to transfers to two new funds (the Civic Entertainment Fund and Special Districts Fund), but previously, similar payments would have been expensed directly from the General Fund. Approximately $6 million was due to a transfer from Measure Z revenues to fund capital projects.

(12) A prior period adjustment of approximately $23.1 million was made to decrease the General Fund's fund balance related to the elimination of advances related to the 2005 Pension Obligation Bonds and 2017 Pension Obligation Bonds.

Source: City Audited Financial Statements (except as noted).

Budgetary Process and Administration

Consistent with the City Council's direction in 2015, City staff prepared a two-year budget for fiscal years 2018-19 and 2019-20. In addition, the budget has been developed within the context of a five-year plan, which provides a financial framework to guide future policy and programmatic recommendations by management and decisions by the City Council.

The City believes that moving to a two-year budget provides the City Council, departments and the public with greater certainty regarding ongoing funding and staffing for programs and services. It will eliminate the time required to produce, review, and approve the budget document every year. At the conclusion of the first year of the two-year budget, the City Council receives a mid-cycle review of year-end financials. The mid-cycle review process provides the mechanism to ensure that revenue and expenses forecast at the beginning of the first year remain accurate and, only if necessary, amend the budget to address any significant revenues shortages and/or unknown and unforeseeable expenses.

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 (now, every other 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 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 and fund. 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.

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Comparison of Fiscal Year 2017-18 Annual Budget Against Actual Results. Table 4 summarizes the final budget and audited actual results of the General Fund of the City for fiscal year 2017-18.

Table 4
GENERAL FUND FINAL BUDGET VERSUS ACTUALS
(Fiscal Year 2017-18)
(Amounts Expressed in Thousands)

	Fiscal Year 2017-18			
	Final Budget	**Actual**	**Variance**	**Fiscal Year 2018-19 Final Budget**
Revenues				
Taxes	$219,992	$223,116	$3,124	$225,439
Licenses and permits	10,454	10,015	(439)	10,188
Intergovernmental	10,971	10,513	(458)	1,856
Charges for services	16,440	17,438	998	17,395
Fines and forfeitures	1,414	3,699	2,285	1,809
Special assessments	495	402	(93)	505
Rental and investment income	4,208	2,318	(1,890)	1,700
Miscellaneous	3,859	3,815	(44)	4,032
Total revenues	$267,833	$271,316	$3,483	$262,924
Expenditures				
Current:				
General government	$31,831	$15,635	$16,196	$19,298
Public safety	191,684	184,608	7,076	184,654
Highways and streets	21,079	18,643	2,436	20,242
Culture and recreation	33,071	29,136	3,935	30,397
Capital outlay	6,017	2,646	3,371	1,259
Debt service:				
Bond issuance costs	--	14	(14)	--
Total expenditures	283,682	250,682	33,000	255,850
Excess (deficiency) of revenues over (under) expenditures	$(15,849)	$20,634	$36,483	$7,074
Other financing sources (uses)				
Transfers in[(1)]	$83,114	$59,332	$(23,782)	$61,428
Transfers out	(65,461)	(50,738)	14,723	(62,087)
Sale of capital assets	3,618	422	(3,196)	68
Total other financing sources (uses)	$21,271	$9,016	$(12,255)	$(591)
Net change in fund balance	$5,422	$29,650	$24,228	$6,483
Fund balance, beginning	83,070	83,070	--	89,624
Prior period adjustment	(23,096)	(23,096)	--	--
Fund balance, ending	$65,396	$89,624	$24,228	$96,107

[(1)] Includes a transfer from the Debt Service Fund to the General Fund for reimbursement of capital lease expenditures (approximately $10.9 million), the Water Revenue Fund Transfer and the Electric Revenue Fund Transfer.

Source: City of Riverside.

General Fund Reserves

The following chart illustrates the General Fund reserves of the City for fiscal years 2008-09 through 2017-18. The City's policy is to maintain its General Fund reserves in a minimum amount equal to 15% of the next fiscal year's expenditures, with a target of 20% of the next year's expenditures; moneys in the fund are available for use at the City Council's discretion.

Table 5
GENERAL FUND RESERVES
(As of June 30)
(Dollar Amounts Expressed in Thousands)

Fiscal Year	Ending Reserves[(1)(2)(3)]	Percent Change	% of Following Fiscal Year Expenditures[(3)]	Measure Z[(4)]
2008-09	$33,091	(17.2)%	16.7%	--
2009-10	32,023	(3.2)	16.4	--
2010-11	36,359	13.5	17.2	--
2011-12	39,347	8.2	17.8	--
2012-13	37,763	(4.0)	16.9	--
2013-14	37,732	(0.1)	15.7	--
2014-15	39,059	3.5	15.2	--
2015-16	29,495	(24.5)[(5)]	11.1	--
2016-17	37,129	25.9[(6)]	13.7	$2,154
2017-18	53,800	44.9[(6)]	20.0	7,644

(1) Fiscal years 2008-09 and 2009-10 Ending Reserves were calculated using methodology prior to GASB Statement No. 54, which modified the fund balance classifications to reflect a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the General Fund. Ending reserves for fiscal years 2008-09 and 2009-10 include fund balance classified as unreserved, designated for economic contingency, and unreserved, undesignated.

(2) In fiscal years 2009-10 through 2015-16, Ending Reserves represents the fund balance classified as Unassigned in the General Fund's balance sheet. In fiscal year 2016-17, the aggregate of Ending Reserves and Measure Z represents the fund balance classified as Unassigned in the General Fund's balance sheet. In fiscal year 2017-18, Ending Reserves represents the fund balance classified as Committed Contingency, and Measure Z represents the fund balance classified as Unassigned, in the General Fund balance sheet. See Table 2.

(3) Measure Z fund balance is excluded from the Ending Reserves and % of Following Fiscal Year Budgeted Expenditures.

(4) Measure Z is a 1.0% Transaction and Use Tax approved on November 8, 2016, that expires in 2036. Funds are accounted for separately, but are available for General Fund purposes.

(5) Decrease in fiscal year 2015-16 was due to expenditures for the Riverside Avenue grade separation project (an approximately $30 million project), which was completed in that fiscal year. A majority of the expenditures was reimbursed to the General Fund from non-General Fund funding sources in fiscal year 2016-17.

(6) Increase in fiscal year 2017-18 was due to increased sales tax revenues from Measure Z and cost saving efforts by departments during that fiscal year.

Source: City of Riverside budgets and financial projections.

Redevelopment Agency Dissolution

City of Riverside Redevelopment Agency Dissolution. The Former Agency was established in 1967 to provide affordable housing, revitalize communities, eliminate blight and fuel economic growth through focused reinvestment of local funds back into local projects and programs that supported job growth and private investment. In accordance with legislation originally enacted in 2011 and subsequently amended (together known as the "**Dissolution Act**"), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

Pursuant to City Council actions taken by the City on March 15, 2011, and January 10, 2012, the City elected to serve as the Successor Agency. The Successor Agency is a separate legal entity, which serves as a custodian for the assets and liabilities of the Former Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations.

Impact on City. The Former Agency's operating budget for 2011-12 was $4.5 million, which included allocated costs for City staff, related non-personnel expenses, and internal service costs related to the operations of the Former Agency. Previously, the Former Agency's practice was to reimburse the City for these amounts annually with tax increment funds. The City historically loaned funds to the Former Agency for various capital projects and land acquisitions. Several of these loans remain outstanding and have been found to be enforceable obligations in accordance with the Dissolution Act.

Under the Dissolution Act, the City is receiving additional property tax revenues to offset the costs of administering the Successor Agency. Additionally, as the City is a taxing entity within the jurisdiction of the Former Agency, a portion of any former redevelopment tax increment that is not required by the Successor Agency to pay enforceable obligations is received by the City once distributed by the County.

No Successor Agency monies or payments received by the City from the Successor Agency are pledged to the Bonds. The City believes that the potential impact on the availability of redevelopment funds under the Dissolution Act will not materially adversely affect the City's ability to make Base Rental Payments under the Lease Agreement when due.

State Budget and Its Impact on the City

General. The State of California has experienced significant financial and budgetary stress from time to time in the past. 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. Each State budget contains a number of measures that impact the City's finances.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior years. Following the submission of the Governor's Budget, the California Legislature takes up the proposal.

Under the California State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. Prior to the November 2, 2010 California General Election, the Budget Act required approval by a two-thirds majority vote of each House of the Legislature. On November 2, 2010, California voters passed Proposition 25, which amended this legislative vote requirement to a simple majority. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Information about the adopted fiscal year 2018-19 State budget, the proposed 2019-20 State budget and other State budgets is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by the City or Underwriter, and the City and Underwriter take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.*

Proposition 30. The fiscal year 2012-13 State budget relied upon the Schools and Local Public Safety Protection Act, a $6.9 billion tax increase approved by California voters at a regular election in November 2012 ("**Proposition 30**"). Proposition 30 enacted temporary increases on high-income earners, raising income taxes by up to three percent on the wealthiest Californians for seven years and increasing the state sales tax by $0.0025 for four years, which averted $5.9 billion of planned trigger cuts that would have affected public education funding in the State. The 2012-13 State budget also contained reductions in expenditures totaling $8.1 billion. The temporary personal income tax increases under Proposition 30 were scheduled to expire at the end of 2018; however, the voters approved Proposition 55 in the November 2016 statewide election, which extended these increases through 2030.

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. Any decrease in such revenues may have an adverse impact on the City's ability to pay the Certificates.

The City is aware of no material impacts on its operations or revenues resulting from the 2019-20 proposed State budget. City staff closely monitors these issues, and any identified impacts are quickly incorporated into the City's budgetary planning.

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 6
GENERAL FUND TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Property Taxes(1)	$51,323	$54,864	$55,545	$59,526	$63,515
Sales & Use Tax(2)	55,096	59,437	60,976	63,278	64,136
Utility Users Tax(3)	28,092	28,076	27,828	27,958	27,498
Measure Z(4)	--	--	--	12,605	56,202
Other Taxes(5)	9,235	10,823	11,823	11,436	11,765
Total Taxes	$143,746	$153,200	$156,172	$174,803	$223,116

(1) Property Taxes include Property Transfer Tax, Library Operations Tax and the property tax received in lieu of vehicle license fees.
(2) Sales & Use Tax includes the sales tax in lieu related to Proposition 57 (known as the "Triple Flip") through Fiscal Year 2016-17.
(3) See "– Additional Sources of Revenue – Utility Users Taxes."
(4) Measure Z became effective in fiscal year 2016-17. For a discussion of Measure Z, see "–Measure Z."
(5) For fiscal year 2017-18, Other Taxes consists of Transient Occupancy Tax and Franchise Taxes in the approximate amounts of $6.79 million and $4.97 million, respectively. See "– Additional Sources of Revenue–Transient Occupancy Tax" and "– Franchise Taxes" herein for a description of these taxes.
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. For a discussion of Measure Z, which is a 1% transactions and use tax that was approved by the City's electorate in November 2016 and took effect on April 1, 2017. See "–Measure Z."

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 7
SALES TAX RATES
Effective July 1, 2018

State General Fund	5.50%
City	1.00
State (Local Public Safety Fund)	0.50
State (County Transportation Fund)	0.25
Riverside County Transportation Commission	0.50
Measure Z[(1)]	1.00
Total	8.75%

(1) See "– Measure Z."
Source: California State Board of Equalization.

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. Certain transactions are exempt from tax under the Sales Tax Law, 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 California Department of Tax and Fee Administration Publication No. 61 (March 2018) entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the California Department of Tax and Fee Administration's website at http://www.cdtfa.ca.gov/. Information on this website is not a part of this Official Statement.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration (the "**CDTFA**"). This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

According to the CDTFA, it distributes quarterly tax revenues to local jurisdictions (like the City) using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the CDTFA 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 CDTFA disburses 90% of the base amount 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 the remaining 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.

The CDTFA 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.

Taxable Sales by Category. Taxable sales by category for the past ten calendar years for which data is available is set forth in the following table.

Table 8
TAXABLE SALES BY CATEGORY
For Calendar Years 2008 Through 2017 (Dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Apparel Stores	$154,899	$152,564	$161,802	$168,352	$175,320	$178,349	$188,670	$203,001	$214,852	$210,158
General Merchandise	466,096	435,230	432,303	444,125	450,988	463,355	475,147	477,903	478,538	465,490
Food Stores	172,195	170,151	167,259	169,380	181,719	193,368	209,022	217,902	168,854	169,922
Eating and Drinking Places	383,596	364,291	371,419	395,423	422,153	447,841	483,901	533,317	582,262	609,705
Building Materials	374,161	307,894	292,605	349,398	376,011	454,468	514,993	567,790	636,415	666,907
Auto Dealers and Supplies	949,747	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385	1,608,231	1,588,854
Service Stations	424,252	301,654	350,904	419,497	430,322	418,110	413,128	370,257	338,762	360,830
Other Retail Stores	564,633	487,924	501,071	517,583	535,945	550,157	595,305	633,089	692,375	677,850
All Other Outlets	1,104,611	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982	1,474,160	1,481,019
Total	$4,594,190	$3,899,529	$4,102,609	$4,501,800	$4,699,571	$5,140,773	$5,653,990	$6,013,625	$6,194,449	$6,230,735

Source: City of Riverside Annual Financial Reports.

Measure Z

Measure Z is a 1% transaction and use tax (similar to the sales tax) approved by the City's electorate in November 2016. It was placed on the ballot by the Mayor and City Council to help restore as much as possible of the $11 million in services eliminated by the City in June 2016, as well as to fund, in part, over $40 million of estimated annual ongoing needs of the City, such as first responder staffing and vehicles, road and tree maintenance and building repair and maintenance. The City anticipates receiving approximately $50 million per year from Measure Z. Measure Z went into effect on April 1, 2017. See Table 6 under the heading "– Taxes and Other Revenue."

Measure Z's 1% transaction and use tax is a general tax, meaning the City may use the funds for any governmental purpose. Measure Z funds will be deposited and tracked in a separate fund in the City budget and will be subject to an annual independent audit. However, Measure Z funds are available for General Fund obligations, including payment of the Bonds.

Measure Z took effect on April 1, 2017, raising the combined total sales tax rate in the City from 7.75% to 8.75%, and is scheduled to sunset in 2036.

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.

Assessed Value and Estimated Actual Value. Assessed value and estimated actual value of taxable property for the past ten calendar years for which data is available is set forth in the following table.

Table 9
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
For Fiscal Years Ended June 30, 2008, Through June 30, 2018 (Dollars in thousands)

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2009	$24,428,633	$1,330,053	$(7,515,667)	$18,243,019
2010	22,644,262	1,299,353	(7,103,040)	16,840,575
2011	22,056,793	1,260,923	(6,920,720)	16,396,996
2012	22,031,328	1,264,151	(6,952,649)	16,342,830
2013	22,313,665	1,244,448	(7,142,401)	16,415,712
2014	23,045,134	1,201,634	(7,394,982)	16,851,786
2015	24,482,621	1,329,391	(7,945,000)	17,867,012
2016	25,710,122	1,225,375	(8,432,984)	18,502,513
2017	26,927,989	1,311,356	(9,029,817)	19,209,528
2018	28,373,517	1,354,934	(9,791,810)	19,936,641

Source: City of Riverside Annual Financial Reports.

Principal Property Taxpayers. Principal property taxpayers for fiscal year 2017-18 is set forth in the following table.

Table 10
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Year 2017-18
(Dollars in thousands)

Property Owner	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Riverside Healthcare System	Health Care	$ 273,296	1	1.00%
Tyler Mall	Retail Sales	214,956	2	0.8
Rohr Inc	Manufacturing	148,268	3	0.5
La Sierra University	Student Housing	134,779	4	0.5
State Street Bank and Trust Co	Investment Bank	129,258	5	0.5
Cole ID	Manufacturing	107,100	6	0.4
Corona Pointe Apartments	Multi-Family Residential Rental	102,163	7	0.4
BRE Properties	Multi-Family Residential Rental	98,937	8	0.4
CPT Riverside Plaza LLC	Retail Sales	89,829	9	0.3
Riverside Fair Isle Apartments	Multi-Family Residential Rental	87,753	10	0.3
Totals		$ 1,386,339		4.9%

Source: Riverside County Assessor fiscal year 2017-18.

Property Tax Levies and Collections. Property tax levies and collections for the past 10 calendar years for which data is available is set forth in the following table.

Table 11
PROPERTY TAX LEVIES AND COLLECTIONS
For Calendar Years 2009 through 2018 (Dollars in thousands)[1]

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year Ended June 30	**Taxes Levied for Fiscal Year**	**Amount**	**Percentage of Levy**	**Collection in Subsequent Years**	**Amount**	**Percentage of Levy**
2009	$86,251	$84,134	97.55%	$2,117	$86,251	100.00%
2010	77,228	74,491	96.46	2,737	77,228	100.00
2011	74,608	72,327	96.94	2,281	74,608	100.00
2012	41,020	40,340	98.34	680	41,020	100.00
2013	43,333	42,447	97.96	886	43,333	100.00
2014	45,138	44,684	98.99	454	45,138	100.00
2015	48,846	48,427	99.14	419	48,846	100.00
2016	50,023	49,585	99.12	--	49,585	99.12
2017	53,655	53,252	99.25	--	53,252	99.25
2018	57,567	57,173	99.32	--	57,173	99.32

(1) Amounts shown in this table reflect remittances by the County to the City, including amounts paid pursuant to the County's Teeter Plan. Nearly all of such amounts are paid in the same fiscal year as that of the related tax levy, and a small portion of such amounts is paid in the next subsequent fiscal year. See "– Teeter Plan."
Source: City of Riverside Annual Financial Reports; City of Riverside.

Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the "Teeter Plan," is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually 100% of their shares of property taxes and other levies collected on the secured roll. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless, prior to the commencement of a fiscal year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes levied on the secured roll by that agency.

The Board of Supervisors of the County has adopted the Teeter Plan, and the City elected to be included within the County's Teeter Plan, effective for fiscal year 2013-14. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted with respect to the City, the City will receive 100% of its share of secured property tax levies.

Additional Sources of Revenue

Franchise Taxes. The City levies a franchise tax on its cable television, trash collection, 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 13% 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. This tax was adopted by the City Council on July 7, 1970, and the approving ordinance has no sunset provision.

On October 19, 2017, a writ of mandate entitled *Parada v. City of Riverside* (Parada I) was filed against the City seeking to enjoin the City from levying its electric utility users tax on the portion of electric rates that are attributable to the General Fund Transfer. On September 21, 2018, the trial court ruled in favor of the City, and on November 7, 2018, the court entered judgment in favor of the City.

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

Library Operations Taxes. The City levies a $19 per year parcel tax for library operations, which was approved by voters in November 2001 and renewed in November 2011. The tax generates approximately $1.3 million annually for the City and expires on June 30, 2022.

Utility Payments and Transfers to General Fund

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIIIC and XIIID of the State Constitution" and "—Revenue Transfer from Electric Utility" for a description of certain transfers to the General Fund from the City's water utility (in the amount of approximately $6.173 million in fiscal year 2017-18) and the City's electric utility (in the amount of approximately $40.073 million in fiscal year 2017-18).

Special Assessments

On an annual basis, the City deposits into the General Fund approximately $3.5 million of assessments levied and collected in Street Lighting District No. 1. Street Lighting District No. 1 was formed in 1988 for installation, construction, maintenance and operation 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.

Short-Term Obligations

The City currently does not have any short-term obligations outstanding.

Long-Term Obligations

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

Pension Obligation Bonds. In fiscal year 2003-04, the City incurred pension obligation debt in connection with bonds issued by California Statewide Communities Development Authority (the "**2004 Bonds**"), in a single series, in the initial aggregate amount of $89,540,000 to fund a portion of the unfunded actuarial accrued liability for public safety employees. Proceeds from the 2004 Bonds were deposited with California Public Employees Retirement System ("**PERS**"). As of June 30, 2018, the City had $44,400,000 principal amount of obligations in connection with the 2004 Bonds outstanding.

In fiscal year 2004-05, the City issued pension obligation bonds, in two series, in the initial aggregate amount of $60,000,000 to fund a portion of the unfunded actuarial accrued liability for miscellaneous employees, and proceeds from the bonds were deposited with PERS. One of the series, which was issued in the initial principal amount of $30,000,000, was subsequently refunded, leaving outstanding a single series of bonds (the "**2005 Pension Obligation Bonds**"). As of June 30, 2018, the City had $6,655,000 principal amount of 2005 Pension Obligation Bonds outstanding. Although the 2005 Pension Obligation Bonds are primarily an obligation of the General Fund, a portion of the debt service on such bonds is paid from the City's enterprise funds (collectively, representing approximately 52.1% of the debt service in fiscal year 2017-18) on the basis of the respective staffing allocations.

In fiscal year 2016-17, the City issued taxable pension obligation refunding bonds in a single series, in the initial aggregate amount of $31,960,000 to refund the City's $31,145,000 aggregate principal amount Taxable Pension Obligation Refunding Bond Anticipation Notes, 2016 Series A (the "**2017 Pension Obligation Bonds**"). As of June 30, 2018, the City had $29,049,000 principal amount of 2017 Pension Obligation Bonds outstanding. Although the 2017 Pension Obligation Bonds are primarily an obligation of the General Fund, a portion of the debt service on such bonds is paid from Measure Z revenues (representing approximately 45.7% of the debt service in fiscal year 2017-18) and, otherwise, from the City's enterprise funds (collectively, representing approximately 52.1% of the debt service in fiscal year 2017-18) on the basis of the respective staffing allocations.

Certificates of Participation & Lease Revenue Bonds. The City has made use of various lease arrangements to finance capital projects through the execution and delivery of certificates of participation and issuance of lease revenue bonds. As of May 15, 2019, the outstanding certificates of participation and lease revenue bonds and their outstanding principal balance were as set forth in the following table:

Table 12
SUMMARY OF LONG-TERM GENERAL FUND COP AND LEASE REVENUE BOND OBLIGATIONS

	Original Issue	Outstanding Principal[1]	Final Maturity Date
2006 Certificates of Participation	$19,945,000	$5,000	September 1, 2036[3]
2008 Certificates of Participation[2]	128,300,000	98,200,000	March 1, 2037
2012 Lease Revenue Bonds	41,240,000	32,780,000	November 1, 2033
2013 Certificates of Participation	35,235,000	31,220,000	June 1, 2034
2019A Lease Revenue Bonds	15,980,000	15,980,000	November 1, 2036[3]
Subtotal	$240,700,000	$178,185,000	

(1) As of May 15, 2019.
(2) The City employed an interest rate swap with respect to the 2008 Certificates of Participation. See Note 9 (Derivative Instruments) to the City's fiscal year 2017-18 audited financial statements.
(3) All but $5,000 of the 2006 Certificates of Participation were refunded with a portion of the proceeds of the 2019A Lease Revenue Bonds.

Bank Loan Financings. The City entered into a loan with City National Bank in 2011 to finance the construction of the Fox Entertainment Plaza, a mixed-use project adjacent to the Fox Performing Arts Center in downtown Riverside that contains a parking garage, museum exhibit space, restaurant/retail space, and a small black box theater. While the debt is recorded in the City's Parking Fund (an enterprise fund) and the debt is to be primarily serviced by Parking Fund revenues, the debt is payable from the General Fund. As of June 30, 2018, the total amount outstanding was $18,255,837; of that amount, $3,610,837 becomes due on December 16, 2022, and $14,645,000 becomes due on December 16, 2032.

On April 5, 2012, the City entered into a lease/leaseback financing arrangement with Pinnacle Public Finance in the principal amount of $4,000,000. Proceeds of this financing arrangement were used to finance a portion of the construction cost of a new City park. The City's General Fund secures the lease/lease back arrangement. As of June 30, 2018, the total amount outstanding was $1,746,491. The financing matures on April 5, 2022.

On July 19, 2012, the City entered into a Lease and Option to Purchase Agreement with Compass Mortgage Corporation for the purpose of financing expansion and renovation of the City's Convention Center. The Lease and Option to Purchase Agreement establishes a variable rate interest component. A concurrent interest rate swap transaction with Compass Bank produces a long-term "synthetic fixed" interest rate.

The Lease and Option to Purchase Agreement establishes a LIBOR-based variable rate interest rate. During the 21-month construction period, the City paid interest-only payments from proceeds of the lease financing. At the end of the 21-month construction period, an interest rate swap agreement with Compass Bank commenced and the variable interest rate under the Lease and Option to Purchase Agreement was "swapped" to fixed for the remaining 20-year amortization, resulting in equal payments each year of approximately $2,850,000. The total approved loan amount is $41,650,000; however under the terms of the loan agreement the City was only required to pay interest on the portion of the proceeds spent as of each monthly interest payment date.

On February 25, 2014, the City Council approved an increase in the loan amount of $3,000,000, increasing the total amount of the loan to $44,650,000. The additional funding is not included in the interest rate swap and will remain subject to the variable interest rate. All other terms of the additional financing are comparable to the original transaction including the term and interest rate. The additional principal will amortize proportionally to the amortization schedule of the original loan.

In order to enter into the swap transaction, the City waived certain of its Master Swap Policies relating to the requirements for ratings-based termination events and a credit support annex. The City mitigated the risks associated with this waiver by negotiating protections for the City if a credit event by Compass Bank were to occur, including the ability to offset swap payments due to it from Compass Bank pursuant to the swap agreement against current and future lease payments required to be made by the City to Compass Mortgage Corporation under the Lease and Option to Purchase Agreement.

Payment of the loan commenced on May 1, 2014, and as of June 30, 2018, the total amount outstanding was approximately $37,356,143. The loan matures on April 3, 2034.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2018, are identified in Note 6 to the City's fiscal year 2017-18 audited financial statements. See Appendix B.

Direct and Overlapping Debt Obligations. Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated April 1, 2019. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Table 13
STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
(Dated April 1, 2019)

2018-19 Assessed Valuation: $30,212,791,874

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/19
Metropolitan Water District	1.035%	$ 497,318
Riverside County Flood Control and Water Conservation District Zone No. 4	2.025	297,473
Riverside City Community College District	28.552	71,800,020
Alvord Unified School District	71.101	144,371,786
Riverside Unified School District	85.788	177,126,484
Corona-Norco Unified School District	0.001	4,229
Jurupa Unified School District	0.001	1,657
Moreno Valley Unified School District	10.315	16,737,998
City of Riverside	**100.000**	**9,085,000**
Alvord Unified School District Community Facilities District No. 2006-1	82.333	5,820,943
Riverside Unified School District Community Facilities Districts	88.816 -100.	70,740,397
City of Riverside Community Facilities Districts	100.000	19,875,000
City of Riverside 1915 Act Bonds	100.000	20,625,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$536,983,305
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	10.778%	$ 83,784,617
Riverside County Pension Obligation Bonds	10.778	26,282,153
Corona Norco Unified School District Certificates of Participation	0.001	308
Jurupa Unified School District Certificates of Participation	0.001	593
Moreno Valley Unified School District Certificates of Participation	10.315	1,442,037
Riverside Unified School District General Fund Obligations	85.788	13,321,771
City of Riverside General Fund Obligations	**100.000**	**185,780,713**(1)
City of Riverside Pension Obligation Bonds	**100.000**	**80,105,000**
Western Municipal Water District General Fund Obligations	32.645	2,944,892
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$393,662,084
Less: Riverside County supported obligations		275,918
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$393,386,166
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$199,246,817
GROSS COMBINED TOTAL DEBT		$1,129,892,206(2)
NET COMBINED TOTAL DEBT		$1,129,616,288

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, sales tax revenue, mortgage revenue and non-bonded capital lease obligations.

Pension Plans

This caption contains certain information relating to PERS. The information is primarily derived from information produced by PERS, its independent accountants and actuaries. The City has not independently verified the information provided by PERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by PERS.

The comprehensive annual financial reports of PERS are available on its Internet website at www.calpers.ca.gov. The PERS website also contains PERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The City contributes to 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 PERS. Benefits vest after 5 years of service and vary based upon final yearly compensation or final compensation as the highest average annual pensionable compensation earned during a 36month period, as applicable, pension plan, length of service, pension tier, and age at retirement. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans (each, a "**PERS Plan**") for the City based on type of employee (i.e., a PERS Plan for "Safety Employees" and a separate PERS Plan for "Miscellaneous Employees"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

PERS is not obligated in any manner for payment of debt service on the notes or bonds issued under the Trust Agreement, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street Sacramento, California 95811 or (888) 225-7377, www.calpers.ca.gov for other information, including information relating to its financial position and investments.

Actuarial Valuations*.* The staff actuaries at PERS prepare annually an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared. The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared. PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which include two components, the normal cost and the unfunded actuarial accrued liability (the "**UAAL**"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the

UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. The assumed rate of investment return utilized in the actuarial valuation is established by PERS and the City has no ability to predict the assumed rate of return, currently 7.25%, from time to time. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owes to PERS under their respective PERS Plans.

PERS Actuarial Assumptions and Policies*.* In the aftermath of the economic downturn in 2008, the PERS Board has on several occasions adopted policies aimed at properly funding the pension system, while also attempting to lessen the resulting negative impacts on member agencies in the form of higher rates. These policies are used to set employer contribution rates for each city. While investment returns in the years since the economic downturn have largely reversed previous losses, the changes are designed to limit the possibility of the pension system becoming significantly underfunded in the future.

On February 18, 2014, the PERS Board adopted staff recommendations to modify the demographic and mortality assumptions included in PERS' actuarial valuations. The demographic assumptions include adjustments to the retirement, disability, and salary projections that will cause minor increases in contribution rates in the future. Also included were changes to the PERS asset allocation strategy that will reduce the expected volatility of future investment returns and cause minor increases in contribution rates in the future. The significant component of the approved changes is the revision to the mortality assumptions previously employed in the actuarial valuations, which did not take into account prospective increases in life expectancy. The new assumptions project improved mortality over a 20-year period, which results in a significant increase in required employer contribution rates. As was the case with the smoothing and amortization changes approved in 2013, the PERS Board approved a 5-year phase in of the resulting contribution rate increases beginning in fiscal year 2016-17. The City is taking steps to plan for these increases and to incorporate the required additional funding in to future budgets. Further information on this PERS Board action is set form in Circular Letter #200-013-14 (Employer Rate Impact Due to Changes in Actuarial Assumptions), dated March 10, 2014.

Included within the City's June 30, 2017, actuarial valuation report, which sets the contribution rates for fiscal year 2019-20, is a five-year forecast of anticipated contribution rates for the City. This forecast takes into account the impact of the smoothing, amortization, demographic, asset allocation and mortality changes and assumes that PERS earned a 7.25% investment return in fiscal year 2017-18 and earns a 7.25% investment return in every fiscal year thereafter. It also assumes that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur prior to the beginning of fiscal year 2019-20. Beginning with fiscal year 2017-18, PERS has collected employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change will address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability payment the plan's normal cost contribution will continue to be collected as a percentage of payroll. Over the five-year period from fiscal year 2020-21 through 2024-25, it is projected that the employer Normal Cost for the City's miscellaneous plan and safety plan will remain flat at 13.5% and 22.7% of payroll, respectively, and have an Unfunded Actuarial Liability (UAL) as shown below (amounts expressed in thousands):

	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
Miscellaneous	$24,337	$26,629	$28,245	$28,697	$30,011
Safety	21,635	24,681	27,267	28,730	28,503

The City is taking steps to plan for these increases and to incorporate the required additional funding into future budgets.

On November 18, 2015, the PERS Board adopted a Funding Risk Mitigation Policy that seeks to reduce funding risk over time. It establishes a mechanism whereby PERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of PERS pension benefits for members. A lower discount rate could result in a more conservative portfolio, which could require members to increase PERS contributions to offset reduced portfolio returns.

On February 13, 2018, the PERS Board voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019, actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain five-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

The PERS Board may consider or approve future measures which could result in increases in the required contribution rates in the future. For complete updated inflation and actuarial assumptions, please contact PERS at the above-referenced address.

PERS Discount Rate Adjustment. On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "**PERS Discount Rate**") from 7.75% to 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate will go into effect July 1, 2018, for the City. Lowering the PERS Discount Rate likely means employers that contract with PERS to administer their pension plans (such as the City) will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the PEPRA (defined below) will likely also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

PEPRA. On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2012 ("**PEPRA**") and that also amended various sections of the California Education and Government Codes, including the

County Employees Retirement Law of 1937. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at $110,100 ($132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit. The City has implemented the requirements of PEPRA for in its tier 3 plans.

For a further discussion of the City's bargaining units, see APPENDIX A—CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—Employee Relations and Collective Bargaining."

Funding Status. The following tables, for the Miscellaneous Plan and Safety Plan, respectively, set forth the market value of the plans' assets, the market value of the plans' assets and funded status as of the valuation dates from June 30, 2012 through June 30, 2017, and the total employer contributions made by the City for fiscal year 2014-15 through fiscal year 2019-20. The two tables are based on PERS Actuarial Reports for those years:

Table 14
HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30	Accrued Liability	Market Value of Assets (MVA)	Unfunded Liability[1]	MVA Funded Status	Affects City Contribution Rate for Fiscal Year	Annual Covered Payroll	City Contribution Amount[2]	UL as a Percentage of Payroll
2012	$1,046,199,578	$766,804,452	$126,627,922	73.3%	2014-15	$110,037,157	$22,838,012	115.1%
2013	1,086,925,211	847,232,156	239,693,055	77.9	2015-16	110,552,014	25,382,919	216.8
2014	1,180,549,024	972,056,589	208,492,435	82.3	2016-17	110,534,205	27,753,436	188.6
2015	1,228,644,007	969,285,454	259,358,553	78.9	2017-18	111,185,202	30,427,685	233.3
2016	1,277,998,975	949,866,377	328,132,598	74.3	2018-19	113,072,729	34,637,237	290.2
2017	1,317,421,178	1,029,759,135	287,662,043	78.2	2019-20	118,644,799	39,371,750	242.5

(1) Prior to fiscal year 2012-13, unfunded liability was based on the actuarial value of assets. As a result of the PERS Board's adoption of modifications to smoothing and amortization policies, beginning in fiscal year 2012-13 and continuing thereafter, the unfunded liability will be based on the market value of assets. See "—PERS Actuarial Assumptions and Policies."

(2) Amounts are the actuarially required employer contribution amounts from the PERS Annual Valuation Reports rather than the actual amounts contributed by the City. The City's actual contributions differ based on increases or decreases in staffing levels. Differences are accounted for in future actuarially required contribution amounts. The City now has multiple pension tiers, with new employees paying their own contribution to the plan. As a result, prospective trending of actual contribution data would be difficult due to the declining employer-paid member contributions obscuring changes in the employer rates.

Source: PERS Actuarial Reports for June 30, 2012 through June 30, 2017.

Table 15
HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30	Accrued Liability	Market Value of Assets (MVA)	Unfunded Liability[1]	MVA Funded Status	Affects City Contribution Rate for Fiscal Year	Annual Covered Payroll	City Contribution Amount[2]	UL as a Percentage of Payroll
2012	$766,405,422	$561,733,859	$92,467,753	73.3%	2014-15	$63,114,831	$20,029,006	146.5%
2013	800,762,531	618,807,277	181,955,254	77.3	2015-16	62,829,727	21,660,507	289.6
2014	875,318,159	710,483,280	164,834,879	81.2	2016-17	62,765,015	23,891,949	262.6
2015	912,387,268	707,597,722	204,789,546	77.6	2017-18	68,722,520	26,004,752	297.9
2016	968,923,917	693,848,703	275,075,214	71.6	2018-19	72,627,842	30,448,377	378.7
2017	1,027,624,656	751,708,228	275,916,428	73.2	2019-20	70,020,030	34,092,845	394.1

(1) Prior to fiscal year 2012-13, unfunded liability was based on the actuarial value of assets. As a result of the PERS Board's adoption of modifications to smoothing and amortization policies, beginning in fiscal year 2012-13 and continuing thereafter, the unfunded liability will be based on the market value of assets. See "—PERS Actuarial Assumptions and Policies."

(2) Amounts are the actuarially required employer contribution amounts from the PERS Annual Valuation Reports rather than the actual amounts contributed by the City. The City's actual contributions differ based on increases or decreases in staffing levels. Differences are accounted for in future actuarially required contribution amounts. The City now has multiple pension tiers, with new employees paying their own contribution to the plan. As a result, prospective trending of actual contribution data would be difficult due to the declining employer-paid member contributions obscuring changes in the employer rates.

Source: PERS Actuarial Reports for June 30, 2012 through June 30, 2017.

Contribution Rates and Pension Tiers. The following table shows the minimum percentage of salary that the City was responsible for contributing as the employer rate to PERS from fiscal year 2014-15 through fiscal year 2019-20 to satisfy its retirement funding obligations.

Table 16
SCHEDULE OF MINIMUM EMPLOYER CONTRIBUTION RATES

Valuation Date June 30	Affects Contribution Rate for Fiscal Year	Safety Plan[1]	Miscellaneous Plan[1]
2012	2014-15	29.041%	18.994%
2013	2015-16	31.549	21.012
2014	2016-17	34.836	22.978
2015	2017-18	37.840	25.044
2016	2018-19	41.924	28.033
2017	2019-20	48.690	30.479

(1) Represents a blended rate for all three tiers of employees.
Source: PERS Actuarial Reports for June 30, 2012, through June 30, 2017.

City employees' contribution rates in pension tiers 1 and 2 are 9% for public safety employees and 8% for miscellaneous employees, calculated as a percentage of their monthly earnings. The City pays the employees' contribution to PERS for both miscellaneous and safety employees in pension tier 1 hired before specific dates as outlined in the following table. For any employee hired on or after those dates, the employee pays their full share. This second tier of pension benefits also included a change in the number of years' salary utilized to compute the retirement benefit and, for certain bargaining units, a change to the formula used to calculate the benefit amount. For tier 3 employees, their contribution is set at 50% of the normal cost, not to exceed 8% for miscellaneous employees and 12% for safety employees, as required by PEPRA.

Cost sharing beyond what is outlined in existing MOUs is not permitted until the expiration of those contracts. All employee bargaining units' MOUs have expired since PEPRA became effective and all of their tier three members are therefore now paying 50% of the normal cost as required by PEPRA.

The following table details the three pension tiers applicable to the City's active employees.

Table 17
PENSION TIERS FOR CITY EMPLOYEES

Pension Plan	Pension Formula	Benefit Calculation[3]	Effective Date – Formula and Benefit Calculation	Effective Date – Employees Paying Employee Share of Contribution
	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	January 1, 2019[4]
Safety – Fire	Tier 2: 3.0% @ 55	Tier 2: 3 Years	June 11, 2011	June 11, 2011
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	January 1, 2013
	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	January 1, 2018[5]
Safety – Police[1]	Tier 2: 3.0% @ 50	Tier 2: 3 Years	February 17, 2012	February 17, 2012
	Tier 3: 2.7% @ 57	Tier 3: 3 Years	January 1, 2013	January 1, 2013
	Tier 1: 2.7% @ 55	Tier 1: 1 Year	--	January 1, 2018[6]
Miscellaneous	Tier 2: 2.7% @ 55	Tier 2: 3 Years	December 16, 2011	October 19, 2011
	Tier 3: 2.5% @ 67[2]	Tier 3: 3 Years	January 1, 2013	January 1, 2013

(1) The dates shown apply to the Police Officer, Police Pilot, and Police Detective classifications. The Police Sergeants and Riverside Police Administrators Association (ranks of Lieutenant and above) negotiated separately at a subsequent date, but are now also subject to the provisions of the second tier.
(2) The Miscellaneous plan mandated by PEPRA is commonly known as the "2.0% @ 62 Plan", however the maximum benefit that can be earned under the plan is 2.5% at age 67.
(3) The Benefit Calculation refers to the number of years of salary included in the calculation of the amount to which the retirement benefit is applied. In the case of one year, the highest year of salary is utilized. In the case of three years, the highest consecutive three years is utilized.
(4) Beginning January 1, 2019, tier 1 employees will pay for a percentage of PERS costs, which will total 7.0% by 2021.
(5) Beginning January 1, 2018, based on revenue performance of the City, tier 1 employees may pay 1.5% of PERS costs for up to a total of 6.0% through 2021.
(6) SEIU and SEIU Refuse employees currently pay 6.0% of PERS costs, and will increase percentage up to 8.0% by 2021. Beginning January 1, 2018, IBEW and unrepresented employees will begin to contribute 2.0% of PERS costs per year, increasing each year to a total of 8.0% by 2021.
Source: City of Riverside.

Other Post-Employment Benefits

The 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 has historically contributed to seven bargaining units through their associations. These seven associations are responsible for the administration of their individual plans. In concert with the implementation of the City's second pension tier, these contributions by the City ceased for the SEIU, IBEW, and Fire bargaining units. They remained in place for Police bargaining units and were reinstated for the IBEW and Fire bargaining units on May 20, 2014, and July 1, 2014, respectively. As a result of the discontinuation of the Stipend Plan for the majority of the City's employees, this information has not been reported in the Comprehensive Annual Financial Report since fiscal year 2010-11 due to the lack of materiality of the remaining Stipend Plan OPEB costs. The contribution requirements of the City for the

Stipend Plan are established and may be amended through the 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.

The City also provides benefits to retirees in the form of an implied rate subsidy ("**Implied Subsidy Plan**"). 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. The contribution requirements of the City's Implied Subsidy Plan are established by the City Council.

Effective for the fiscal year ended June 30, 2018, the Governmental Accounting Standards Board ("**GASB**") issued its Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement requires a net OPEB liability to now be reported on the balance sheet of the financial statements, similar to the net pension liability. GASB Statement 75 requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For the fiscal year ended June 30, 2018, the City's total OPEB expense was $3.436 million. The City's total OPEB liability as of June 30, 2018, was $36.786 million.

Additional information regarding the City's OPEB, including information regarding the assumptions used to determine the OPEB liability and the funding requirement therefor, can be found in Note 15 to the basic financial statements in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, which is attached to this Official Statement as Appendix B.

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 37% of City full-time employees. Currently approximately 65% all City employees, including part-time employees, are covered by negotiated agreements. Seventy-four percent of full-time employees are covered by these agreements, which have the following expiration dates:

Table 18
NEGOTIATED EMPLOYEE AGREEMENTS
(As of March 26, 2019)

Bargaining Unit	Contract Expiration Date	Number of Employees
Service Employees International Union (SEIU) – General	6/30/20	786
Riverside Police Officers Association	12/31/21	288
Riverside Police Officers Association – Supervisory	12/31/21	49
Riverside Police Administrators Association	12/31/21	23
International Brotherhood of Electrical Workers	9/30/21	173
International Brotherhood of Electrical Workers - Supervisory	9/30/21	27
Riverside City Firefighters Association	12/31/21	204
Riverside City Fire Management	12/31/21	11
Service Employees International Union (SEIU) – Refuse	6/30/20	33

Source: City of Riverside.

The City has not had an employee work stoppage since 1979.

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 $1 billion, with a $100,000 deductible. Earthquake and flood insurance currently have a $25 million limit, with a deductible of 5% for earthquake and $100,000 for flood. Workers' compensation insurance coverage has a limit of $25 million with a deductible of $3 million per occurrence. As of June 30, 2018, the City carried commercial insurance in the amount of $20 million for general and auto liability claims greater than $3 million.

Additional information regarding the City's risk management can be found in Note 7 to the basic financial statements in the City's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, which is attached to this Official Statement as Appendix B.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds that 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 on December 15, 2015, 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 quarterly 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 June 30, 2018, had a market value of $668 million. The following table illustrates the investments as of June 30, 2018.

Table 19
INVESTMENT PORTFOLIO
(As of June 30, 2018)[1]

Type	Market Value	Cost Basis	% of Portfolio[2]
Certificates of Deposit	$7,393,663	$7,441,804	1.11%
Local Agency Investment Fund (LAIF)	129,365,797	129,608,570	19.38
Money Market Accounts	185,851,194	185,898,151	27.84
Medium Term Notes	35,839,220	35,893,398	5.37
U.S. Government Agency Securities	7,938,080	7,936,209	1.19
U.S. Treasury Notes/Bonds	301,171,687	306,456,411	45.12
Total	$667,559,641	$673,234,543	100.00%

(1) Excludes investments held with a fiscal agent.
(2) Calculated using market value basis.
Source: City of Riverside.

As of June 30, 2018, the average life of the City's investment portfolio was 1.04 years and the average yield on cost was 1.722%.

Effective Buying Income

"**Effective Buying Income**" is defined as personal income less personal tax and nontax payments, a number often referred to as "**disposable**" or "**after-tax**" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2015 through 2019.

Table 20
CITY OF RIVERSIDE, RIVERSIDE COUNTY, STATE OF CALIFORNIA AND UNITED STATES
EFFECTIVE BUYING INCOME
(For Calendar Years 2015 Through 2019)

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	City of Riverside	$5,265,573	$44,724
	Riverside County	41,199,300	45,576
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Riverside	$5,877,205	$47,791
	Riverside County	45,407,058	48,674
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Riverside	$5,877,205	$47,791
	Riverside County	47,509,909	50,287
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Riverside	$6,656,518	$53,659
	Riverside County	51,784,973	54,014
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Riverside	$6,670,468	$55,190
	Riverside County	54,118,453	55,565
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

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 within the City: 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 City is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 4.5 percent in

August 2018, down from a revised 4.6 percent in July 2018. This compares with an unadjusted unemployment rate of 4.3 percent for California and 3.9 percent for the nation during the same period. The unemployment rate was 4.7 percent in Riverside County, and 4.2 percent in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

Table 21
RIVERSIDE-SAN BERNARDINO PRIMARY MSA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)
(For Calendar Years 2013 Through 2017)

	2013	2014	2015	2016	2017
Civilian Labor Force[1]	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100
Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,918,600
Unemployment	186,300	155,700	128,600	118,300	103,600
Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Wage and Salary Employment:[2]					
Agriculture	14,500	14,400	14,800	14,600	14,400
Mining and Logging	71,200	78,900	86,900	92,900	98,000
Construction	87,300	91,300	96,100	98,600	98,700
Manufacturing	56,400	58,900	61,600	62,800	63,700
Wholesale Trade	164,800	169,400	174,300	178,000	182,100
Retail Trade	78,500	86,600	97,400	107,300	120,200
Transportation, Warehousing and Utilities	11,500	11,300	11,400	11,500	11,300
Information	26,200	26,600	26,900	26,700	26,200
Finance and Insurance	15,600	16,300	17,000	17,900	18,200
Real Estate and Rental and Leasing	131,900	138,700	147,400	145,000	147,200
Professional and Business Services	187,600	194,800	205,100	214,300	224,800
Educational and Health Services	135,900	144,800	151,700	160,200	165,700
Leisure and Hospitality	41,100	43,000	44,000	44,600	45,600
Other Services	20,300	20,200	20,300	20,400	20,600
Federal Government	27,800	28,200	28,700	29,700	30,700
State Government	177,100	180,400	184,400	192,200	198,600
Local Government	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000
Total All Industries	1,893,100	1,921,000	1,956,900	1,984,900	2,022,100

(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 22
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of June 30, 2018)

Employer	Number of Employees	% of Total City-wide Employment
County of Riverside	11,865	8.1%
University of California	8,686	6.0
Riverside Unified School District	4,000	2.7
Kaiser	3,484	2.4
City of Riverside	2,504	1.7
California Baptist University	2,285	1.6
Riverside Community Hospital	2,200	1.5
Alvord Unified School District	1,800	1.2
UTC Aerospace Systems	1,200	0.8
Parkview Community Hospital	897	0.6
Total	38,921	26.6%

Source: City of Riverside (as presented in the City's 2018 Comprehensive Annual Financial Report).

The 25 largest employers in the County, listed in alphabetical order, are shown below.

Table 23
COUNTY OF RIVERSIDE
LARGEST EMPLOYERS
(As of July 1, 2018)

Employer Name	Location	Industry
Abbott Vascular, Inc.	Temecula	Physicians. Surgeons Equipment and Supplies (whls)
Amazon Fulfillment Ctr	Moreno Valley	Distribution Centers (whls)
Corrections Dept	Norco	Government Offices-State
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Health	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Indio Bingo Palace & Casino	Indio	Resorts
Kleinfelder Construction Svc	Riverside	Engineers-Structural
La Quinta Golf Course	La Quinta	Golf Courses
Pechanga Resort & Casino	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside University Health	Moreno Valley	Hospitals
Robertsons	Corona	Concrete-Ready Mixed
Southwest Healthcare System	Murrieta	Hospitals
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale
Universal Protection Svc	Palm Desert	Security Guard & Patrol Service
US Air Force Dept	March Arb	Military Bases
Wachter Inc	Riverside	Electric Contractors

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2019 1st 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 for which information is available.

Table 24
CITY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2013 Through 2017
(Valuation in Thousands of Dollars)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$ 50,863	$ 61,311	$ 53,858	$ 48,459	$ 46,666
New Multi-family	19,861	9,418	41,207	19,428	53,944
Res. Alterations/Additions	8,710	10,291	11,870	12,335	19,471
Total Residential	$ 79,434	$ 81,020	$ 106,935	$ 80,222	$120,080
New Commercial/Industrial	$ 41,505	$ 14,206	$ 19,856	$ 23,804	$ 97,799
New Other	11,677	2,914	11,334	78,523	14,861
Com. Alterations/Additions	74,249	45,548	51,812	67,779	49,539
Total Nonresidential	$127,433	$ 62,668	$ 83,002	$170,106	$162,198
New Dwelling Units					
Single Family	200	144	223	219	172
Multiple Family	219	155	411	254	535
TOTAL	419	299	634	473	707

Source: City of Riverside Community Development Department.

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 statements are summaries of the Ground Lease ("the Ground Lease"), the Lease Agreement (the "Lease Agreement"), the Indenture (the "Indenture") and the Assignment Agreement (the "Assignment Agreement"). **These statements are qualified in their entirety by reference to the full terms of the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement, copies of which may be obtained from the City.**

DEFINITIONS OF CERTAIN TERMS

The following sets forth the definitions of certain words and terms used in this Summary of the Principal Legal Documents.

"**Act**" means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

"**Additional Bonds**" means Bonds other than the Series 2012A Bonds issued under the Indenture in accordance with the provisions thereof.

"**Additional Rental Payments**" means all amounts payable by the City as Additional Rental Payments pursuant to the Lease Agreement.

"**Assignment Agreement**" means the Assignment Agreement, dated as of August 1, 2012, as amended by that certain First Supplement to Assignment Agreement, dated as of June 1, 2019, by and between the Trustee and the Authority, and any duly authorized and executed amendments thereto.

"**Authority**" means the Riverside Public Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

"**Authorized Authority Representative**" means the Chairman, the Executive Director or the Treasurer of the Authority, or any other person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

"**Authorized City Representative**" means the Mayor of the City, the City Manager of the City, the Director of Finance of the City, the Treasurer of the City, or any other person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture.

"**Authorized Denominations**" means $5,000 or any integral multiple thereof.

"**Base Rental Payment Fund**" means the fund by that name established in accordance with the Indenture.

"**Base Rental Payments**" means all amounts payable to the Authority by the City as Base Rental Payments pursuant to the Lease Agreement.

"**Base Rental Payment Schedule**" means the schedule of Base Rental Payments payable to the Authority from the City pursuant to the Lease Agreement and attached thereto as Exhibit B.

"**Beneficial Owner**" means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant or the records of such Participant or such person's subrogee.

"**Bonds**" means the Series 2012A Bonds, the Series 2019B Bonds and any other Additional Bonds.

"**Book-Entry Bonds**" means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"**Business Day**" means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the principal corporate trust office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

"**Cede & Co.**" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

"**City**" means the City of Riverside, a municipal corporation and charter law city duly organized and existing tinder and by virtue of the Constitution and laws of the State of California and the City's Charter.

"**Closing Date**" means, with respect to the Series 2012A Bonds, August 15, 2012, and with respect to the Series 2019B Bonds, June 13, 2019.

"**Code**" means the Internal Revenue Code of 1986.

"**Completion Certificate**" means the certificate of the City filed with the Trustee and signed by an Authorized City Representative, as prescribed by the Lease Agreement.

"**Continuing Disclosure Certificate**" means, collectively, (i) that certain Continuing Disclosure Certificate, dated August 15, 2012, executed and delivered by the City, as it may be amended from time to time in accordance with the terms thereof; (ii) that certain Continuing Disclosure Certificate, dated as of June 13, 2019, executed and delivered by the City, as it may be amended from time to time in accordance with the terms thereof; and (iii) any certificate or agreement with respect to any other Additional Bonds relating to compliance with Rule 15c2-12 adopted under the Securities Exchange Act of 1934, as amended.

"**Costs of Issuance**" means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds, rating agency fees. CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, any computer and other expenses incurred in connection with the execution and delivery of the Bonds, the initial fees and expenses of the Trustee and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the City.

"**Delivery Date**" means August 15, 2012.

"**DTC**" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

"**Federal Securities**" means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United

States of America), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

"**First Supplemental Indenture**" means the First Supplemental Indenture, dated as of June 1, 2019, by and among the Authority, the City and the Trustee relating to the Series 2019B Bonds.

"**First Supplemental Lease Agreement**" means the First Supplemental Lease Agreement, dated as of June 1, 2019, by and between the Authority and the City.

"**Fitch**" means Fitch Ratings, Inc., or its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"**Forward Purchase and Sale Agreement**" means an agreement entered into by the Trustee and/or the Authority and/or the City and a bank or financial institution (the "Provider") rated "A2" or higher by Moody's and "A" or higher by S&P providing for the Provider to tender, and for the Trustee to purchase, certain eligible securities on one or more dates occurring at least thirty (30) business days after the date of such agreement; provided that (1) securities tendered by the Provider are purchased on a delivery versus payment basis, (2) securities purchased constitute Permitted Investments at the time they are tendered, and (3) the Authority and the City receive an opinion of counsel acceptable to the Authority and to the City which states that the agreement constitutes a legally valid, binding, and enforceable obligation of the Provider and that in the event of a bankruptcy of the Provider, securities sold by the Provider to the Trustee pursuant to the agreement do not constitute property of the estate of the Provider within the applicable bankruptcy or insolvency laws.

"**Ground Lease**" means the Ground Lease dated as of August 1, 2012, as amended by that First Supplement to Ground Lease, dated as of June 1, 2019.

"**Indenture**" means the Original Indenture together with the First Supplemental Indenture.

"**Interest Fund**" means the fund by that name established in accordance with the Indenture.

"**Interest Payment Date**" means May 1 and November 1 of each year, commencing May 1, 2013 with respect to the Series 2012A Bonds and commencing November 1, 2019 with respect to the Series 2019B Bonds.

"**Lease Agreement**" means the Lease Agreement together with the First Supplement to Lease Agreement.

"**Library Project**" means the capital improvements financed with the proceeds of the Series 2019B Bonds, including, but not limited to, a public library and related improvements.

"**Moody's**" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation will no longer perform the function of a securities rating agency for any reason, the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Trustee.

"**Net Insurance Proceeds**" means any insurance proceeds or condemnation award in excess of $50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

"**Office of the Trustee**" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the City by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency shall be conducted as specified to the Authority and the City by the Trustee in writing.

"**Opinion of Counsel**" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the City.

"**Original Indenture**" means the Indenture dated as of August 1, 2012, among the Authority, the City and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

"**Original Lease Agreement**" means the Lease Agreement, dated as of August 1, 2012, by and between the City and the Authority, as originally executed and as it may be from time to time amended in accordance with the provisions thereof.

"**Outstanding**," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Indenture; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

"**Owner**" means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

"**Participant**" means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

"**Participating Underwriter**" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"**Permitted Encumbrances**" means, with respect to the Property, as of any particular time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Original Lease, permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was , acquired or is held by the City, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date which the City certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing, (g) that certain Schedule of Licensed Property effective April 25, 2006, between the City, as licensor, and Nextel of California, Inc., as licensee, and (h) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the City certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the City consent in writing.

"**Permitted Investments**" means any of the following to the extent then permitted by the general laws of the State of California:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively "United States Obligations"). These include, but are not necessarily limited to:

- U.S. Treasury obligations
  All direct or fully guaranteed obligations
- Farmers Home Administration
  Certificates of beneficial ownership
- General Services Administration
  Participation certificates
- U.S. Maritime Administration
  Guaranteed Title XI financing
- Small Business Administration
  Guaranteed participation certificates
  Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
  GNMA-guaranteed mortgage-backed securities
  GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  Local authority bonds
- Washington Metropolitan Area Transit Authority
  Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
  Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
  Consolidated systemwide bonds and notes
- Federal Home Loan Banks (FHL Banks)
  Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
  Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)

- Student Loan Marketing Association (SLMA)
  Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO)
  Debt obligations
- Resolution Funding Corporation (REFCORP)
  Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 180 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-1+" or better by S&P and "P-I" or better by Moody's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least S5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

(7) Money market funds rated "AAm" or "AAm-G" or better by S&P and "AA" or better by Moody's.

(8) Repurchase agreements:

(a) With any domestic bank the long term debt of which is rated "AA" or better by S&P and Moody's (so long as an opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and that such bank is subject to FIRREA), or any foreign bank rated at least "AA" by S&P and "Aaa" by Moody's or "AAA" by S & P and at least "Aa" by Moody's; provided the term of such repurchase agreement is for one year or less.

(b) With (i) any broker-dealer with "retail customers" which has, or the parent company of which has, long-term debt rated at least "AA" by S&P and "Aa" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); provided that:

A. The market value of the collateral is maintained for United States Treasury Obligations, at the levels shown below under "Collateral Levels for United States Treasury Obligations";

B. Failure to maintain the requisite collateral percentage will require the City or the Trustee to liquidate the collateral;

C. The Trustee, the City or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

D. The repurchase agreement states, and an opinion of counsel is rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

E. The transferor represents that the collateral is free and clear of any third-party liens or claims;

F. An opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the United States Bankruptcy Code;

G. There is or will be a written agreement governing every repurchase transaction;

H. Each of the City and the Trustee represents that it has no knowledge of any fraud involved in the repurchase transaction: and

I. The City and the Trustee receive an opinion of counsel (which opinion will be addressed to the City and the Trustee) that such repurchase agreement is legal, valid and binding and enforceable against the provider in accordance with its terms,

(9) State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A'' by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(10) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability of the guarantor, is rated at least "AA" by S&P and "Aa" by Moody's; provided, that prior written notice of an investment in the investment agreement is provided to S&P and, provided, further, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time for purposes identified in the Indenture other than acquisition of alternative investment property upon not more than seven days prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Trustee or the City to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement will state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

(e) the Trustee and the City receive the opinion of domestic counsel (which opinion will be addressed to the City) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(f) the investment agreement will provide that if during its term (A) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "AA" or "Aa", respectively, or, with respect to a foreign bank, below the ratings of such provider at the delivery date of the investment agreement, the provider must, at the direction of the City or the Trustee within 10 days of receipt of such direction, either (1) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee, the City or a Holder of the Collateral, United States Treasury Obligations which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (2) repay the principal of and accrued but unpaid interest on the investment (the choice of (1) or (2) above will be that of the City or Trustee, as appropriate), and (B) the provider's or the guarantor's rating by either Moody's or S&P is withdrawn or suspended or falls below "A", or, with respect to a foreign bank, below "AA" or "Aa" by S&P or Moody's, as appropriate, the provider must, at the direction of the City or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee;

(g) the investment agreement will state, and an opinion of counsel will be rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee is in possession); and

(h) the investment agreement must provide that if during its term (A) the provider will default in its payment obligations, the provider's obligation under the investment agreement will, at the direction of the City or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the City or Trustee, as appropriate, and (B) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the City or Trustee, as appropriate.

(11) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; and

(e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

Collateral Levels For United States Treasury Obligations

Remaining Maturity

Frequency of Valuation	*1 year or less*	*5 years or less*	*10 years or less*	*15 years or less*	*30 years or less*
Daily	102	105	106	108	114
Weekly	103	111	112	114	120
Monthly	105	117	120	125	133
Quarterly	107	120	130	133	140

Further Requirements: (a) On each valuation date the City, the Trustee, or the custodian who will confirm to the City and the Trustee, will value the market value (exclusive of accrued interest) of the collateral, which market value will be an amount equal to the requisite collateral percentage times the principal amount of the investment (including unpaid accrued interest thereon) that is being secured, (b) in the event the collateral level is below its collateral percentage on a valuation date, such percentage will be restored within the following restoration periods: one Business Day for daily valuations, two Business Days for weekly and monthly valuations, and one month for quarterly valuations (the use of different restoration periods affect the requisite collateral percentage), (c) the City or the Trustee will terminate the repurchase agreement or the investment agreement, as the case may be, upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the collateral, liquidate the collateral.

(12) The Local Agency Investment Fund of the State of California created pursuant to Section 16429.1 of the California Government Code.

"**Person**" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"**Principal Fund**" means the fund by that name established in accordance with the Indenture.

"**Project Fund**" means the fund by that name established pursuant to the First Supplemental Indenture.

"**Property**" means the real property described in Exhibit A to the Lease Agreement and the improvements located thereon.

"**Rebate Fund**" means the fund by that name established in accordance with the Indenture.

"**Rebate Requirement**" has the meaning ascribed thereto in the Tax Certificate.

"**Record Date**" means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

"**Redemption Fund**" means the fund by that name established in accordance with the Indenture.

"**Redemption Price**" means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant hereto.

"**Registration Books**" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"**Rental Payments**" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"**Rental Period**" means the period from the Closing Date through October 31, 2013 and, thereafter, the twelve-month period commencing on November 1 of each year during the term of the Lease Agreement.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity will no longer perform the functions of a securities rating agency for any reason, the term "S&P" will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"**Series**" means the Series 2012A Bonds executed, authenticated and delivered on the Closing Date and identified pursuant to this Indenture and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

"**Series 2012A Bonds**" means the Series 2012A Bonds issued pursuant to the Original Indenture.

"**Series 2019B Bonds**" means the Series 2019B Bonds issued pursuant to the First Supplemental Indenture, which have been issued as Additional Bonds pursuant to the Original Indenture.

"**Series 2019B Bonds Costs of Issuance Fund**" means the fund of that name established pursuant to the Indenture.

"**Supplemental Indenture**" means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"**Tax Certificate**" means the Tax Certificate, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Bonds executed by the Authority and the City on the date of issuance of the Bonds, including any and all exhibits attached thereto, relating to the requirements of Section 148 of the Code.

"**Termination Date**" means November 1, 2036, unless extended or sooner terminated as provided in the Lease Agreement.

"**Trustee**" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

"**Written Certificate of the Authority**" and "**Written Request of the Authority**" mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument

"**Written Certificate of the City**" and "**Written Request of the City**" mean, respectively, a written certificate or written request signed in the name of the City by an Authorized City Representative. Any such certificate or request may, but need, not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE GROUND LEASE

The City leases to the Authority, and the Authority leases from the City, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances for the term of the Ground Lease. The parties intend that the Property will be leased back to the City pursuant to the Lease Agreement. The parties further intend that, to the extent provided in the (Ground Lease and the Lease Agreement, if an event of default occurs under the Lease Agreement, the Authority, or its assignee, will have the right for the then remaining term of the Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. The Ground Lease may be sold or assigned, and the Property may be subleased, as a whole or in part, by the Authority without the necessity of obtaining the consent of the City, if an event of default occurs under the lease Agreement. The Authority will, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the City a true and correct copy of such assignment, sale or sublease, as the case may be. The City agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

The term of the Ground Lease commences on the date of commencement of the term of the Lease Agreement, and will remain in full force and effect from such date to and including November 1, 2036, unless such term is sooner extended or terminated as provided in the Ground Lease. If, on November 1, 2036, the Bonds will not have been fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement will have been abated at any time, then the term of the Ground Lease will be automatically extended until the date upon which all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, except that the term of the Ground Lease will in no event be extended more than ten years. If prior to November 1, 2046, all Bonds will be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, the term of the Ground Lease will end simultaneously therewith.

THE LEASE AGREEMENT

Lease of Property

(a) The Authority leases to the City, and the City leases from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, and subject to all Permitted Encumbrances.

(b) The leasing of the Property by the City to the Authority pursuant to the Ground Lease shall not effect or result in a merger of the City's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Ground Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term of the Lease and the Ground Lease. The leasehold interest granted by the City to the Authority pursuant to the Ground Lease is independent of the Lease Agreement; the Lease Agreement shall not be an assignment or surrender of the leasehold interest granted to the Authority under the Ground Lease.

Assignment and Subleasing

Neither the Lease Agreement nor any interest of the City thereunder will be sold, mortgaged, pledged, assigned, or transferred by the City by voluntary act or by operation of law or otherwise. The Property may not be subleased in whole or in part by the City without the prior written consent of the Authority. Any such sublease will be subject to all of the following conditions:

(a) the Lease Agreement and the obligation of the City to make all Rental Payments thereunder will remain the primary obligation of the City;

(b) the City will, within 30 days after the delivery thereof, furnish or cause to be famished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the City will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the City will explicitly provide that such sublease is subject to all rights of the Authority under the Lease Agreement, including, the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the City; and

(e) the City will furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Liens

In the event the City will at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the City will pay, when due, all sums of money that may become due for, or purporting to be due for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as such contestment is in good faith. If any such lien will be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City will forthwith pay and discharge said judgment.

Term of the Lease Agreement

The term of the Lease Agreement will commence on the Delivery Date and will end on the Termination Date, unless such term is extended or sooner terminated as provided in the Lease Agreement. If on the Termination Date the Bonds will not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not be discharged by its terms, or if the Rental Payments will remain due and payable or will have been abated at any time and for any reason, then the term of the Lease Agreement will be extended until the date upon which all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will be discharged by its terms and all Rental Payments will have been paid in full, except that the term of the Lease Agreement will in no event be extended more than ten years beyond such Termination Date, such extended date being the "Maximum Lease Term." If prior to the Termination Date, all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, the Indenture will be discharged by its terms and all Rental Payments will have been paid in full, the term of the Lease Agreement will end simultaneously therewith.

Rental Payments

Subject to the provisions of the Lease Agreement relating to a revision of the Base Rental Schedule, the City will pay to the Authority as Base Rental Payments (subject to the provisions of the Lease Agreement) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments will constitute principal and a portion of which will constitute interest. If the term of the Lease Agreement is extended pursuant to the Lease Agreement, the obligation of the City to pay Rental Payments will continue to and including the Base Rental deposit Date preceding the date of termination of the Lease Agreement. Upon such extension, the Base Rental Payments will be established so that they will be sufficient to pay all extended and unpaid Base Rental Payments; provided, however, that the Rental Payments payable in any Rental Period will not exceed the annual fair rental value of the Property.

The City will also pay, as Additional Rental Payments, such amounts as will be required for the payment of the following: all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein; all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Lease Agreement or to defend the Authority and its members, officers, agents and employees; insurance premiums for all insurance required pursuant to the Lease Agreement; any amounts with respect to the Lease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and all other payments required to be paid by the City under the provisions of the Lease Agreement or the Indenture. Amounts constituting Additional Rental Payments payable under the Lease Agreement 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 sixty (60) days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Payments of the Rental Payments for the Property during each rental period will constitute the total rental for said rental period.

Each installment of Base Rental Payments payable under the Lease Agreement will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee, or such other place or entity as the Authority will designate. Each Base Rental Payment will be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which will not be paid by the City when due and payable under the terms of the Lease Agreement will bear interest from the date when the same is due thereunder until the same will be paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the City, the City will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of any such dispute. In the event of a determination that the City was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to this paragraph on any date will be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Rental Abatement

Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the

Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments will be abated proportionately, and the City waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the City and the Authority; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the City during such Rental Period. The City and the Authority will calculate such abatement and will provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended beyond the Maximum Lease Term.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from said funds and accounts.

Completion Certification

Upon the completion of acquisition, construction, delivery and installation of the Library Project, the City will deliver to the Trustee a Completion Certificate certifying such completion. On the date of filing a Completion Certificate, all excess moneys remaining in the Project Fund for the Series 2019B Bonds will be applied in accordance with the provisions of the First Supplemental Indenture.

Prepayment of Rental Payments

(a) The City may prepay all or a portion of the Base Rental Payments attributable to the Series 2019B Bonds which are payable on or after October 15, 2029, from any source of available funds, on any date on or after October 15, 2028, by paying (i) all or a portion, as selected by the City, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2019B Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the City has a right to prepay such Base Rental Payments pursuant to the Lease Agreement, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with the Lease Agreement.

(c) If less than all of the Base Rental Payments attributable to the Series 2019B Bonds are prepaid pursuant to the Lease Agreement then, as of the date of such prepayment pursuant to the Lease Agreement, or the date of a deposit pursuant to the Lease Agreement, the principal and interest components of such Base Rental Payments will be recalculated in order to take such prepayment into account. The City agrees that if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the City will not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the City will not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of the Lease Agreement then, as of the date of such prepayment pursuant to the Lease Agreement and, if applicable, the corresponding provisions of the Lease Agreement relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or deposit pursuant the Lease Agreement and, if applicable, such corresponding provisions, and payment of all other amounts owed under the Lease Agreement, the term of the Lease Agreement will be terminated.

(e) Prepayments of Base Rental Payments attributable to the Series 2019B Bonds made pursuant to the Lease Agreement will be applied to the redemption of Series 2019B Bonds as directed by the City and as provided in the Indenture.

(f) Before making any prepayment pursuant to the Lease Agreement, the City will give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made, which date will be not less than 45 nor more than 60 days from the date such notice is given to the Authority.

Substitution or Release of the Property

The City will have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement or to add additional property to the encumbrance of the Lease Agreement. All costs and expenses incurred in connection with such substitution, release or addition will be borne by the City. Notwithstanding any substitution or release of, or addition to, Property pursuant to the Lease Agreement, there will be no reduction in or abatement of the Base Rental Payments due from the City under the Lease Agreement as a result of such substitution, release or addition. Any such substitution or release of any portion of the Property, or addition to the Property, will be subject to the following specific conditions, which are made conditions precedent to such substitution, release or addition under the Lease Agreement:

(a) a Written Certificate of the City to the effect that the Property, as constituted after such substitution, release or addition, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the City in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds;

(b) with respect to any substituted or added property, the City will have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to the Property (as such term will be defined after such substitution or addition) in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Lease Agreement;

(c) the City, the Authority and the Trustee will have executed, and the City will have caused to be recorded with the Riverside County Recorder, any document necessary to reconvey to the City the portion of the Property being released and to include any substituted or added real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(d) the City will have provided notice of such release, substitution or addition to each rating agency then rating the Bonds.

Notwithstanding the foregoing, upon the filing by the City of the Completion Certificate, the City may release the portion of certain of the Property identified in the Lease Agreement, or any additional property identified in the Written Certificate and/or notice delivered pursuant to the Lease Agreement as being substituted for such property, without complying with (b) above provided that the City certifies to the Trustee that at least 90% of the proceeds of the Series 2019B Bonds deposited into the Project Fund have been applied toward the construction of the Library Project or other eligible projects as permitted by the Tax Certificate executed in connection with the Series 2019B Bonds.

Insurance

The City shall maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard commercial general liability insurance policy or policies in protection of the City, the Authority and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $100,000) resulting from a single accident or event. Such commercial general liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City provided such self-insurance complies with the provisions of the Lease. The Net Insurance Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Insurance Proceeds of such insurance shall have been paid.

The City will maintain or cause to be maintained, throughout the term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act 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 Property and to cover full liability for compensation under any such act; provided, however, that the City's obligations under this paragraph may be satisfied by self-insurance, provided that such self- insurance complies with the provisions of the Lease Agreement.

The City will maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which will include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. Each such policy of insurance will contain a standard replacement cost endorsement providing for no deduction for depreciation and a stipulated amount endorsement. All insurance required to be maintained pursuant to this paragraph may be subject to a deductible in an amount not to exceed $500,000. The City's obligations under this paragraph may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Lease Agreement.

The City will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered by the insurance described in the preceding paragraph in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The City will not be permitted to self-insure this obligation under the Lease Agreement.

The City will pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement, and will promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies will provide that the Trustee will be given thirty (30) days notice of the expiration thereof, or any intended cancellation thereof The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The City will cause to be delivered to the Trustee on or before August 15 of each year, commencing August 15, 2013, a schedule of the insurance policies being maintained in accordance with the Lease Agreement and a Certificate of the City stating that such policies are in full force and effect and that the City is in full compliance with the requirements of the Lease Agreement. The Trustee will be entitled to rely upon said Certificate of the City as to the City's compliance with the Lease Agreement. The Trustee will not be responsible for the sufficiency of coverage or amounts of such policies.

Insurance provided through a California joint powers authority of which the City is a member or with which the City contracts for insurance will be deemed to be self-insurance for purposes of the Lease Agreement. Any self-insurance maintained by the City pursuant to the Indenture will comply with the following terms:

(a) the self-insurance program will be approved in writing by the City's risk manager or by an independent insurance consultant;

(b) the self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid, the adequacy of each such fund will be evaluated on a bi-annual basis by the City's risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the City's risk manager or such independent insurance consultant, as applicable;

(c) in the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by the City's risk manager or by an independent insurance consultant, will be maintained.

The insurance required by the Lease Agreement will be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of the City's risk manager or an independent insurance consultant, to be adequate for the purposes of the Lease Agreement.

Title Insurance

The City will provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Bonds Outstanding from time to time under the Indenture, said policy or policies will insure (a) the fee interest of the City in the Property, (b) the Authority's ground leasehold estate in the Property under the Ground Lease, and (c) the City's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or the Lease Agreement or required thereby or under the Lease Agreement will provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Bond Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the City) will be taken under the power of eminent domain, the term of the Lease Agreement will cease as of the day that possession will be so taken. If less than all of the Property will be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease Agreement will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Bonds will be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Lease Agreement, have been fully paid, will be paid to the Authority and to the City as their respective interests may appear.

Assignment

The City and the Authority acknowledge the assignment of the Lease Agreement (except for the Authority's obligation and its rights to give consents or approvals pursuant to the Lease Agreement), and the Base Rental Payments payable thereunder, to the Trustee pursuant to the Assignment Agreement.

Default

(a) (i) If the City will fail (A) to pay any Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained in the Lease Agreement or in the Indenture to be kept or performed by the City, or (ii) upon the happening of any of the events specified in paragraph (b) below, the City will be deemed to be in default under the Lease Agreement and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. The City will in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the City will have failed, for a period of thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the Authority to the City properly specifying wherein the City has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Lease Agreement in the manner hereinafter described on account of default by the City, notwithstanding any re-entry or re-letting of the Property as hereinafter described in paragraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property 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 Property, 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 Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property 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 Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease Agreement will of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City will be or become effective by operation of law or acts of the parties thereto, 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 Agreement. The City covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement will be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating the Lease Agreement, (a) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the City, regardless of whether or not the City has abandoned the Property, or (b) to exercise any and all rights of entry and re-entry upon the Property. In the event the Authority does not elect to terminate the Lease Agreement in the manner described in paragraph (1) above, the City will remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as described above for the payment of Rental

Payments under the Lease Agreement, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, 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 Property. Should the Authority elect to re-enter as provided in the Lease Agreement, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Property, 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 Property 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 Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-letting without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-letting will constitute a surrender or termination of the Lease Agreement 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 Agreement will vest in the Authority to be effected in the sole and exclusive manner provided for in paragraph (1) above. The City further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

(b) If (i) the City's interest in the Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, and as hereinafter described, or (ii) the City or any assignee will file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to elect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City will be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City will make a general assignment for the benefit of the City's creditors, or (iii) the City will abandon or vacate the Property, then the City will be deemed to be in default under the Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Authority and its assignee will be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the City and of its city council, officers or employees will be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee will have the right to bring the following actions:

(i) *Accounting*. By action or suit in equity to require the City and its city council, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) *Mandamus*. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its city council, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the City as provided in the Lease Agreement.

In the event the Authority will prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Lease Agreement.

Notwithstanding anything to the contrary contained in the Lease Agreement, the Authority will have no right upon a default thereunder by the City to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination of the Lease Agreement by the Authority and its assignees on account of a default by the City thereunder will not effect or result in a termination of the Ground Lease.

Failure of the Authority to take advantage of any default on the part of the City will not be, or be construed as, a waiver thereof, nor will any custom or practice which may grow up between the parties in the course of administering the Lease Agreement be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Authority on account of such default. A waiver of a particular default will not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement will not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

Amendments

The Lease Agreement and the Ground Lease may be amended and the rights and obligations of the Authority and the City thereunder may be amended at any time by an amendment thereto which will become binding upon execution and delivery by the Authority and the City but only with the prior written consent of the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment will (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease.

The Lease Agreement and the Ground Lease and the rights and obligations of the Authority and the City thereunder may also be amended at any time by an amendment thereto which will become binding upon execution by the Authority and the City, but without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the City to be observed or performed in the Lease Agreement or other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the City, or to surrender any right or power reserved therein to or conferred therein on the Authority or the City, and which in either case will not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the City may deem desirable or necessary and not inconsistent therewith, and which will not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(c) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(d) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement;

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture; or

(f) to make such other changes therein or modifications thereto as the Authority or the City may deem desirable or necessary, and which will not materially adversely affect the interests of the Owners as evidenced by an Opinion of Bond Counsel.

THE INDENTURE

Project Fund

The Trustee will establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund or the accounts therein will be disbursed by the Trustee on behalf of the City as specified in a Written Request of the City in the form attached to the First Supplemental Indenture. Each Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts. On the date on which the City determines that amounts in the Project Fund are no longer necessary for payment of the cost of the Library Project, the City will submit a Written Request to the Trustee to transfer any remaining balance in the Project Fund not needed for Project Fund purposes to the Base Rental Payment Fund for application in accordance with the Original Indenture.

Investment earnings on amounts on deposit in the Project Fund will remain on deposit in the Project Fund for application in accordance with the First Supplemental Indenture.

Series 2019B Bonds Costs of Issuance Fund

The Trustee will establish and maintain a separate fund designated the "Series 2019B Bonds Costs of Issuance Fund." On the Closing Date for the Series 2019B Bonds, there will be deposited in the Series 2019B Bonds Costs of Issuance Fund the amount specified in the First Supplemental Indenture.

The moneys in the Series 2019B Bonds Costs of Issuance Fund will be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Series 2019B Bonds Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Series 2019B Bonds Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On September 15, 2019, all amounts, if any, remaining in the Series 2019B Bonds Costs of Issuance Fund will be withdrawn therefrom by the Trustee and transferred to the Base Rental Payment Fund and the Series 2019B Bonds Costs of Issuance Fund will be closed.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture will be deemed to be and will constitute a contract between the Authority, the City and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Indenture to be performed on behalf of the Authority or the City will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

The Owners of the Series 2012A Bonds and Series 2019B Bonds will have a co-equal lien on and a security interest in all moneys in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund.

The Series 2012A Bonds and the Series 2019B Bonds will have a coequal lien on and security interest in Net Insurance Proceeds in accordance with the Original Indenture.

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2012A Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds will have been authorized under and pursuant to the Indenture and will have been provided for by a Supplemental Indenture which will specify the following:

(1) The application of the proceeds of the sale of such Additional Bonds;

(2) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds will be payable as to principal annually on May 1 or November 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds will have annual mandatory sinking fund redemptions on May 1, (ii) the Additional Bonds will be payable as to Interest semiannually on November 1 and May 1 of each year, except that the first installment of interest may be payable on either November 1 or May 1 and will be for a period of not longer than twelve months and the interest will be payable thereafter semiannually on November 1 and May 1, (iii) all Additional Bonds of a Series of like maturity will be identical in all respects, except as to number or denomination, and (iv) serial maturities of serial Bonds or mandatory' sinking fund redemptions for term Bonds, or any combination thereof, will be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(4) The redemption premiums and terms, if any, for such Additional Bonds;

(5) The form of such Additional Bonds;

(6) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof;

(b) The Authority will be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it;

(c) The City will be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Lease Agreement and in the Ground Lease required to be observed or performed by it; and

(d) The Ground Lease will have been amended, to the extent necessary, and the Lease Agreement will have been amended so as to increase the Base Rental Payments payable by the City thereunder by an aggregate amount equal to the principal of and interest on such Additional Bonds, payable at such times and in such manner as may be necessary to provide for the payment of the principal of and interest on such Additional Bonds; provided, however, that no such amendment will be made such that the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of such amendment, plus Additional Rental Payments, in any Rental Period will be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of any Additional Bonds issued in connection therewith (evidence of the satisfaction of such condition will be made by a Written Certificate of the City).

Nothing contained in the Indenture will limit the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds will be executed by the Authority for issuance under the Indenture and will be delivered to the Trustee and thereupon will be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Lease Agreement required by the Indenture and the amendment to the Ground Lease, if any, required by the Indenture, together with satisfactory evidence that such amendment to the Lease Agreement and such amendment to the Ground Lease, if any, have been duly recorded;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Indenture (including all Supplemental Indentures), the Lease Agreement (including the amendment thereto required by the Indenture) and the Ground Lease (including any amendment thereto required by the Indenture) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) a Written Certificate of the Authority that the requirements of the Indenture have been met;

(e) a Written Certificate of the City that the requirements of the Indenture have been met, and a Written Certificate of the City as to the fair rental value of the Property, after giving effect to the execution and delivery of the Additional Bonds, and to the use of proceeds received therefrom; and

(f) Such further documents as are required by the provisions hereof or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

So long as any of the Bonds remain Outstanding, the Authority will not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to the Indenture.

Pledge of Base Rental Payments and Additional Rental; Base Rental Payment Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged to secure the payment of the principal of premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge will constitute a first lien on such assets.

All obligations of the Authority under the Indenture will be special obligations of the Authority, payable solely from Rental Payments and the other assets pledged therefor thereunder; provided, however, that all obligations of the Authority under the Bonds will be special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

All Base Rental Payments will be paid directly by the City to the Trustee, and if received by the Authority at any time will be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the City will be deposited by the Trustee in the Base Rental Payment Fund.

Deposit of Base Rental Payments

The Trustee will transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Indenture, to the following respective funds.

<u>Interest Fund</u>. On the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date.

<u>Principal Fund</u>. On the Business Day immediately preceding each May 1 and November 1, commencing May 1, 2013, the Trustee will transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such May 1 or November 1, either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

<u>Redemption Fund</u>. The Trustee, on the redemption date specified in the Written Request of the City filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, will deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee will deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Moneys in the

Redemption Fund will be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Series 2012A Bonds and Series 2019B Bonds redeemed pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Application of Net Insurance Proceeds

If the Property or any portion thereof will be damaged or destroyed, subject to the further requirements of the Indenture, the City will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof will as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, will be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the City, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the City will, within sixty (60) days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the City intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the City does intend to replace or repair the Property or portions thereof, the City will deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

If the damage, destruction or loss was such that there resulted a substantial interference with the City's right to the use or occupancy of the Property and an abatement of Rental Payments results from such damage or destruction pursuant to the Lease Agreement, then the City will be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption, as set forth in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, in full of all the Outstanding Bonds or all of those Outstanding Bonds which would have been payable from that portion of the Base Rental Payments which are abated as a result of the damage or destruction. Funds to be applied to the redemption of Bonds in accordance with clause (b) above will be deposited in the Redemption Fund. If the City is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds will, if there is first delivered to the Trustee a Written Certificate of the City to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current rental period or any subsequent rental period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the City to be used for any lawful purpose.

The proceeds of any award in eminent domain received in respect to the Property will be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of the Property 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 substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Lease Agreement, such proceeds will be remitted to the City and used for any lawful purpose thereof, or

(b) if the City determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the City under the Lease Agreement, then the Trustee will immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the manner provided in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee will be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority. Moneys in all funds and accounts held by the Trustee will be invested in Permitted Investments maturing not later than the date on which it is estimated that such money s will be required for the purposes specified in the Indenture; provided, however, that such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date. Absent timely written direction from the Authority, the Trustee will hold any funds held by it uninvested.

Subject to the provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture will be retained therein.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture will be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued by the Trustee at the fair market value cost thereof, such valuation to be performed not less frequently than semiannually on or before each May 15 and November 15. In determining the fair market value, the Trustee may use and rely conclusively (Contract Liability) on any generally recognized securities pricing service available to it (including brokers and dealers in securities).

The Trustee may act as principal or agent in the making or disposing of any investment, Upon the Written Request of the Authority, the Trustee will sell or present for redemption any Permitted Investments so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

Covenants

Compliance with Agreements. The Trustee will not authenticate or deliver any Bonds in any matter other than accordance with the provisions of the Indenture, and the Authority and the City will not suffer or permit any default by them to occur under the Indenture, but wilt faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them. The Authority agrees to remain bound by such covenant regardless of whether or not the City of Riverside, as successor agency to the Redevelopment Agency of the City of Riverside, remains a member of the Authority.

Compliance with Ground Lease and Lease Agreement. The Authority and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms. The Authority agrees to remain bound by such covenant regardless of whether or not the Redevelopment Agency of the City of Riverside remains a member of the Authority.

Observance of Laws and Regulations. The Authority, the City and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Other Liens. The City will keep the Property and all parts thereof free from judgments and materialman's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the City in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the City ten (10) days' written notice to comply therewith and failure of the City to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not in any event be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the City will create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien as provided for or permitted under the Indenture.

The Authority and the Trustee will not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Indenture and the Assignment Agreement.

Prosecution and Defense of Suits. The City will promptly, upon request of the Trustee, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records will be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. The Trustee will, upon written request, make copies of the foregoing available to any Owner or his agent duly authorized in writing upon reasonable notice.

Recordation and Filing. The City will record, or cause to be recorded, with the appropriate City recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. Neither the Authority nor the City will take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on any tax-exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the City will comply with the requirements of the Tax Certificate. This covenant will survive payment in full or defeasance of the Bonds.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority and the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by the Indenture, the Assignment Agreement, the Ground Lease or the Lease Agreement.

Maintain Existence of Authority. The City and the Authority agree to use all reasonable efforts to maintain the legal existence of the Authority.

Continuing Disclosure. The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate will not constitute an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, will) or any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Events of Default

If an event of default (within the meaning of the Lease Agreement) will happen, then such event of default will constitute an event of default under the Indenture. The Trustee shall give notice, as assignee of the Authority, of an event of default under the Lease Agreement to the City. In each and every case during the continuance of an event of default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, and upon being indemnified to is reasonable satisfaction therefor, will, upon notice in writing to the City and the Authority, exercise any of the remedies granted to the Authority under the Lease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Other Remedies of the Trustee

Subject to the provisions of the Indenture, the Trustee will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the City or any member, officer or employee thereof, and to compel the Authority or the City or any such member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the Authority and the City to account as the trustee of an express trust.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee will deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Authority and the City will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Subject to the provisions of the Indenture, no remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or the Indenture, the City will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the Authority or the City of the other agreements and covenants required to be performed by them contained in the Lease Agreement, the Ground Lease or the Indenture.

All payments received by the Trustee with respect to the rental of the Property after a default by the City pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the

Trustee under the Lease Agreement, will be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held under the Indenture (except funds in the Rebate Fund):

(a) to the payment of all amounts due the Trustee under the Indenture; and

(b) to the payment of all amounts then due for principal and interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal and interest, respectively, on such Bonds due and payable; and

(c) to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable.

All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee will be brought in its own name as trustee of an express trust, and any recovery of judgment will, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Limitation on Suits

No Owner of any Bond will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy under the Indenture, unless (a) such Owner has previously given written notice to the Trustee of a continuing event of default; (b) the Owners of not less than 25% of the aggregate principal amount of Bonds then Outstanding will have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture; (c) such Owner or Owners will have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be inclined in compliance with such request; (d) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity will have failed to institute any such proceedings; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty-day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds.

The Trustee

The Authority appoints and employs the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the indenture, all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to above and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the

Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Trustee covenants and agrees that it will not encumber the Property except as set forth in the Assignment Agreement.

The Authority may by an instrument in writing remove the Trustee initially a party to the Indenture and any successor thereto unless an event of default will have occurred and then be continuing, and will remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee will cease to be eligible in accordance with the following sentence, and will appoint a successor Trustee, but the Trustee and any successor Trustee will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City and by giving notice, by first-class mail, postage prepaid, of such resignation to the Owners of the Bonds at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

Modification or Amendments to Indenture

The Indenture and the rights and obligations of the Authority, the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which will have been filed with the Trustee. No such modification or amendment will (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Base Rental Payments and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The Indenture and the rights and obligations of the Authority, the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the City in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority or the City;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(v) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America;

(vi) to substitute the Leased Premises, or a portion thereof, in accordance with the Lease; and

(vii) in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture, in the opinion of Bond Counsel filed with the Authority, the City and the Trustee.

Promptly after the execution by the Authority, the City and the Trustee of any Supplemental Indenture, the Trustee will mail a notice (the form of which will be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

No Supplemental Indenture will modify any of the rights or obligations of the Trustee without its prior written consent.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the City, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the principal corporate trust office of the Trustee a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding will be exchanged at the principal corporate trust office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

The provisions of the Indenture will not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Discharge of Indenture

If the Authority will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, then the Owners of such Bonds will cease to be entitled to the pledge of the Base Rental and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the City to the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority and the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the Authority all money or securities held by it pursuant hereto which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds will have been paid and if, at the time of such payment, the Authority and the City will have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then the Indenture will be considered to have been discharged in respect of such Bonds and such Bonds will cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority and the City under the Indenture will cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, will remain in effect and will be binding upon the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation and indemnity of the Trustee will remain in effect and will be binding upon the Trustee, the City, and the Authority.

If moneys will have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds will be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there will have been deposited with the Trustee either (i) money in an amount which will be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, will, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the

Trustee and that such Bonds, are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, will be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such money s to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Tax Covenants

General. The City and the Authority have covenanted with the holders of the Series 2012A Bonds and the Series 2019B Bonds that, notwithstanding any other provisions of the Indenture (to the extent that the Authority may have control over the Library Project, the Property or the proceeds of the Series 2019B Bonds), they will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest with respect to the Series 2012A Bonds and the Series 2019B Bonds under Section 103 of the Code. The City and the Authority (to the extent that the Authority may have control over the Library Project, the Property or the proceeds of the Series 2019B Bonds) will not, directly or indirectly, use or permit the use of proceeds of the Series 2012A Bonds and the Series 2019B Bonds, the Property or the Library Project, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest due with respect to the Series 2012A Bonds and the Series 2019B Bonds.

Use of Proceeds. The City and the Authority (to the extent that the Authority may have control over the Library Project, the Property or the proceeds of the Series 2019B Bonds) will not take any action, or fail to take any action, if any such action or failure to take action would cause the Series 2012A Bonds and the Series 2019B Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the Series 2012A Bonds and the Series 2019B Bonds, the Property or the Library Project, or any portion thereof, or any other funds of the City, that would cause the Series 2012A Bonds and the Series 2019B Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Series 2012A Bonds and Series 2019B Bonds are outstanding, the City and the Authority, with respect to such proceeds, the Property and the Library Project and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect. The City will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Series 2012A Bonds and the Series 2019B Bonds as "governmental bonds."

Arbitrage. The City and the Authority (to the extent that the Authority may have control over the Library Project, the Property or the proceeds of the Bonds) will not, directly or indirectly, use or permit the use of any proceeds of any Series 2012A Bonds and Series 2019B Bonds, or of the Property or the Library Project, or other funds of the City, or take or omit to take any action, that would cause the Series 2012A Bonds and the Series 2019B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City and the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Series 2012A Bonds and the Series 2019B Bonds.

Federal Guarantee. The City and the Authority (to the extent that the Authority may have control over the proceeds of the Series 2019B Bonds) will not make any use of the proceeds of the Series 2019B Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Series 2012A Bonds and the Series 2019B Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Compliance with Tax Certificate. In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. These covenants will survive payment in full or defeasance of the Series 2012A Bonds and the Series 2019B Bonds.

Rebate Fund

General. The Trustee has previously established a special fund designated the "Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts will be free and clear of any lien under the Indenture and will be governed by the First Supplement Indenture and the Original Indenture and by the Tax Certificate executed by the City. The Trustee will be deemed conclusively to have complied with the Rebate Requirement if it follows the directions of the City, and will have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the City with the Rebate Requirement. The Trustee will have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the City with the terms of the Indenture or the Tax Certificate.

(viii) Within 45 days of the end of the fifth Bond Year and each fifth Bond Year thereafter, (1) the City will calculate or cause to be calculated with respect to the Series 2012A Bonds and the Series 2019B Bonds the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, and (2) the City will make an Additional Rental Payment under the Lease and transfer to the Trustee for deposit in the Rebate Fund, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated.

(ix) The City will not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (a) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under the Indenture.

Withdrawal Following Payment of Series 2012A Bonds and the Series 2019B Bonds. Any funds remaining in the Rebate Fund after prepayment of all the Series 2012A Bonds and the Series 2019B Bonds and any amounts described in the Indenture, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee, will be withdrawn by the Trustee and remitted to the City.

Withdrawal for Payment of Rebate. Upon the City's written direction, but subject to the exceptions contained in the Indenture to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee will pay to the United States, from amounts on deposit in the Rebate Fund, not later than 60 days after the end of (1) the fifth Bond Year, and (2) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations.

Rebate Payments. Each payment required to be made pursuant to the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, which will be completed by the arbitrage rebate consultant for execution by the City and provided to the Trustee.

Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the City will calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the City equal to such deficiency into the Rebate Fund prior to the time such payment is due.

Withdrawals of Excess Amounts. In the event that immediately following the calculation required by the Indenture, but prior to any deposit made under the Indenture, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with the Indenture, upon written instructions from the City, the Trustee will withdraw the excess from the Rebate Fund and credit such excess to the Base Rental Payment Fund.

Record Keeping. The City will retain records of all determinations made in connection with the foregoing until six years after the complete retirement of the Series 2012A Bonds and the Series 2019B Bonds.

Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the Rebate Requirement will survive the payment in full or defeasance of the Series 2012A Bonds and the Series 2019B Bonds.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority, for good and valuable consideration, the receipt of which is acknowledged, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the City under and pursuant to the Lease Agreement. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments will be applied and the rights so assigned will be exercised by the Trustee as provided in the Lease Agreement and the Indenture.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2018

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COMPREHENSIVE
ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

RIVERSIDE, CALIFORNIA

CITY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the Finance Department
Edward Enriquez, Interim Chief Financial Officer/Treasurer

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This report was printed on recycled stock

CITY OF
RIVERSIDE

CITY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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FINANCIAL SECTION (CONT.)

STATISTICAL SECTION

CITY OF RIVERSIDE

October 31, 2018

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, 2018.

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 rational 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 Macias Gini & O'Connell LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2018. 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 the 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/grants. 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 the MD&A and should be read in conjunction with this section. The City's MD&A can be found immediately following the independent auditor's report.

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 81.507 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 Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; 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 Basic Financial Statements.

The biennial budget serves as the foundation for the City's financial planning and control. Consistent with the City's Charter, the City Manager presents the proposed budget to the City Council for review at least thirty-five calendar days prior to the beginning of the 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 25 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 77.

Local economy: The City is located in Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.2 million, is larger than 24 states. The City leads the Inland Southern California 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 325,860 which places it as the 12th largest in California. The Inland Empire—consisting of Riverside and San Bernardino Counties—has rebounded strongly from the trough of the Great Recession in terms of employment, income, and population growth. Gains in population have been due in part to the ongoing quest for affordable housing—the Inland Empire is one of the most affordable regions in the state. From July 2017 to July 2018, nonfarm employment in the Inland Empire increased 3.4%, outpacing California as a whole by 1.4 percentage points.

For a region that was among the hardest hit by the recession and the mortgage market meltdown of the past decade, this is welcome news. The Inland Empire has sustained a faster pace of nonfarm employment growth than the state since April 2012 and the region's unemployment rate will finish the year at around the 4% mark. Nearly every local industry has added jobs over the past year and employee wages are on the rise.

The MSA is projected to grow in future years because land values continue to 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.

Goals and Vision: In February 2015, Council approved the Riverside 2.0 Strategic Plan, which established new City Council Strategic Goals that aligned with the four pillars of "Seizing our Destiny". After more than a year of working towards Riverside 2.0 goals, the plan was re-examined and updated to remove goals that were accomplished, revise existing goals to better reflect priorities, and add goals consistent with new priorities. The new Riverside 2.1 strategic goals reflected seven areas of strategic priority along with five effective government principles. Through various strategic planning workshops the City Council identified the following seven strategic priorities for the City:

- **Enhanced Customer Service – Improved quality of life**
- **Economic Development – Continue to develop an economically vibrant City**
- **Community Services – Provide appealing, accessible and safe venues**
- **City Transportation Program – Continue to develop efficient transportation systems and provide affordable options for community mobility**
- **Improve Housing Diversity and Options**
- **Improve Teamwork and Communication**
- **Reduce Taxpayer Liability and Reduce Costs Wherever Possible**

As a result of the development of the seven strategic priorities, the Riverside 2.1 Strategic Plan was formed to implement the vision. The purpose of the Riverside 2.1 Strategic Plan is to advance the City of Riverside's mission statement: *The City of Riverside is committed to providing high quality municipal services to ensure safe, inclusive, and livable community.* Additionally, the Riverside 2.1 Strategic Plan is intended to advance *Seizing Our Destiny* which is Riverside's community-driven campaign that builds on the city's existing strengths to create an even better place to live, work and play for future generations. The Seizing Our Destiny Campaign was developed by City officials and civic leaders and encompasses a 20-year strategic vision that mobilizes the skills and resources of a broad cross-section of Riverside toward one common goal – a better community for us all. The goal, or Vision, has four primary aspects for Riverside:

- **Nurture Intelligent Growth**
- **Catalyst for Innovation**
- **Location of Choice**
- **Evolve as a Unified City**

Riverside 2.1 also includes five effective government principles that are reinforced through management's actions:

- **Accountability**
- **Transparency**
- **Responsiveness**
- **Financial Prudence**
- **Decisiveness**

The City provides the City Council with quarterly updates until the goals of the Strategic Plan have been fully implemented which is anticipated to be in several years. Visit the City's Strategic Performance Reports website to view the most current performance measure update.

Long-term financial planning: For the fiscal year (FY) 2018-19 and 2019-20 Budget Cycle, the City's second two-year budget in the context of a five-year financial plan was presented. It is a process designed to bring continued transparency to the City's finances, operations and strategic goals both internally with employees and departments, and externally with the residents and businesses. For the second time, the City's budget included a comprehensive Five-Year Capital Improvement Program (CIP) document as a separate section which serves as a framework for policy decisions on the two-year budget as well as in the future. Among other things, the five-year plan allows the City to illustrate fiscal impacts of budget decisions on the General Fund Reserves through June 30, 2023.

The CIP provides funding for the City's critical and essential infrastructure projects in the amount of $82 million for Fiscal Year (FY) 2018/19 and an additional $73 million for FY 2019/20. Over the course of five years (FY 2018/19 through FY 2022/23), the City anticipates investing a total of $408 million in our essential assets.

The CIP responds to the needs of our residents to ensure the streets, public buildings, sewer, water, and electric infrastructure, and parks are well maintained and operated for optimum health and safety, added value, increased efficiency and functionality, enhanced attractiveness and beautification, and compliance to legal mandates. The CIP document places equal emphasis on planning for new projects as well as improving and preserving existing capital assets.

The City's CIP document includes a list of Unfunded CIP Projects. This is an attempt to identify and quantify the City's true CIP needs - not only in the short term, but also in the long term. Although the list is comprehensive and reflects a good assessment of the City's needs, it is by no means a complete list as more work needs to be done in the coming years to refine this list, create guidelines to prioritize projects, and prepare a strategic approach to fund and complete these unfunded projects.

Measure Z: Measure Z is a one-cent transaction and use tax, with revenues going directly to the City of Riverside. The collection of an additional one-cent sales tax authorized by voters through Measure Z began on April 1, 2017. After hearing recommended Measure Z spending options from City staff and the Budget Engagement Commission, on May 16, 2017, the City Council approved a five-year Measure Z Spending Plan for 33 initiatives covering public safety, financial discipline/responsibility, critical operating needs, facility capital needs, quality of life, and technology. For the purposes of this Measure Z Five-Year Financial Plan, the tenets of the original spending plan have been carried through two additional years, FY 2020/22 and FY 2022/23. The one-cent increase in sales tax is estimated to generate between $48 million and $52 million annually specifically for the City of Riverside's General Fund, which pays for most services.

General Fund Restructuring: As part of the City's Mid-Cycle Budget Update, staff analyzed all General Fund activity and determined that restructuring of the General Fund for fiscal year 2017-2018 was required in order to provide for greater transparency between true General Fund activity and other financial activity that has historically been in the General Fund. New funds have been established for Civic Entertainment and Special Districts. While the majority of these items are self-supported by specific revenues, certain operations will require a General Fund operating transfer to ensure expenditures are supported by revenues. These changes reduce the size of the General Fund by approximately $19.1 million, from $275.7 million based on projections to $256.6 million.

Also, in order to ensure continued transparency, debt related Pension Obligation Bonds were allocated to the appropriate funds to properly reflect their proportional share of the obligation; the result of which eliminated previously recorded Advances in the General Fund. In addition, debt service related expenditures, previously recorded directly in the General Fund, are now reflected with all other General Fund debt in the Debt Service Fund. The General Fund's proportional share of the debt service expenditures, are now reflected as a transfer to the Debt Service Fund.

Lastly, in an effort to continually improve our financial transparency, staff will continue to review and restructure the General Fund in fiscal year 2018-2019 by creating a separate Grants Fund; by their very nature, grants are self-supporting activities. Additionally, we will allocate any remaining non-General Fund debt to the appropriate funds to properly reflect their proportional share of the obligations.

Financial policies: Fiscal policies establish framework for managing the City's financial resources and safeguarding the City's assets in compliance with relevant regulatory mandates, industry standards, and best practices. Maintaining healthy reserves in the General Fund, and other Funds as well, is a critical component of the City's sound financial management practices.

In February 2018, the City adopted a Long-Term Financial Planning Policy to assist City leaders (elected officials and City management) in making prudent and informed financial decisions regarding economic development, tax policy and labor negotiations. Credit rating agencies encourage long-term financial planning, and generally favor government entities with such plans when assigning bond ratings.

The policy requires the City to adopt long-term financial plans spanning at least five years for all major City funds (e.g., General, Electric, Water, Sewer, etc.) in conjunction with the biennial (two-year) budget. The long-term financial plan should incorporate the following elements as relevant and appropriate:

- An analysis of economic and demographic data at the national, state and local level;
- Past revenue and expenditure trends;
- Forecast assumptions;
- Forecasts of major revenues and expenditures based on known data, documented assumptions, and input from subject matter experts, and various internal and external stakeholders; and
- Compliance with existing City fiscal policies.

The City's key budgetary themes include financial accuracy, financial responsibility/discipline, maintaining essential services/infrastructure, and ensuring a transparent/participatory budget process. This CIP document builds on the City's recent financial successes, by incorporating best practices offered by the Government Finance Officers Association (GFOA) and the California Society of Municipal Financial Officers (CSMFO). Based on recommendations developed by the City Manager's Office and Finance Department, the City Council adopted two new policies to establish the framework for future capital budgets. The first policy, Multi-Year Capital Planning, establishes guidelines that help the City identify and prioritize expected capital needs based on strategic priorities and operational needs, establish project scope and cost, detail estimated amounts of funding from various sources, and project future operating and maintenance costs. The second policy, Prioritization of CIP, establishes an objective process of prioritizing capital improvement projects to ensure consistency with the General Plan, in conjunction with the biennial budget process, or otherwise as capital funding becomes available.

The City's General Fund Reserve Policy, adopted by the City Council on September 6, 2016, requires maintaining the General Fund reserve at 15%. The City Council set an aspiration goal of the General Fund Reserve at 20%; this goal was recently reaffirmed through adoption of the "Responsible Spending Vision Pledge" on October 4, 2016.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Program) to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the twenty-ninth 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 Generally Accepted Accounting Principles (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 Government Finance Officers Association (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2017. This was the first time the City prepared such a report and is humbled by the award. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The Award is for a period of one year only. The City will continue to participate in the program.

Budget Presentation Award: The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2017. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and oversight from the City Manager's Office. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit also must be given to the Budget Engagement Commission and 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,

Edward Enriquez
Interim Chief Financial Officer/City Treasurer

Government Finance Officers Association

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, 2017

Christopher P. Morrill

Executive Director/CEO

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, 2017.

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

LEGISLATIVE OFFICIALS

Rusty Bailey .... Mayor
Mike Gardner .... Councilmember – Ward 1
Andy Melendrez .... Councilmember – Ward 2
Mike Soubirous .... Councilmember – Ward 3
Chuck Conder .... Councilmember – Ward 4
Chris Mac Arthur .... Councilmember – Ward 5
Jim Perry .... Councilmember – Ward 6
Steve Adams .... Councilmember – Ward 7

CITY OFFICIALS

Al Zelinka .... City Manager*
Rafael Guzman .... Assistant City Manager
Lea Deesing .... Assistant City Manager

Colleen J. Nicol .... City Clerk*
Gary Geuss .... City Attorney*
Sergio G. Diaz .... Chief of Police
George Khalil .... Chief Innovation Officer
David Welch ...... Interim Community & Economic Development Director
Edward Enriquez .... Interim Chief Financial Officer/Treasurer
Michael Moore .... Fire Chief
Kris Martinez .... Public Works Director
Stephanie Holloman .... Human Resources Director
Erin Christmas .... Library Director
Robyn Peterson .... Museum & Cultural Affairs Director
Adolfo Cruz .... Parks, Recreation & Community Svcs. Director
Todd Jorgenson .... Interim General Manager - Public Utilities
Carl Carey .... General Services Director

*Appointed by City Council

CITY OF
RIVERSIDE

Independent Auditor's Report

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

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pension.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 -18, pension schedule of changes in net pension liability and related ratios during the measurement period on page 69, pension schedule of plan contributions on page 70, and schedule of changes in total OPEB liability and related ratios on page 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 fund statements and schedules and other information, such as the introductory and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

Newport Beach, California
October 31, 2018

Management's Discussion and Analysis
(Unaudited)

As management of the City, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars (0,000).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains certain supplementary information.

Government-wide financial statements The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the City include Electric, Water, Sewer, Civic Entertainment, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the activities of the City and three blended component units, which consist of the Riverside Housing Authority, Riverside Public Financing Authority, and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is also included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

Both the Governmental Activities and the Business-Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unrestricted fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Outlay Fund, which are major funds. Data from the other 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 73-79 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2018. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary funds The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Civic Entertainment, Refuse, Public Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business-type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The five remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 81-90 in this report.

The basic proprietary fund financial statements can be found on pages 26-30 of this report.

Fiduciary funds Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 31-32 of this report, and the combining statement for the agency fund can be found on page 92.

Notes to Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Basic Financial Statements begin on page 33 of this report.

Government-wide Financial Analysis

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

(Amounts presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 284,312	$ 267,671	$ 698,172	$ 709,575	$ 982,484	$ 977,246
Capital assets, net	1,305,799	1,356,278	1,914,775	1,834,007	3,220,574	3,190,285
Total assets	1,590,111	1,623,949	2,612,947	2,543,582	4,203,058	4,167,531
Deferred Outflows of Resources	139,335	178,732	84,789	103,067	224,124	281,799
Current liabilities	54,472	64,559	125,417	138,896	179,889	203,455
Long-term liabilities	817,358	828,551	1,462,028	1,418,369	2,279,386	2,246,920
Total liabilities	871,830	893,110	1,587,445	1,557,265	2,459,275	2,450,375
Deferred Inflows of Resources	16,037	64,455	30,204	47,854	46,241	112,309
Net position:						
Net investment in capital assets	1,093,896	1,102,409	800,227	702,844	1,894,123	1,805,253
Restricted	112,183	104,853	80,717	93,570	192,900	198,423
Unrestricted	(364,500)	(362,146)	199,143	245,116	(165,357)	(117,030)
Total net position	$ 841,579	$ 845,116	$ 1,080,087	$ 1,041,530	$ 1,921,666	$ 1,886,646

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,921,666 at June 30, 2018, an increase of $35,020 from June 30, 2017.

By far the largest portion of the City's net position of 99% reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net position 10% represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, $199,143 is held by the business-type activities and $(364,500) net deficit is held by the governmental activities.

Unrestricted net position in the amount of $(165,357), a net position decrease of 41% from prior year, is the change in resources available to fund City programs to citizens and debt obligations to creditors. The negative unrestricted net position is primarily the result of the reporting of the City's net pension liability in accordance with an accounting standard issued by the Government Accounting Standards

Board (GASB) that relates to pension activity; Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.”

Governmental activities decreased the City’s net position by $(3,537) to $841,579 for the year ended June 30, 2018. The primary result of this decrease is due to a prior period adjustment of ($1,001) related to the reporting of the other-post employment benefits liability in accordance with an accounting standard issued by the GASB that relates to other post-employment benefits; Statement No. 75, ”Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.”

On the following page is a condensed summary of activities of the City’s governmental and business-type operations for the period ended June 30, 2018 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year’s activities.

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(Amount presented in Thousands)

	Governmental Activities		Business type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charge for services	$ 38,117	$ 57,340	$ 544,164	$ 517,941	$ 582,281	$ 575,281
Operating Grants and Contributions	22,548	19,374	3,374	3,751	25,922	23,125
Capital Grants and Contributions	18,039	7,617	26,957	24,151	44,996	31,768
General Revenues:						
Sales taxes	120,338	75,883	-	-	120,338	75,883
Property taxes	63,515	59,526	-	-	63,515	59,526
Other taxes and fees	39,263	39,539	-	-	39,263	39,539
Investment income	5,187	6,145	3,939	2,650	9,126	8,795
Other	4,450	2,050	12,901	14,662	17,351	16,712
Total Revenues	311,457	267,474	591,335	563,155	902,792	830,629
Expenses:						
General government	45,360	45,110	-	-	45,360	45,110
Public safety	216,772	160,665	-	-	216,772	160,665
Highways and streets	42,544	38,585	-	-	42,544	38,585
Culture and recreation	38,362	48,806	-	-	38,362	48,806
Interest on long-term debt	12,414	16,028	-	-	12,414	16,028
Electric	-	-	333,061	317,335	333,061	317,335
Water	-	-	68,281	62,189	68,281	62,189
Sewer	-	-	54,136	38,305	54,136	38,305
Civic Entertainment	-	-	19,995	-	19,995	-
Airport	-	-	2,179	1,998	2,179	1,998
Refuse	-	-	22,082	21,953	22,082	21,953
Transportation	-	-	4,782	4,221	4,782	4,221
Public parking	-	-	6,186	5,448	6,186	5,448
Total expenses	355,452	309,194	510,702	451,449	866,154	760,643
Increase (decrease) in net position	(43,995)	(41,720)	80,633	111,706	36,638	69,986
Transfers, net	41,459	45,716	(41,459)	(45,716)	-	-
Total changes in net position	(2,536)	3,996	39,174	65,990	36,638	69,986
Net position - beginning, as previously stated	845,116	825,679	1,041,530	975,540	1,886,646	1,801,219
Prior period adjustment	(1,001)	-	(617)	-	(1,618)	-
Net position - beginning, as restated	844,115	841,120	1,040,913	975,540	1,885,028	1,816,660
Net position - ending	$ 841,579	$ 845,116	$ 1,080,087	$ 1,041,530	$ 1,921,666	$ 1,886,646

Governmental activities. Total net position for governmental activities decreased by $(2,536) before the prior period adjustment while prior fiscal year increased by $3,996. Key elements of this year's activity in relation to the prior year are as follows:

Revenues:

- While variances between years exist for the various revenue categories, the total net increase was approximately $44.0 million or 16%, which is largely attributable to a significant increase in sales tax due to Measure Z. As the result of Measure Z, a one cent sales tax initiative that was approved by voters in November 2016, the City experienced a significant increase in sales tax revenue of $44.0 million of which $43.6 million is directly related to the passing and implementation of Measure Z.

- The City experienced decreases in charges for services of $19,223 from prior year, which was largely attributed to the establishment of the Civic Entertainment Fund related activities, which reported charges for services for the year ended June 30, 2018 of $16,393.

Expenses:

- While variances between years exist for the various expense functions, the total net increase was approximately $46.3 million or 13%. This is primarily related to an increase of approximately $39 million in pension expense related to the annual recording of the City's pension liability; $29.3 million of the pension expense was related to public safety. The increase in Public safety was also a factor due to funding from Measure Z sales tax for additional safety needs. Increases in other expense categories were minimal and in line with anticipated results.

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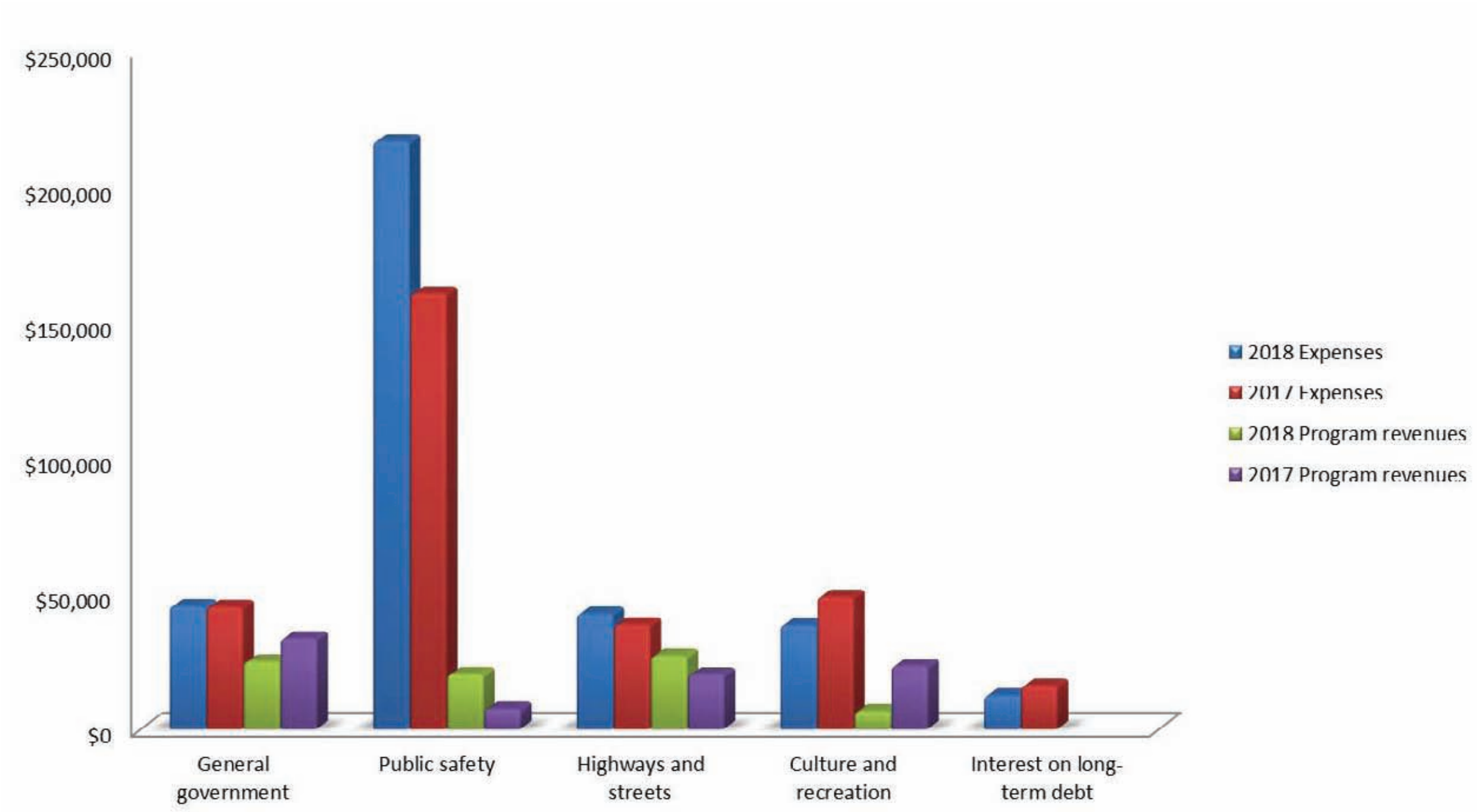
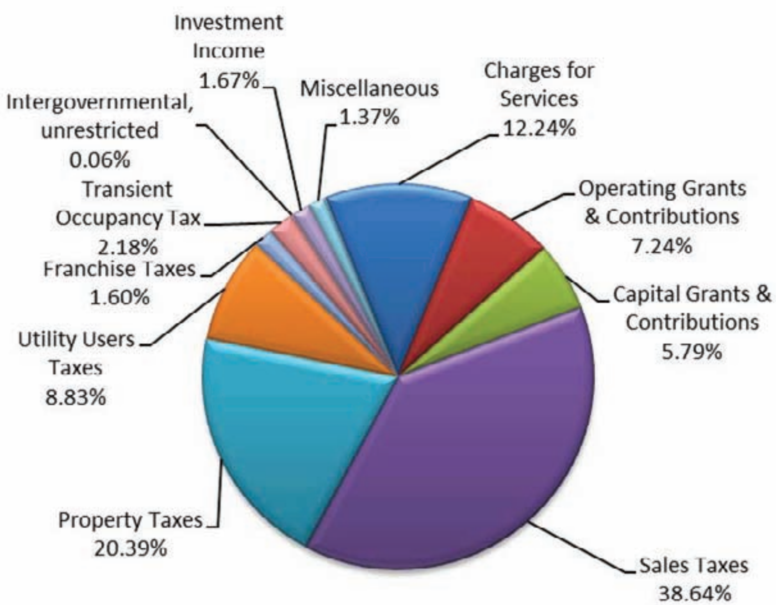
Program Revenues and Expenses – Governmental Activities – Fiscal Year Comparison 2018 vs. 2017

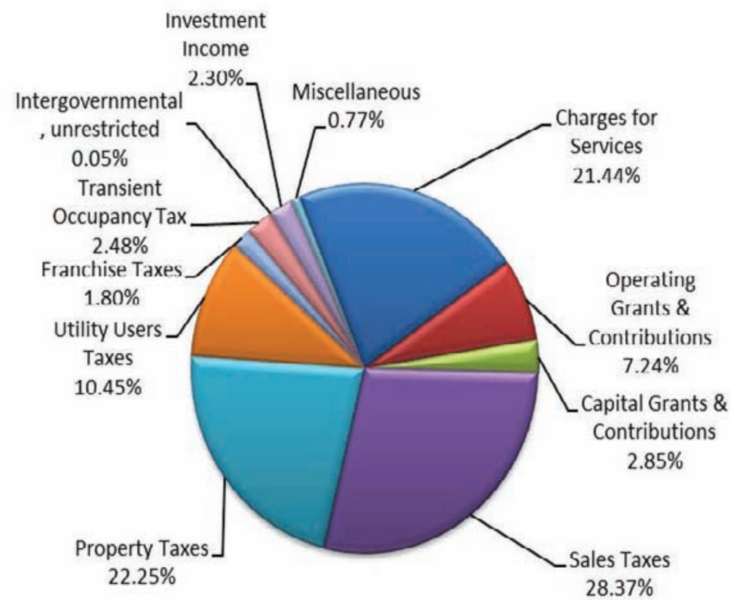


Revenues by Source – Governmental Activities – Fiscal Year Comparison 2017 vs. 2016

2018



2017

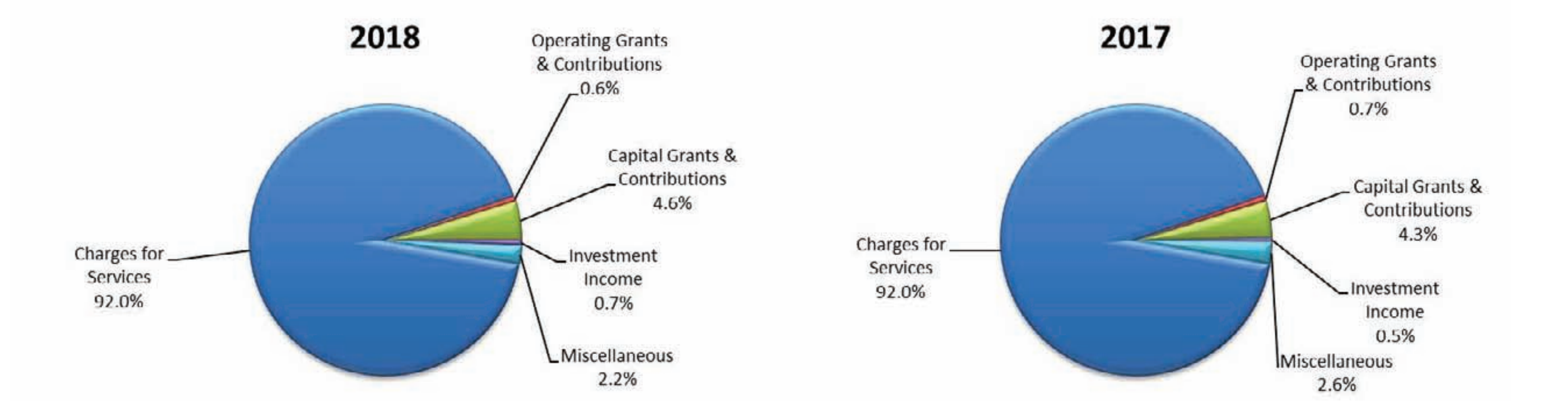


Business-type activities. Total net position for business-type activities increased by $39,174 before the prior period adjustment while prior fiscal year increased by $65,990. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services increased by $26,223 or 5%. The majority of the increase in charges for services was largely attributed to the establishment of the Civic Entertainment Fund related activities, which reported charges for services for the year ended June 30, 2018 of $16,393. The Water Utility and Sewer Utility also had increases of $4,201 and $5,346 respectively.

- Overall expenses increased by $59,253 or 13%. A large part of the increase in overall expenses is due to the establishment of the Civic Entertainment Fund related activities which reported expenses of $18,736. The Electric, Water and Sewer Funds had increased expenses of $16,937, $6,320 and $7,479 respectively.

Revenues by Source – Business-Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Capital Outlay, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

(Amounts presented in Thousands)	General Fund		Capital Outlay Fund		Other Governmental Funds		Total Governmental Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
Total assets	$ 127,266	$ 125,798	$ 27,688	$ 23,681	$ 103,808	$ 100,635	$ 258,762	$ 250,114
Total liabilities	$ 32,957	$ 36,536	$ 1,159	$ 2,559	$ 9,346	$ 10,440	$ 43,462	$ 49,535
Deferred inflows of resources								
Unavailable revenue	4,685	6,192	81	3,176	38,769	37,688	43,535	47,056
Fund balances								
Nonspendable	1,947	26,168	-	-	4,855	1,601	6,802	27,769
Restricted	2,991	2,651	26,448	17,946	50,838	50,930	80,277	71,527
Committed	53,800	-	-	-	-	-	53,800	-
Assigned	23,242	14,968	-	-	-	-	23,242	14,968
Unassigned	7,644	39,283	-	-	-	(24)	7,644	39,259
Total fund balance	89,624	83,070	26,448	17,946	55,693	52,507	171,765	153,523
Total liabilities, deferred inflows and fund balances	$ 127,266	$ 125,798	$ 27,688	$ 23,681	$ 103,808	$ 100,635	$ 258,762	$ 250,114

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $171,765 an increase of $18,242 compared to the prior year. Additionally, 4% of the fund balance $6,802 is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. $80,277 or 47% of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors. *Committed* fund balance of $53,800 or 31% of the fund balance was set aside for economic contingencies which is 20% of the 2018-2019 General Fund adopted expenditure budget of $269,000. $23,242 or 14% of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance $7,644 or 4% is *unassigned*, meaning it is available for spending at the City's discretion. The City's governmental funds reported combined total assets of

$258,762 at June 30, 2018, an increase of $8,648 compared to the prior year. Liabilities and deferred inflows of resources amounted to $86,997, a decrease of $9,594.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled $89,624 in comparison to $59,974 in the prior year, as restated. The increase in fund balance is due to the increased sales tax revenues from Measure Z and the cost saving efforts by departments during the current year. The portion of fund balance classified as unassigned was $7,644 and $53,800 classified as committed for future economic contingencies.

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

Unrestricted net position of the Electric, Water and Sewer Funds at the end of the year amounted to $189,276, $5,349, and $46,821 respectively. The unrestricted net position for the Electric, Water and Sewer Funds in the prior year was $207,042, $27,550, and $18,614, respectively. The decrease in unrestricted net position of the Electric Fund was primarily attributable to the payment on bond defeasance and funding of capital projects. The decrease in unrestricted net position of the Water Fund was the result of the use of unrestricted cash and cash equivalents to fund capital projects. The increase in unrestricted net position for the Sewer Fund is primarily a result of operating activities as described below.

Electric Fund operating results experienced a decrease in charges for services of $1,550. Retail sales (residential, commercial, industrial, and other sales) represent 84.1% of total revenues. Retail sales, net of reserve/recovery were $305,969 and $308,781 for years ended June 30, 2018 and 2017, respectively. The decrease in charges for services was due to a slight decrease in consumption and a decrease in proceeds from the sale of renewable energy credits and settlement recoveries, offset by an increase in regulatory transactions and transmission revenues. Operating expenses increased $16,937 or 5.80%, due to an increase in pension expense, power supply costs, transmission access charges from the California Independent System Operator (ISO) and general operating expenses.

The Water Fund reported higher operating results, with retail sales higher than the previous year's results by $3,620. Retail sales (residential, commercial, industrial, and other sales) represent 87.3% of total revenues. Retail sales, net of reserve/recovery were $58,216 and $54,596 for the years ended June 30, 2018 and 2017, respectively. The increase in retail sales was primarily due to the lifting of drought restrictions. Overall expenses were higher which primarily relates to pension expense as a result of pension accounting standards. In addition, there was an increase in production costs resulting from higher consumption and general operating expenses.

Net position of the Sewer Fund increased by $12,740 and $25,436 for the years ended June 30, 2018 and 2017, respectively. Operating revenues increased by $5,346 or 8.9% primarily as a result of an annual rate increase of 8.5% and increased consumption. Depreciation and amortization expense increased by $5,897 and interest expense and fiscal charges increased by $8,352. These changes are due to the completion of sewer capital projects and their current year depreciation.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	226,480	267,833	271,316	$3,483
Expenditures:				
General Government	17,209	31,831	15,635	16,196
Public Safety	176,797	191,684	184,608	7,076
Highways & Streets	19,056	21,079	18,643	2,436
Culture & Recreation	44,330	33,071	29,136	3,935
Capital Outlay	227	6,017	2,646	3,371
Debt Service	195	-	14	(14)
Total Expenditures	257,814	283,682	250,682	33,000
Excess (deficiency) of revenues over (under) expenditures	(31,334)	(15,849)	20,634	36,483
Other financing sources	34,244	21,271	9,016	(12,255)
Net change in fund balances	2,910	5,422	29,650	24,228
Fund balance - beginning, as previously stated	83,070	83,070	83,070	0
Prior period adjustment	(23,096)	(23,096)	(23,096)	0
Fund balance - ending	62,884	65,396	89,624	$24,228

The primary reason for final budgeted revenues and expenditures increasing from the Original Budget was due to the Measure Z budget adopted during the mid-year budget cycle; therefore Measure Z budget was only included in the Final Budget.

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

Actual expenditures were less than final budgeted amounts by approximately $33.0 million. This is primarily associated with unspent appropriations for grants, capital projects and other special programs that were not completed during the year (which are carried over to the next fiscal year) as well as the cost saving efforts by City Departments.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of June 30, 2018 amounted to $3,220,574 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was $30,289 (a decrease of $50,479 for governmental activities and an increase of $80,768 for business-type activities).

Major capital improvements during the current fiscal year included: new infrastructure consisting primarily of roads of $13 million; sewer mains and tertiary treatment plant of $16 million; $23 million in Water Utility upgrades primarily related to system expansion and improvements, and continued pipeline replacement programs; and $42 million in Electric Utility capital improvements primarily related to improvements to the Electric system in the form of substations, transformers, neighborhood streetlights and distribution line extensions and replacements to serve customers.

Construction in progress totaled $171,473 at June 30, 2018 an increase of $46,229 or 36.9%. The increase in construction in progress is primarily related to the Riverside Transmission Reliability Project (RTRP) and related reliability improvements to the Utility's 230 KV Transmission Substation and Switchgear upgrade for Springs Substation. Depreciation expense during the fiscal year was $47,939 for governmental activities and $66,632 for business-type activities.

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

(Amount presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$343,022	$343,918	$94,900	$80,246	$437,922	$424,164
Construction in progress	68,894	44,310	102,579	80,934	171,473	125,244
Buildings	110,802	115,087	466,259	471,137	577,061	586,224
Improvements other than Buildings	146,343	197,482	1,177,665	1,123,191	1,324,008	1,320,673
Machinery and equipment	23,170	22,971	33,888	37,080	57,058	60,051
Intangibles	87	131	39,484	41,419	39,571	41,550
Infrastructure	613,481	632,379	-	-	613,481	632,379
Total	$1,305,799	$1,356,278	$1,914,775	$1,834,007	$3,220,574	$3,190,285

Additional information on the City's capital assets can be found in note 5 on page 44 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $1,614,823 which includes bonded debt of $1,416,505.

City of Riverside's Long-Term Debt

(Amounts presented in Thousands)

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$10,388	$11,513	$ -	$ -	$10,388	$11,513
Pension Obligation Bonds	60,883	92,592	18,324	-	79,207	92,592
Certificates of Participation	150,800	156,516	-	-	150,800	156,516
Lease Revenue Bonds	36,246	37,854	-	-	36,246	37,854
Revenue Bonds	-	-	1,139,864	1,180,345	1,139,864	1,180,345
Loans Payable	1,746	41,325	-	-	1,746	41,325
Notes Payable	-	-	78,583	35,255	78,583	35,255
Capital Leases	25,647	17,193	6,821	6,209	32,468	23,402
Landfill Capping	-	-	4,770	5,390	4,770	5,390
Water Acquisition Rights	-	-	938	938	938	938
Compensated Absences	24,985	22,790	8,596	8,279	33,581	31,069
Claims liability	46,232	44,945	-	-	46,232	44,945
Total	$356,927	$424,728	$1,257,896	$1,236,416	$1,614,823	$1,661,144

The City's total debt decreased by $46,321 or 2.87% during the current fiscal year. The net decrease is primarily related to principal obligation payments on bonded debt.

The City's Water Utility maintains "AAA" and "AA+" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies. The City's general obligation bond ratings are "AA" and "AA," respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was $747,624 at June 30, 2018, which applies only to general obligation debt. At June 30, 2018, the City had $10,388 of general obligation debt, resulting in available legal debt capacity of $737,236.

Additional information on the City's long-term debt can be found in note 6 beginning on page 45 of this report.

Economic Factors and Next Year's Budget and Rates

- ❑ Unemployment in the City of Riverside is 4.4% as compared to 5.0% for the prior year.
- ❑ The largest impact to the City's long-term financial stability relates to pension costs form CalPERS. Over the next five years, the City's total CalPERS expenditures will increase 45% from $74.5M in FY 2018-19 to approximately $108.3M in FY 2022-23.

  The cost increases are mainly due to investment losses by CalPERS during the Great Recession, which impacted all of the California agencies' retirement plans managed by CalPERS. Additional factors causing cost increases, which impact all or many agencies include:
  - Retroactive retirement benefit enhancements for City employees between 2001 and 2006.
  - Long-term investment returns not meeting expectations (e.g. 8.8% over the last five years, 4.4% over the last 10 years, and 6.6% over the last 20 years).
  - Increased contributions resulting from the CalPERS anticipated return-on-investment rate over the past 15 years, which was decreased from 8.25% to 7%.
  - CalPERS expects retirees to live longer.

  CalPERS began to collect employer contributions toward the plan's unfunded liability as dollar amounts instead of prior method of a contribution rate combined with the normal cost rate effective July 1, 2017. As a result, the following lists the two required contribution components per plan for FY 2018/19:

  - Miscellaneous Plan – 12.314%. Unfunded Liability Payment of $18,743
  - Safety Plan – 20.436%. Unfunded Liability Payment of $15,061

At the time of the two-year budget preparation for the fiscal year 2018-19 and 2019-20 budget cycle, the economic outlook for the City was considered to be stable. However, there are significant challenges in the next five years due to pension costs as outlined above. The City will continue to implement operational efficiencies, where possible, to minimize costs and impact to service levels as CalPERS costs increase.

The General Fund Budget for fiscal year 2018/19 of approximately $269 million was adopted. It represents an increase from the prior year of approximately .75%. Expenditure growth is expected to outpace revenue growth due to the rising costs of PERS.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 3900 Main Street City of Riverside, CA 92522.

CITY OF
RIVERSIDE

City of Riverside
Statement of Net Position
June 30, 2018
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 166,980	$ 405,930	$ 572,910
Receivables, net	92,012	55,714	147,726
Inventory	6,284	2,842	9,126
Prepaid items	2,362	33,473	35,835
Deposits	-	1,586	1,586
Internal balances	(4,203)	4,203	-
Restricted assets:			
Cash and cash equivalents	-	58,928	58,928
Cash and investments at fiscal agent	14,278	121,850	136,128
Other	-	990	990
Advances to Successor Agency Trust Fund	3,327	4,227	7,554
Land and improvements held for resale	3,272	-	3,272
Regulatory assets	-	8,130	8,130
Derivative instruments	-	299	299
Land and other capital assets not being depreciated	411,916	218,971	630,887
Capital assets (net of accumulated depreciation)	893,883	1,695,804	2,589,687
Total assets	1,590,111	2,612,947	4,203,058
Deferred Outflows of Resources			
Changes in derivative values	10,286	12,561	22,847
Charge on refunding	3,894	15,160	19,054
Pension contributions, changes in assumptions and differences in experience	125,155	52,644	177,799
Hillwood note payable	-	4,424	4,424
Total deferred outflows of resources	139,335	84,789	224,124
Liabilities			
Accounts payable and other current liabilities	29,066	20,474	49,540
Accrued interest payable	2,416	14,331	16,747
Unearned revenue	455	1,397	1,852
Deposits	8,558	7,789	16,347
Regulatory liability	-	28	28
Derivative instruments	13,977	20,821	34,798
Decommissioning liability	-	60,577	60,577
Noncurrent liabilities:			
Due within one year	48,894	51,694	100,588
Due in more than one year	308,033	1,206,202	1,514,235
Net OPEB liability	20,579	16,207	36,786
Net pension liability	439,852	187,925	627,777
Total liabilities	871,830	1,587,445	2,459,275
Deferred Inflows of Resources			
Regulatory charges	-	17,199	17,199
Changes in derivative values	-	289	289
Pension contributions, changes in assumptions and differences in experience	15,133	12,161	27,294
OPEB contributions, changes in assumptions and differences in experience	904	555	1,459
Total deferred inflows of resources	16,037	30,204	46,241
Net Position			
Net investment in capital assets	1,093,896	800,227	1,894,123
Restricted for:			
Expendable:			
Capital projects	30,215	-	30,215
Debt service	2,720	44,019	46,739
Economic development	18,192	-	18,192
Landfill capping	-	1,118	1,118
Public works	17,039	-	17,039
Housing	42,519	-	42,519
Programs and regulatory requirements	-	35,580	35,580
Nonexpendable	1,498	-	1,498
Unrestricted	(364,500)	199,143	(165,357)
Total net position	$ 841,579	$ 1,080,087	$ 1,921,666

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

City of Riverside
Statement of Activities
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

			Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business type Activities**	**Total**
Governmental activities:								
General government	$ 45,360	$ (17,652)	$ 24,605	$ 6	$ 257	$ (2,840)	$ -	$ (2,840)
Public safety	216,772	9,158	1,880	14,127	4,220	(205,703)	-	(205,703)
Highways and streets	42,544	4,686	5,554	8,054	13,410	(20,212)	-	(20,212)
Culture and recreation	38,362	3,808	6,078	361	152	(35,579)	-	(35,579)
Interest on long-term debt	12,414	-	-	-	-	(12,414)	-	(12,414)
Total governmental activities	355,452	-	38,117	22,548	18,039	(276,748)	-	(276,748)
Business type activities:								
Electric	333,061	-	364,516	-	20,182	-	51,637	51,637
Water	68,281	-	66,828	-	4,181	-	2,728	2,728
Sewer	54,136	-	65,081	-	32	-	10,977	10,977
Civic Entertainment	19,995	-	16,393	-	875	-	(2,727)	(2,727)
Airport	2,179	-	1,562	-	841	-	224	224
Refuse	22,082	-	23,085	-	-	-	1,003	1,003
Transportation	4,782	-	441	3,374	846	-	(121)	(121)
Public parking	6,186	-	6,258	-	-	-	72	72
Total business type activities	510,702	-	544,164	3,374	26,957	-	63,793	63,793
Total	$ 866,154	-	$ 582,281	$ 25,922	$ 44,996	$ (276,748)	$ 63,793	$ (212,955)

	Governmental Activities	Business type Activities	Total
General revenues:			
Taxes:			
Sales	120,338	-	120,338
Property	63,515	-	63,515
Utility users	27,498	-	27,498
Franchise	4,972	-	4,972
Transient occupancy tax	6,793	-	6,793
Intergovernmental, unrestricted	172	-	172
Investment income	5,187	3,939	9,126
Miscellaneous	4,278	12,901	17,179
Subtotal	232,753	16,840	249,593
Transfers, net	41,459	(41,459)	-
Total general revenues and transfers	274,212	(24,619)	249,593
Change in net position	(2,536)	39,174	36,638
Net position - beginning, as previously stated	845,116	1,041,530	1,886,646
Prior period adjustment	(1,001)	(617)	(1,618)
Net position - beginning, as restated	844,115	1,040,913	1,885,028
Net position - ending	$ 841,579	$ 1,080,087	$ 1,921,666

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

City of Riverside
Balance Sheet
Governmental Funds
June 30, 2018
(amounts expressed in thousands)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 84,142	$ 18,643	$ 40,411	$ 143,196
Cash and investments at fiscal agent	18	2	14,258	14,278
Receivables (net of allowance for uncollectibles)				
Interest	193	82	154	429
Property taxes	3,876	-	213	4,089
Sales tax	23,854	-	-	23,854
Utility billed	1,226	-	-	1,226
Accounts	5,642	1,608	66	7,316
Intergovernmental	5,325	7,353	3,783	16,461
Notes	10	-	38,084	38,094
Prepaid items	1,947	-	415	2,362
Due from other funds	858	-	-	858
Advances to Successor Agency Trust Fund	-	-	3,327	3,327
Land & improvements held for resale	175	-	3,097	3,272
Total assets	$ 127,266	$ 27,688	$ 103,808	$ 258,762
Liabilities				
Accounts payable	$ 7,463	$ 986	$ 2,126	$ 10,575
Accrued payroll	16,442	-	5	16,447
Retainage payable	13	48	516	577
Intergovernmental	151	-	6	157
Unearned revenue	330	125	-	455
Deposits	8,558	-	-	8,558
Due to other funds	-	-	633	633
Advances from other funds	-	-	6,060	6,060
Total liabilities	32,957	1,159	9,346	43,462
Deferred Inflows of Resources				
Unavailable revenue	4,685	81	38,769	43,535
Total deferred inflows of resources	4,685	81	38,769	43,535
Fund Balances				
Nonspendable:				
Inventories, prepaids and deposits	1,947	-	30	1,977
Advances	-	-	3,327	3,327
Permanent fund principal	-	-	1,498	1,498
Restricted for:				
Housing and redevelopment	175	-	18,827	19,002
Debt service	2,037	-	11,509	13,546
Transportation and public works	-	26,448	17,051	43,499
Other purposes	779	-	3,451	4,230
Committed for:				
Economic contingency	53,800	-	-	53,800
Assigned to:				
General government	2,634	-	-	2,634
Public safety	1,959	-	-	1,959
Highways and streets	2,164	-	-	2,164
Culture and recreation	620	-	-	620
Continuing projects	15,865	-	-	15,865
Unassigned	7,644	-	-	7,644
Total fund balances	89,624	26,448	55,693	171,765
Total liabilities, deferred inflows of resources, and fund balances	$ 127,266	$ 27,688	$ 103,808	$ 258,762

The notes to basic 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 Position
June 30, 2018
(amounts expressed in thousands)

Total fund balances - governmental funds		$ 171,765
Amounts reported for governmental activities in the Statement of Net Position 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.		1,298,494
Deferred refunding charges are not available resources and, therefore, are not reported in the funds.		3,894
Deferred amounts on pensions related to contributions after the measurement date		122,805
Deferred amounts on pensions related to the net difference between projected and actual earnings on pension plan investments		(14,638)
Deferred amounts on OPEB related to the net difference between projected and actual earnings on pension plan investments		(868)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		43,535
Accrued interest payable for the current portion of interest due on various debt issues has not been reported in the governmental funds.		(2,416)
Long-term liabilities, as listed below, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds	$ (105,097)	
Certificates of participation	(149,705)	
Capital leases	(25,647)	
Loan payable	(1,746)	
Bond premiums	(2,766)	
Net OPEB liability	(19,629)	
Net pension liability	(431,488)	
Compensated absences	(24,553)	
		(760,631)
The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The following related items have been reflected in the Statement of Net Position.		
Net fair value of interest rate swaps	$ (13,977)	
Deferred amount related to the hedgeable portion of the derivative instrument	10,286	
		(3,691)
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 Position.		(16,670)
Net position of governmental activities		$841,579

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

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 223,116	$ -	$ -	$ 223,116
Licenses and permits	10,015	-	2,427	12,442
Intergovernmental	10,513	11,989	19,952	42,454
Charges for services	17,438	-	-	17,438
Fines and forfeitures	3,699	-	18	3,717
Special assessments	402	504	6,207	7,113
Rental and investment income	2,318	112	1,016	3,446
Miscellaneous	3,815	2,883	2,018	8,716
Total revenues	271,316	15,488	31,638	318,442
Expenditures				
Current:				
General government	15,635	-	5,500	21,135
Public safety	184,608	-	6,308	190,916
Highways and streets	18,643	-	564	19,207
Culture and recreation	29,136	-	246	29,382
Capital outlay	2,646	10,299	20,559	33,504
Debt service:				
Principal	-	-	21,904	21,904
Interest	-	-	12,746	12,746
Bond issuance costs	14	-	10	24
Total expenditures	250,682	10,299	67,837	328,818
Excess (deficiency) of revenues over (under) expenditures	20,634	5,189	(36,199)	(10,376)
Other financing sources (uses)				
Transfers in	59,332	6,312	37,130	102,774
Transfers out	(50,738)	(3,004)	(12,279)	(66,021)
Issuance of long-term debt	-	-	14,500	14,500
Proceeds from the sale of capital assets	422	5	34	461
Total other financing sources (uses)	9,016	3,313	39,385	51,714
Net change in fund balances	29,650	8,502	3,186	41,338
Fund balances - beginning, as previously stated	83,070	17,946	52,507	153,523
Prior period adjustment	(23,096)	-	-	(23,096)
Fund balances - ending	$ 89,624	$ 26,448	$ 55,693	$ 171,765

The notes to basic 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 fiscal year ended June 30, 2018
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ 41,338
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. In the current year, depreciation exceeded capital asset additions, as listed below:		
Capital asset additions	$ 40,035	
Depreciation expense	(46,848)	(6,813)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(1,699)
The net effect of transfering assets and liabilities for the establishment of the Civic Entertainment Fund		(294)
Revenues related to prior years that are available in the current fiscal year are reported as revenue in the governmental funds. In contrast, revenues that are earned but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability. The amount reflects the timing differences for revenue recognition.		(3,521)
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 position. Also, governmental funds immediately report the effect of 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	$ 21,904	
Net pension liability	(38,869)	
Net OPEB liability	(1,013)	
Compensated absences	(2,199)	
Interest	849	
Issuance of long-term debt	(14,500)	(33,828)
Internal service funds are used by management to charge the costs of insurance, centralized purchasing and fleet management to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.		2,281
Change in net position of governmental activities		$ (2,536)

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

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	$ 174,538	$ 219,992	$ 223,116	$ 3,124
Licenses and permits	10,500	10,454	10,015	(439)
Intergovernmental	1,525	10,971	10,513	(458)
Charges for services	26,923	16,440	17,438	998
Fines and forfeitures	1,745	1,414	3,699	2,285
Special assessments	4,494	495	402	(93)
Rental and investment income	4,172	4,208	2,318	(1,890)
Miscellaneous	2,583	3,859	3,815	(44)
Total revenues	226,480	267,833	271,316	3,483
Expenditures				
Current:				
General government	17,209	31,831	15,635	16,196
Public safety	176,797	191,684	184,608	7,076
Highways and streets	19,056	21,079	18,643	2,436
Culture and recreation	44,330	33,071	29,136	3,935
Capital outlay	227	6,017	2,646	3,371
Debt service:				
Bond issuance costs	195	-	14	(14)
Total expenditures	257,814	283,682	250,682	33,000
Excess (deficiency) of revenues over (under) expenditures	(31,334)	(15,849)	20,634	36,483
Other financing sources (uses)				
Transfers in	46,143	83,114	59,332	(23,782)
Transfers out	(12,784)	(65,461)	(50,738)	14,723
Issuance of long-term debt			-	
Proceeds from the sale of capital assets	885	3,618	422	(3,196)
Total other financing sources (uses)	34,244	21,271	9,016	(12,255)
Net change in fund balances	2,910	5,422	29,650	24,228
Fund balances - beginning, as previously stated	83,070	83,070	83,070	-
Prior period adjustment	(23,096)	(23,096)	(23,096)	-
Fund balances - ending	$ 62,884	$ 65,396	$ 89,624	$ 24,228

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2018
(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	$ 257,155	$ 47,464	$ 89,376	$ 11,935	$ 405,930	$ 23,784
Receivables (net allowances for uncollectibles)						
Interest	1,016	191	296	45	1,548	75
Utility billed	13,903	3,510	3,615	1,100	22,128	-
Utility unbilled	14,858	3,180	2,407	784	21,229	-
Accounts	4,011	1,276	153	2,919	8,359	50
Intergovernmental	27	875	1,194	354	2,450	418
Other	-	-	-	-	-	-
Inventory	1,097	-	1,693	52	2,842	6,284
Prepaid items	21,774	238	11	319	22,342	-
Deposits	1,286	-	-	300	1,586	-
Due from other funds	305	131	-	-	436	-
Restricted assets:						
Cash and cash equivalents:						
Rate stabilization cash and cash equivalents	-	-	1,000	-	1,000	-
Other restricted cash and cash equivalents	48,359	8,451	-	1,118	57,928	-
Public benefit programs receivable	881	109		-	990	-
Total current assets	364,672	65,425	99,745	18,926	548,768	30,611
Non-current assets:						
Restricted assets:						
Cash and investments at fiscal agent	69,047	2,315	50,488	-	121,850	-
Regulatory assets	1,731	-	1,525	4,874	8,130	-
Derivative instruments	-	-	-	299	299	-
Prepaid items - non-current	11,131	-	-	-	11,131	-
Advances to other funds	-	-	3,992	-	3,992	2,403
Advances to Successor Agency Trust Fund	4,227	-	-	-	4,227	-
Capital assets:						-
Land	52,111	20,841	2,768	19,180	94,900	458
Intangible assets, non-depreciable	10,651	10,841	-	-	21,492	-
Intangible assets, depreciable	21,472	4,022	119	-	25,613	219
Accumulated depreciation - intangible assets, depreciable	(6,104)	(1,463)	(54)	-	(7,621)	(132)
Buildings	62,375	19,962	496,939	35,925	615,201	4,092
Accumulated depreciation - buildings	(10,260)	(6,622)	(123,448)	(8,612)	(148,942)	(718)
Improvements other than buildings	944,199	624,203	152,190	74,503	1,795,095	1,315
Accumulated depreciation - improvements other than buildings	(366,866)	(211,105)	(23,365)	(16,094)	(617,430)	(470)
Machinery and equipment	44,027	14,803	16,398	22,861	98,089	11,265
Accumulated depreciation - machinery and equipment	(24,826)	(12,986)	(9,179)	(17,210)	(64,201)	(8,977)
Construction in progress	54,475	23,969	23,836	299	102,579	253
Total non-current assets	867,390	488,780	592,209	116,025	2,064,404	9,708
Total assets	1,232,062	554,205	691,954	134,951	2,613,172	40,319
Deferred Outflows of Resources						
Changes in derivative values	10,692	1,869	-	-	12,561	-
Charge on refunding	8,997	6,163	-	-	15,160	-
Pension contributions, changes in assumptions and differences in experience	30,596	10,882	6,866	4,300	52,644	2,350
Hillwood note payable	-	4,424	-	-	4,424	-
Total deferred outflows of resources	50,285	23,338	6,866	4,300	84,789	2,350

Continued

City of Riverside
Statement of Net Position
Proprietary Funds
June 30, 2018
(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	11,618	3,388	1,835	2,184	19,025	1,277
Accrued payroll	201	76	45	33	355	20
Retainage payable	223	433	423	15	1,094	13
Unearned revenue	61	64	3	1,269	1,397	-
Deposits	6,397	813	-	579	7,789	-
Due to other funds	-	-	-	225	225	436
Capital leases - current	824	211	-	533	1,568	-
Water stock acquisitions - current	-	150	-	-	150	-
Notes payable - current	-	1,202	788	2,920	4,910	-
Landfill capping - current	-	-	-	250	250	-
Claims and judgments - current	-	-	-	-	-	9,872
Compensated absences - current	4,547	1,506	1,110	508	7,671	377
Current liabilities payable from restricted assets:						
Revenue bonds	14,445	5,635	13,515	-	33,595	-
Pension obligation bonds	2,018	728	462	342	3,550	145
Decommissioning liability	5,457	-	-	-	5,457	-
Accrued interest	4,846	1,542	7,943	-	14,331	-
Total current liabilities	50,637	15,748	26,124	8,858	101,367	12,140
Non-current liabilities:						
Revenue bonds	520,894	178,998	406,377	-	1,106,269	-
Pension obligation bonds	8,400	3,028	1,924	1,422	14,774	604
Notes payable	-	20,322	659	52,692	73,673	-
Capital leases	2,274	1,884	-	1,095	5,253	-
Advances from other funds	-	-	-	-	-	335
Decommissioning liability	55,120	-	-	-	55,120	-
Regulatory liability	-	-	-	28	28	-
Derivative instruments	15,228	5,593	-	-	20,821	-
Claims and judgments	-	-	-	-	-	36,360
Water stock acquisitions	-	788	-	-	788	-
Landfill capping	-	-	-	4,520	4,520	-
Compensated absences	521	344	41	19	925	55
Net OPEB liability	8,283	3,410	2,417	2,097	16,207	950
Net pension liability	108,886	38,880	24,675	15,484	187,925	8,364
Total non-current liabilities	719,606	253,247	436,093	77,357	1,486,303	46,668
Total liabilities	770,243	268,995	462,217	86,215	1,587,670	58,808
Deferred Inflows of Resources						
Regulatory charges	-	773	16,426	-	17,199	-
Change in derivative values	-	-	-	289	289	-
Pension contributions, changes in assumptions and differences in experience	6,396	2,585	1,915	1,265	12,161	495
OPEB contributions, changes in assumptions and differences in experience	296	112	76	71	555	36
Total deferred inflows of resources	6,692	3,470	18,417	1,625	30,204	531
Net Position						
Net investment in capital assets	267,230	291,562	148,839	92,596	800,227	7,305
Restricted for debt service	16,691	6,186	21,142	-	44,019	-
Restricted for landfill capping	-	-	-	1,118	1,118	-
Restricted for programs and regulatory requirements	32,215	1,981	1,384	-	35,580	-
Unrestricted	189,276	5,349	46,821	(42,303)	199,143	(23,975)
Total net position (deficit)	$ 505,412	$ 305,078	$ 218,186	$ 51,411	$ 1,080,087	$ (16,670)

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

City of Riverside
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2018
(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	$ 364,516	$ 66,828	$ 65,081	$ 47,739	$ 544,164	$ 24,773
Operating expenses:						
Personnel services	57,626	17,027	11,903	10,198	96,754	5,596
Contractual services	7,333	2,828	1,721	12,969	24,851	656
Maintenance and operation	197,496	9,633	8,567	7,856	223,552	2,740
General	10,958	14,268	4,591	15,396	45,213	3,056
Materials and supplies	1,027	777	3,876	1,412	7,092	265
Claims/Insurance	907	399	855	423	2,584	14,733
Depreciation and amortization	33,585	14,914	13,621	4,916	67,036	1,091
Total operating expenses	308,932	59,846	45,134	53,170	467,082	28,137
Operating income (loss)	55,584	6,982	19,947	(5,431)	77,082	(3,364)
Non-operating revenues (expenses):						
Operating grants	-	-	-	3,374	3,374	-
Interest income	2,567	250	1,071	51	3,939	150
Other	6,829	2,803	21	1,157	10,810	434
Gain (loss) on retirement of capital assets	579	177	(12)	(236)	508	97
Capital improvement fees	-	-	1,583	-	1,583	-
Interest expense and fiscal charges	(24,129)	(8,435)	(9,002)	(2,054)	(43,620)	(36)
Total non-operating revenues (expenses)	(14,154)	(5,205)	(6,339)	2,292	(23,406)	645
Income (loss) before capital contributions and transfers	41,430	1,777	13,608	(3,139)	53,676	(2,719)
Cash capital contributions	3,170	2,975	32	2,562	8,739	-
Noncash capital contributions	17,012	1,206	-	-	18,218	-
Transfers in	-	-	-	10,436	10,436	5,000
Transfers out	(40,073)	(6,173)	(900)	(4,749)	(51,895)	-
Change in net position	21,539	(215)	12,740	5,110	39,174	2,281
Net position (deficit) - beginning	484,201	305,418	205,531	46,380	1,041,530	(18,914)
Prior period adjustment	(328)	(125)	(85)	(79)	(617)	(37)
Net position - beginning	483,873	305,293	205,446	46,301	1,040,913	(18,951)
Net position (deficit) - ending	$ 505,412	$ 305,078	$ 218,186	$ 51,411	$ 1,080,087	$ (16,670)

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

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2018
(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	$ 366,925	$ 67,434	$ 64,244	$ 46,963	$ 545,566	$ 24,921
Cash paid to employees for services	(66,007)	(23,789)	(9,751)	(8,923)	(108,470)	(3,553)
Cash paid to other suppliers of goods or services	(204,412)	(16,731)	(22,001)	(37,808)	(280,952)	(21,788)
Other receipts	6,829	1,566	27	1,582	10,004	434
Net cash provided by operating activities	103,335	28,480	32,519	1,814	166,148	14
Cash flows from noncapital financing activities:						
Transfers in	-	-	-	10,142	10,142	5,000
Transfers out	(40,073)	(6,173)	(900)	(4,749)	(51,895)	-
Operating grants	-	-	-	3,374	3,374	-
Receipts (payments) on interfund advances	316	(53)	994	(82)	1,175	969
Payments on pension obligation bonds	(1,894)	(683)	(435)	(418)	(3,430)	(137)
Net cash (used) provided by noncapital financing activities	(41,651)	(6,909)	(341)	8,267	(40,634)	5,832
Cash flows from capital and related financing activities:						
Purchase of capital assets	(27,460)	(27,824)	(15,106)	(2,978)	(73,368)	(762)
Proceeds from the sale of capital assets	671	177	-	92	940	97
Principal payment on bond defeasance	(11,005)	-	-	-	(11,005)	-
Principal paid on long-term obligations	(14,602)	(5,626)	(9,945)	(2,852)	(33,025)	-
Interest paid on long-term obligations	(25,894)	(8,320)	(18,707)	(2,054)	(54,975)	(36)
Capital improvement fees	-	-	1,583	-	1,583	-
Capital lease proceeds	-	-	-	-	-	-
Contributions	3,154	3,806	32	2,562	9,554	-
Net cash (used) for capital and related financing activities	(75,136)	(37,787)	(42,143)	(5,230)	(160,296)	(701)
Cash flows from investing activities:						
Sale and (purchase) of investments	13,895	-	(78)	(15)	13,802	(32)
Interest from investments	2,442	290	1,071	51	3,854	150
Net cash provided by investing activities	16,337	290	993	36	17,656	118
Net change in cash and cash equivalents	2,885	(15,926)	(8,972)	4,887	(17,126)	5,263
Cash and cash equivalents, beginning (including $47,133 for Electric, $10,653 for Water, $87,895 for Sewer and $1,738 for Other Enterprise Funds in restricted accounts.)	302,629	74,156	149,836	8,166	534,787	18,521
Cash and cash equivalents, ending (including $48,359 for Electric, $10,766 for Water, $51,488 for Sewer and $1,118 for Other Enterprise Funds in restricted accounts.)	$ 305,514	$ 58,230	$ 140,864	$ 13,053	$ 517,661	$ 23,784

Continued

City of Riverside
Proprietary Funds
Statement of Cash Flows
For the fiscal year ended June 30, 2018
(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 (used) provided by operating activities:						
Operating income (loss)	$ 55,584	$ 6,982	$ 19,947	$ (5,431)	$ 77,082	$ (3,364)
Other nonoperating items	6,829	1,566	21	1,157	9,573	434
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:						
Depreciation and amortization	33,585	14,914	13,621	4,916	67,036	1,091
Changes in assets, liabilities and deferred inflows/outflows of resources:						
Utility billed receivable	701	96	(565)	(62)	170	-
Utility unbilled receivable	1,553	149	(112)	(10)	1,580	-
Accounts receivable	420	228	262	(1,152)	(242)	(27)
Intergovernmental receivable	(25)	238	(422)	448	239	175
Inventory	-	-	(168)	(52)	(220)	(284)
Prepaid and deposit items	(1,758)	(74)	19	(619)	(2,432)	-
Benefit programs receivable	46	(46)	-	-	-	-
Regulatory assets	-	-	71	407	478	-
Derivative instruments	-	-	-	(299)	(299)	-
Accounts payable	307	710	(2,438)	877	(544)	(67)
Accrued payroll	201	76	45	33	355	20
Retainage payable	61	240	196	15	512	13
Other payables	93	47	97	37	274	(4)
Deposits payable	401	61	-	579	1,041	-
Regulatory liability	-	-	-	28	28	-
Landfill capping	-	-	-	(620)	(620)	-
Claims and judgments	-	-	-	-	-	1,287
Change in derivative values	-	-	-	289	289	-
Net pension liability and related changes in deferred outflows and inflows of resources	9,056	3,149	1,913	1,182	15,300	694
Net OPEB liability and related changes in deferred outflows and inflows of resources	378	144	97	91	710	46
Deferred regulatory charges	-	-	(65)	-	(65)	-
Decommissioning liability	(4,097)	-	-	-	(4,097)	-
Net cash provided by operating activities	$ 103,335	$ 28,480	$ 32,519	$ 1,814	$ 166,148	$ 14
Schedule of noncash financing and investing activities:						
Capital contributions	$ 17,012	$ 1,206	$ -	$ -	$ 18,218	$ -
Capital assets - transfer from governmental activities	-	-	-	39,487	39,487	-
Loss on retirement of capital assets	-	-	(12)	(236)	(248)	-
Payment on note payable including interest offset by rent credit	-	1,237	-	-	1,237	-
Well relocation with note payable	-	4,100	-	-	4,100	-
Note payable and derivative swap - transfer from governmental activities	-	-	-	(39,193)	(39,193)	
Decrease in fair value of investments	(79)	-	-	-	(79)	-

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

City of Riverside
Statement of Net Position/(Deficit)
Fiduciary Funds
June 30, 2018
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund	Agency Fund
Assets		
Cash and investments	$ 35,445	$ 3,309
Cash and investments at fiscal agent	12,214	4,688
Receivables:		
Interest	110	10
Accounts	143	-
Notes	2,670	-
Direct financing lease receivable	15,150	-
Deposits	2	-
Property tax receivables	-	81
Land and improvements held for resale	9,275	-
Capital assets:		
Land	185	-
Total assets	75,194	8,088
Liabilities		
Accounts payable	39	1
Accrued interest	3,860	-
Advances from other funds	7,554	-
Bonds payable	207,359	-
Pension obligation bonds payable	554	-
Notes payable	4,338	-
Held for bond holders	-	8,087
Total liabilities	223,704	8,088
Deferred Inflows of Resources		
Deferred charge on refunding	1,148	-
Total deferred inflows of resources	1,148	-
Net Position/(Deficit)		
Held by Successor Agency	(149,658)	-
Total net position/(deficit)	$ (149,658)	$ -

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

City of Riverside
Statement of Changes in Net Position/(Deficit)
Fiduciary Fund - Private-Purpose Trust Fund
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Successor Agency Private-Purpose Trust Fund
Additions	
Property tax revenue	$ 24,230
Rental and investment income	641
Miscellaneous	69
Total additions	24,940
Deductions	
Professional services and other deductions	2,560
Redevelopment projects	1,015
Interest expense	9,497
Total deductions	13,072
Change in Net Position/(Deficit)	11,868
Net position/(deficit) - beginning	(161,526)
Net position/(deficit) - ending	$ (149,658)

The notes to basic 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

The 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 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. The Housing Authority's activity has been combined with that of the primary government because City Council members serve as the Housing Authority's commissioners and because the City is financially accountable and operationally responsible for all matters.

Riverside Public Financing Authority (Public Financing Authority) was organized in December 1987 by the City and the Redevelopment Agency. Pursuant to Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies were dissolved effective February 1, 2012. Subsequently, the City became the Successor Agency to the Redevelopment Agency. The Parking Authority of the City of Riverside was added as an additional member of the Public Financing Authority on August 14, 2012. The Public Financing Authority's activity has been combined with that of the primary government because City Council members serve as the Public Financing Authority's board members and because the Public Financing Authority exclusively provides financing assistance to the primary government. The City is also financially accountable and operationally responsible for all 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. The activity of the Municipal Improvements Corporation has been combined with that of the primary government because three members of the City Council serve as the Municipal Improvements Corporation's directors and because the Municipal Improvements Corporation exists to serve exclusively the primary government. The City is financially accountable and operationally responsible for all matters.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is a separate legal entity, which was formed to hold the assets and liabilities of the former Redevelopment Agency pursuant to City Council actions taken on March 15, 2011 and January 10, 2012. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City of Riverside as Successor Agency of the former Redevelopment Agency. The nature and significance of the relationship between the City and the Successor Agency is such that it would be misleading to exclude the Successor Agency from the City's financial statements. The Successor Agency is presented herein in the City's fiduciary funds as a private-purpose trust fund.

Complete financial statements are prepared for the Riverside Public Financing Authority and the Successor Agency to the Redevelopment Agency of the City of Riverside, which can be obtained from the City's Finance Department, 3900 Main Street, Riverside, California, 92522 or online at www.riversideca.gov.

B. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary 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 net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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, proprietary and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and 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.

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. Revenues are considered to be available if they are generally collected within 60 days after year end, except for revenue associated with neglected property abatement which is eleven (11) months and except for grant revenue, including reimbursement received from Transportation Uniform Mitigation Fees, which is six (6) months. 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 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.

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 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 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 self-insurance, central stores and central garage on a cost reimbursement basis.

Fiduciary funds include private-purpose trust and agency funds. The private-purpose trust fund accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor

Agency Trust. The agency 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 position on the Statement of Net Position includes $1.5 million of permanent fund principal which are considered nonexpendable.

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 Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach.

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 except for investments in investment contracts which are recorded at contract 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 long-term indebtedness, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Restricted cash and investments also include cash set aside for nuclear decommissioning, public benefit programs, regulatory requirements and rate stabilization because their use is legally restricted to a specific purpose. Unspent proceeds received from the City's landfill capping surcharge are also recorded as restricted assets.

F. Allowance for Doubtful Accounts

Management determines the allowance for doubtful accounts by analyzing customer accounts for all balances over 60 days old. The allowance for doubtful accounts is then adjusted at fiscal year-end based on the amount equal to the annual uncollectible accounts. Utility customer closed accounts are written off when deemed uncollectible. Recoveries to utility customer receivables previously written off are recorded when received. For non-utility accounts receivables, delinquent notices after 60 days are sent to customers with outstanding balances. After 120 days, accounts still outstanding are referred to the City's collection agency. As of June 30, 2018, the City had an allowance for doubtful account balance of $6,768.

G. Land and Improvements Held for Resale

Land and improvements held for resale were generally acquired for future development projects. The properties are carried at the lower of cost or net realizable value.

H. Inventory

Supplies are valued at cost using the average-cost method. Costs are charged to user departments when consumed rather than when purchased.

I. Prepaid Items

Payments to vendors for services benefiting future periods are recorded as prepaid items and expenditures are recognized when items are consumed.

For the year ended June 30, 2018 (amounts expressed in thousands)

J. 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 activities and business-type activities of the government-wide financial statements and in the proprietary funds and the fiduciary private-purpose trust fund statements of net position. 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. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed for proprietary funds. For the year ended June 30, 2018, business-type activities capitalized net interest costs of $12,054 in the government-wide financial statements. Total interest expense incurred by the business-type activities before capitalization was $55,301.

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. Estimated useful lives used to compute depreciation are as follows:

Buildings and Improvements	30-50 years
Improvements other than Buildings	20-99 years
Intangibles - Depreciable	3-15 years
Machinery and Equipment	3-15 years
Infrastructure	20-100 years

K. 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, 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.

L. Derivative Instruments

The City's derivative instruments are accounted for in accordance with Government Accounting Standards Board Statement No. 53 (GASB 53), *Accounting and Financial Reporting for Derivative Instruments*, which requires the City to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are reported as deferrals in the statements of net position.

The City uses derivative instruments to hedge its exposure to changing interest rates through the use of interest rate swaps. The City had debt that was layered with "synthetic fixed rate" swaps, which was refunded in 2008 and 2011. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the statement of net position. See Note 9 for further discussion related to the City's interest rate swaps.

Various transactions permitted in the Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights. The City has determined that all of its contracts including congestion revenue rights fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

M. Long-Term Obligations

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities columns in the government-wide financial statements and in the proprietary funds and fiduciary private-purpose trust fund statements of net position. Bond premiums and discounts are deferred 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 has established trust accounts to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Based on the most recent site specific cost estimate as of September 2014, submitted by Southern California Edison (SCE) and accepted by the Nuclear Regulatory Commission (NRC), the Electric Utility has fully funded the San Onofre Nuclear Generating Station ("SONGS") decommissioning liability.

The Electric Utility has set aside $57,154 in cash investments with the trustee and $8,245 in an internally designated decommissioning reserve as the Electric Utility's estimated share of the decommissioning cost of SONGS as of June 30, 2018. With the recent retirement of SONGS units 2 and 3, there is much uncertainty as to future unknown costs to decommission SONGS. Although management believes the current cost estimate is the upper bound of decommissioning obligations, the Electric Utility has conservatively decided to continue to set aside $1,581 per year in an unrestricted designated cash reserve for unexpected costs not contemplated in the current estimates.

On February 23, 2016, the City Council adopted a resolution authorizing the commencement of SONGS decommissioning effective June 7, 2013. This resolution allows the Electric Utility to access the decommissioning trust funds to pay for its share of decommissioning costs. As of June 30, 2018, the Electric Utility has paid to date $23,512 in decommissioning obligations, all of which have been reimbursed by the trust funds.

The plant site easement at San Onofre terminates May 2024. The plant must be decommissioned and the site restored by the time the easement terminates.

N. 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 self-insurance internal service fund. As of June 30, 2018, the City had an obligation related to claims and judgments which is reflected as a liability on the government-wide statements and is more fully described in Note 7.

O. Fund Equity

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, and notes receivable, unless the proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.
- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that can only be used for specific purposes due to formal action of the City Council through adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The City Council approved the General Fund Reserve Policy setting a 10% minimum in the Emergency Reserve and 5% in the Contingency Reserve with an aspirational goal of 15% in the Emergency Reserve. The Emergency Reserve was established for the purpose of addressing any extremely unusual and infrequent occurrences, such as a major natural disaster or a major unforeseen settlement. Utilization of the Emergency Reserve requires declaration of an emergency by a two-thirds majority of the City Council, and specification of the maximum dollar amount to be used. The Contingency Reserve was established for the purpose of providing a "bridge" to facilitate a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget reductions without the time for proper evaluation. Utilization of the Contingency Reserve, including

specification of the maximum dollar amount to be used, requires approval by a two-thirds majority of the City Council. The reserves committed at June 30, 2018 were calculated utilizing fiscal year 2018-2019 adopted General Fund expenditure budget of $269,000.

- Assigned fund balance reflects the City's intended use of resources. Intent can be expressed by the City Council or by an official to which the City Council delegates the authority. On February 22, 2011, the City Council approved a policy whereby the authority to assign fund balance was delegated to the City's chief financial officer, which authorized the assignment of fund balance for specific programs or purposes in accordance with City Council directives. The City also uses budget and finance policy to authorize the assignment of fund balance, which is done through the adoption of the budget and subsequent budget amendments throughout the year.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the City's policy is to use restricted amounts before unrestricted amounts. Within unrestricted resources, committed resources are used first followed by assigned resources, and finally unassigned resources.

P. Net Position

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the related acquisition, construction or improvement of those assets excluding unspent debt proceeds. Restricted net position represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded 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.

Q. 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 advances and, for governmental fund types, are equally offset by nonspendable fund balance to indicate that the receivable is not in spendable form.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

R. Unearned Revenue

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.

S. Unavailable Revenue

Unavailable revenue arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

T. Deferred Outflows and Deferred Inflows of Resources

When applicable, the statement of net position and the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore will not be recognized as an expense or expenditure until that time.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are *not* recognized as an inflow of resources (revenue) until that time.

U. Regulatory Assets and Deferred Regulatory Charges

In accordance with GASB Statement No. 62, enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the City is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges have been recorded in the Electric, Sewer and Refuse funds.

V. 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.

Property taxes are calculated on assessed values as of January 1 for the ensuing fiscal year. On January 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 after December 10. The second installment is due February 1 and is delinquent after April 10. The City generally accrues only those taxes, which are received within sixty days after the year-end. Under the Teeter plan, the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

W. 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.

X. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Riverside California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Y. Other Post Employment Benefit (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The net OPEB liability is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust. In order to improve the financial reporting of these benefits, the City has implemented GASB 75, which is explained in detail under *New Accounting Pronouncements.*

Z. New Accounting Pronouncements

Effective July 1, 2017, the accompanying financial statements reflect the implementation of Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.* The primary objective of GASB 75 is to improve financial reporting by state and local governments in regards to postemployment benefits other than pensions (OPEB). These improvements provide users of financial statement decision-useful information, supports assessments of accountability and interperiod equity, and creates additional transparency. GASB 75 accomplishes this by requiring recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, along with new note disclosures and required supplementary information. The City implemented this Statement which resulted in a restatement of beginning net position by $1,618, recognition of deferred inflow of resources of $1,459, establishment of a net OPEB liability of $36,786, and additional disclosures (Note 15).

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.

For the year ended June 30, 2018 (amounts expressed in thousands)

Biannually, during the period December through February, department heads prepare estimates of required appropriations for the following two-year budget cycle. 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 budget cycle. 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	$ 630,336
Investments at fiscal agent	146,488
	776,824
Cash on hand and deposits with financial institutions	46,798
	$ 823,622

The amounts are reflected in the statements of net position of the government-wide and fiduciary fund financial statements:

Cash and investments	$ 572,910
Restricted cash and cash equivalents	58,928
Restricted cash and investments at fiscal agent	136,128
Total per statement of net position	767,966
Fiduciary fund cash and investments	38,754
Fiduciary fund cash and investments with fiscal agent	16,902
	$ 823,622

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.

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
Local Agency Investment Fund (State Pool)	N/A	100%
Money Market Funds	N/A	20%
Mutual Funds	N/A	20%
Joint Powers Authority Pools	N/A	N/A
Corporate Medium Term Notes	5 Years	30%
Municipal Bonds	5 Years	30%
Negotiable Certificates of Deposit	5 Years	30%
Mortgage Pass-Through and Asset-Backed Securities	5 Years	20%
Certificates of Deposit Placement Services	5 Years	30%
Collateralized Time Deposits	5 Years	30%
Federally Insured Time Deposits	5 Years	30%
Supranational Securities	5 Years	15%
Federal Agency Securities	5 Years	N/A

For the year ended June 30, 2018 (amounts expressed in thousands)

U.S. Treasury Notes/Bonds	5 Years	N/A
Repurchase Agreements	1 Year	N/A
Commercial Paper of "prime" quality	270 Days	25%
Bankers' Acceptances	180 Days	10%
Reverse Repurchase Agreements	92 Days	20%

Investments in Corporate Medium Term Notes may be invested in securities rated "A" or better by at least two nationally recognized statistical rating agencies. No more than 5% of the market value of the portfolio may be invested in any single issuer.

Investments in Negotiable Certificates of Deposit exceeding federal deposit insurance limits shall be issued by institutions which have long-term debt obligations rated "A" (or the equivalent) or better and short-term debt obligations, if any, rated "A1" (or the equivalent) or better by at least two nationally recognized statistical rating agencies. No more than 5% of the market value of the portfolio may be invested in any single issuer of negotiable or non-negotiable certificates of deposit.

Investments in Commercial Paper may be invested in securities rated "A1" (or the equivalent) or higher by at least one nationally recognized statistical rating agency. In addition, debt other than Commercial Paper, if any, issued by corporations in this category must be rated at least "A" (or the equivalent) or better by at least one nationally recognized statistical rating agency. No more than 5% of the market value of the portfolio may be invested in any single issuer. For purposes of this issuer limitation, holdings of Commercial Paper shall be combined with holdings of Corporate Medium-Term Notes. No more than 25% of the total market value of the portfolio may be invested in Commercial Paper. No more than 10% of the outstanding Commercial Paper of any single issuer may be purchased.

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 AA or higher at the time of purchase
- Investments in money market funds rated in the single highest classification, except for certain debt proceeds which have no minimum rating requirement
- 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 Fair Value Measurement and Application

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The levels of valuation inputs are as follows:

Level 1 – Quoted prices for identical assets or liabilities in an active market
Level 2 – Observable inputs other than quoted market prices; and
Level 3 – Unobservable inputs

The City has the following recurring fair value measurements as of June 30, 2018:

For the year ended June 30, 2018 (amounts expressed in thousands)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	$ 148,627	$ -	$ 148,627	$ -
Federal Agency Securities	7,938	-	7,938	-
U.S. Treasury Notes/Bonds	301,172	-	301,172	-
Corp. Medium Term Notes	35,839	-	35,839	-
Negotiable Certificates of Deposits	7,394	-	7,394	-
Held by Fiscal Agent				
Money Market Funds	11,025	-	11,025	-
Commercial Paper	662	-	662	-
U.S. Treasury Notes/Bonds	66,050	-	66,050	-
Federal Agency Securities	1,691	-	1,691	-
Corp. Medium Term Notes	16,649	-	16,649	-
Total	597,047	$ -	$ 597,047	$ -
Investments not subject to fair value hierarchy:				
State Investment Pool	169,016			
Investment Contracts	10,761			
Total Investments	$ 776,824			

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)			
	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Money Market Funds	$ 148,627	$ 148,627	$ -	$ -	$ -
Federal Agency Securities	7,938	-	-	7,938	-
U.S. Treasury Notes/Bonds	301,172	40,693	140,724	119,755	-
Corp. Medium Term Notes	35,839	8,488	14,870	12,481	-
State Investment Pool	129,366	129,366	-	-	-
Negotiable Certificates of Deposit	7,394	4,460	984	1,950	-
Held by Fiscal Agent					
Money Market Funds	11,025	11,025	-	-	-
State Investment Pool	39,650	39,650	-	-	-
Investment Contracts	10,761	-	-	-	10,761
Commercial Paper	662	662	-	-	-
U.S. Treasury Notes/Bonds	66,050	30,698	8,890	26,462	-
Federal Agency Securities	1,691	1,332	-	359	-
Corp. Medium Term Notes	16,649	10,303	3,379	2,967	-
Total	$ 776,824	$ 425,304	$ 168,847	$ 171,912	$ 10,761

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				
	Total	AAA	AA	A	BBB	Unrated
Money Market Funds	$ 148,627	$ -	$ 143,510	$ 5,117	$ -	$ -
Federal Agency Securities	7,938	7,938	-	-	-	-
U.S. Treasury Notes/Bonds	301,172	301,172	-	-	-	-
Corp. Medium Term Notes	35,839	-	35,839	-	-	-
State Investment Pool	129,366	-	-	-	-	129,366
Negotiable Certificates of Deposits	7,394	-	-	-	-	7,394
Held by Fiscal Agent						
Money Market Funds	11,025	7,840	-	3,185	-	-
State Investment Pool	39,650	-	-	-	-	39,650
Investment Contracts	10,761	-	10,761	-	-	-
Commercial Paper	662	-	-	662	-	-
U.S. Treasury Notes/Bonds	66,050	66,050	-	-	-	-
Federal Agency Securities	1,691	1,691	-	-	-	-
Corp. Medium Term Notes	16,649	2,880	2,967	3,379	7,423	-
Total	$ 776,824	$ 387,571	$ 193,077	$ 12,343	$ 7,423	$ 176,410

For the year ended June 30, 2018 (amounts expressed in thousands)

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. For fiscal year ended June 30, 2018, the City did not have any 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.

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.

The pledge to secure deposits is administered by the California Commissioner of Business Oversight. Collateral is required for demand deposits at 110% of all deposits not covered by federal depository insurance (FDIC) if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the City. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however the trust department of the same institution may hold them.

Written custodial agreements are required to provide, among other things, that the collateral securities are held separate from the assets of the custodial institution.

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. Direct Financing Lease Receivable

The former Redevelopment Agency had a direct financing lease arrangement with the State of California (the State) for a twelve-story office building, which was transferred to the Successor Agency. 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 on the related lease revenue bonds issued by the former Redevelopment Agency for the purchase and renovation of the building. The future minimum lease payments to be received are as follows:

Fiscal Year		
2019	$	2,625
2020		2,659
2021		2,692
2022		2,724
2023		2,759
Thereafter		5,609
Total Due		19,068
Less: Amount applicable to interest		(3,918)
Total direct financing lease receivable	$	15,150

For the year ended June 30, 2018 (amounts expressed in thousands)

5. Capital Assets

The following is a summary of changes in the capital assets during the fiscal year ended June 30, 2018.

Governmental activities:	Beginning Balance	Additons/ Transfers In	Deletions/ Transfers Out	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land	$ 343,918	$ 1,091	$ (1,987)	$ -	$ 343,022
Construction in progress	44,310	24,584	-	-	68,894
Total capital assets not depreciated	388,228	25,675	(1,987)	-	411,916
Capital assets being depreciated:					
Buildings	183,641	453	-	-	184,094
Improvements other than buildings	314,404	2,367	-	(44,201)	272,570
Machinery and equipment	89,501	6,352	(2,826)	(386)	92,641
Intangibles, depreciable	219	-	-	-	219
Infrastructure	1,013,776	16,838	(10,772)	-	1,019,842
Total capital assets being depreciated	1,601,541	26,010	(13,598)	(44,587)	1,569,366
Less accumulated depreciation for:					
Buildings	(68,554)	(4,738)	-	-	(73,292)
Improvements other than buildings	(116,922)	(12,060)	-	2,755	(126,227)
Machinery and equipment	(66,530)	(5,900)	2,766	193	(69,471)
Intangibles, depreciable	(88)	(44)	-	-	(132)
Infrastructure	(381,397)	(25,197)	233	-	(406,361)
Total accumulated depreciation	(633,491)	(47,939)	2,999	2,948	(675,483)
Total capital assets being depreciated, net	968,050	(21,929)	(10,599)	(41,639)	893,883
Governmental activities capital assets, net	$ 1,356,278	$ 3,746	$ (12,586)	$ (41,639)	$ 1,305,799

Business-type activities:	Beginning Balance	Additons/ Transfers In	Deletions/ Transfers Out	Reclassifications	Ending Balance
Capital assets, not depreciated:					
Land	$ 80,246	$ 14,654	$ -	$ -	$ 94,900
Intangibles, non-depreciable	21,492	-	-	-	21,492
Construction in progress	80,934	69,647	(48,002)	-	102,579
Total capital assets not depreciated	182,672	84,301	(48,002)	-	218,971
Capital assets being depreciated:					
Buildings	606,984	8,256	(39)	-	615,201
Improvements other than buildings	1,695,979	57,003	(2,088)	44,201	1,795,095
Machinery and equipment	96,617	3,550	(2,464)	386	98,089
Intangibles, depreciable	24,597	1,016	-	-	25,613
Total capital assets being depreciated	2,424,177	69,825	(4,591)	44,587	2,533,998
Less accumulated depreciation for:					
Buildings	(135,847)	(13,134)	39	-	(148,942)
Improvements other than buildings	(572,788)	(43,883)	1,996	(2,755)	(617,430)
Machinery and equipment	(59,537)	(6,664)	2,193	(193)	(64,201)
Intangibles, depreciable	(4,670)	(2,951)		-	(7,621)
Total accumulated depreciation	(772,842)	(66,632)	4,228	(2,948)	(838,194)
Total capital assets being depreciated, net	1,651,335	3,193	(363)	41,639	1,695,804
Business-type activities capital assets, net	$ 1,834,007	$ 87,494	$ (48,365)	$ 41,639	$ 1,914,775

Depreciation expense was charged to various functions as follows:

Governmental activities:	
General government	$ 5,394
Public safety	5,667
Highway and streets, including general infrastructure	25,951
Culture and recreation	10,927
Total depreciation expense - governmental activities	$ 47,939

Business-type activities:	
Electric	$ 33,585
Water	14,914
Sewer	13,621
Entertainment	975
Airport	693
Refuse	1,138
Transportation	714
Public Parking	992
Total depreciation expense - business-type activities	$ 66,632

6. Long-Term Obligations

Changes in Long-Term Obligations: Below is a summary of changes in long-term obligations during the fiscal year:

Governmental activities:	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
General obligations bond	$ 11,513	$ -	$ -	$ (1,125)	$ 10,388	$ 1,195
Pension obligation bonds	92,592	-	(22,210)	(9,499)	60,883	10,435
Certificates of participation	156,516	-	-	(5,716)	150,800	5,825
Lease revenue bonds	37,854	-	-	(1,608)	36,246	1,560
Loan payable	41,325	-	(39,174)	(405)	1,746	417
Capital leases	17,193	14,500	(2,152)	(3,894)	25,647	4,284
Compensated absences	22,790	16,167	-	(13,972)	24,985	15,306
Claims liability	44,945	13,690	-	(12,403)	46,232	9,872
	$ 424,728	$ 44,357	$ (63,536)	$ (48,622)	$ 356,927	$ 48,894

For the year ended June 30, 2018 (amounts expressed in thousands)

Business-type activities:	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 1,180,345	$ -	$ -	$ (40,481)	$ 1,139,864	$ 33,595
Pension obligation bonds	-	-	21,656	(3,332)	18,324	3,550
Notes payable	35,255	8,600	39,174	(4,446)	78,583	4,910
Capital leases	6,209	-	2,152	(1,540)	6,821	1,568
Water stock acquisition rights	938	-	-	-	938	150
Landfill capping	5,390	-	-	(620)	4,770	250
Compensated absences	8,279	7,714	-	(7,397)	8,596	7,671
	$ 1,236,416	$ 16,314	$ 62,982	$ (57,816)	$ 1,257,896	$ 51,694

Governmental activities:

General Obligation Bonds – Governmental Activities:	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.	$ 10,280
Add: Unamortized bond premium	108
Total General Obligation Bonds	$10,388

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
2019	$ 1,195	$ 492	$ 1,687
2020	1,290	436	1,726
2021	1,380	373	1,753
2022	1,475	306	1,781
2023	1,560	229	1,789
2024-2028	3,380	189	3,569
Premium	108	-	108
Total	$ 10,388	$ 2,025	$ 12,413

Pension Obligation Bonds – Governmental Activities: Principal Outstanding

In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.

	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.	$ 44,400
$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; $3,122 relates to Governmental Activities.	3,122
$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from $2,910 to $3,580 through June 1, 2027; $13,704 relates to Governmental Activities.	13,704
Subtotal	61,226
Less: Bond Discount	(343)
Total Pension Obligation Bonds – Governmental Activities	$60,883

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
2019	$ 10,435	$ 3,126	$ 13,561
2020	10,675	2,591	13,266
2021	10,280	2,030	12,310
2022	11,226	1,478	12,704
2023	12,247	867	13,114
2024-2028	6,363	504	6,867
Discount	(343)	-	(343)
Total	$ 60,883	$ 10,596	$ 71,479

For the year ended June 30, 2018 (amounts expressed in thousands)

Certificates of Participation – Governmental Activities:	Principal Outstanding
$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.	$16,485
$128,300 2008 Riverside Renaissance Certificates of Participation; issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.4%. For information on the swap agreement see Note 9. Due in annual installments from $2,900 to $7,200 through March 1, 2037.	102,000
$35,235 2013 Pavement Rehab Certificates of Participation; 4.0% to 5.0%, due in annual installments from $1,285 to $2,855 through June 1, 2033.	31,220
Subtotal	149,705
Plus: Unamortized bond premium	1,095
Total Certificates of Participation	$150,800

Remaining certificates of participation debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 5,825	$ 5,694	$ 11,519
2020	6,120	5,468	11,588
2021	6,420	5,232	11,652
2022	6,625	4,984	11,609
2023	6,835	4,728	11,563
2024-2028	38,680	19,367	58,047
2029-2033	47,065	11,178	58,243
2034-2038	32,135	2,601	34,736
Premium	1,095	-	1,095
Total	$ 150,800	$ 59,252	$ 210,052

Lease Revenue Bonds – Governmental Activities:	Principal Outstanding
On August 15, 2012, the City issued the Series 2012A Lease Revenue Refunding Bonds in the amount of $41,240. The bonds were issued to refinance the 2003 Certificates of Participation. Interest on the bonds is payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2013. The rate of interest varies from 2% to 5% per annum depending on maturity date. Principal is payable in annual installments ranging from $1,295 to $2,840 commencing November 1, 2013 and ending November 1, 2033.	$34,340
Add: Unamortized bond premium	1,906
Total Lease Revenue Bonds – Governmental Activities	$36,246

Remaining lease revenue bond debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 1,560	$ 1,511	$ 3,071
2020	1,640	1,432	3,072
2021	1,725	1,347	3,072
2022	1,810	1,259	3,069
2023	1,905	1,166	3,071
2024-2028	10,230	4,518	14,748
2029-2033	12,630	1,921	14,551
2034-2038	2,840	57	2,897
Premium	1,906	-	1,906
Total	$ 36,246	$ 13,211	$ 49,457

Loans Payable – Governmental Activities:	Principal Outstanding
2012 financing arrangement in the amount of $4,000 for the construction of Ryan Bonaminio Park at the Tequesquite Arroyo. The debt will be paid with resources from the General Fund in semi-annual debt service payments of approximately $468 per year over a	

For the year ended June 30, 2018 (amounts expressed in thousands)

10 year period, which includes interest at an annualized rate of 3.05%.	$1,746

Remaining loans payable debt service payments will be made from unrestricted revenues of the debt service fund. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 417	$ 50	$ 467
2020	430	37	467
2021	443	24	467
2022	456	11	467
Total	$ 1,746	$ 122	$ 1,868

Business-type activities:

The following debt has been issued for the purpose of generating capital resources for use in acquiring or constructing municipal facilities or infrastructure projects.

Long-Term Obligations at June 30, 2018:

Revenue Bonds:	Principal Outstanding
Electric	
$141,840 2008 Electric Refunding/Revenue Bonds; Series A & C. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.1% and 3.2% for the Series A & C bonds, respectively. See Note 9 for information on the swap agreements. Bonds are due in annual installments from $700 to $7,835 through October 1, 2035.	$112,515
$209,740 2008 Electric Revenue Bonds; Series D fixed rate bonds, 3.6% to 5.0%, due in annual installments from $3,460 to $22,540 through October 1, 2038. In May 2018, the Electric Fund defeased $11,005 of the total outstanding $206,280 of 2008 Electric Revenue Bonds, Series D with monies received from settlements and cost recoveries associated with the early closure of the San Onofre Nuclear Generation Station Units 2 and 3 (SONGS). The partial defeasance related to bond proceeds that funded part of the Steam Generator Replacement Project and other SONGS capital costs. The partial bond defeasance will reduce debt and realized interest savings of $10,233 over the remaining 20-year life of the bonds.	195,275
$34,920 2009 Electric Refunding/Revenue Bonds; Series A fixed rate bonds, 4.0% to 5.0%, due in annual installments from $1,150 to $7,035 through October 1, 2018. The bonds refunded the 1998 series and partially refunded the 2001 series.	1,275
$140,380 2010 Electric Revenue Bonds; Series A and B fixed rate bonds, 3% to 7.65%, due in annual installments from $95 to $33,725 through October 1, 2040.	137,940
$56,450 2011 Electric Revenue Refunding Bonds; Series A. The bonds were issued at a variable rate; however, the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see Note 9. Bonds are due in annual installments from $725 to $5,175 through October 1, 2035.	41,925
$79,080 2013 Electric Revenue Refunding Bonds; Series A fixed rate bonds, 3% to 5.25%, due in annual installments from $795 to $12,685 through October 1, 2043.	39,785
Subtotal	528,715
Add: Unamortized bond premium	6,624
Subtotal	$535,339
Water	
$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.	$55,415
$31,895 2009 Water Refunding/Revenue Bonds; Series A fixed rate bonds, 3.0% to 5.0%, due in annual installments from $2,360 to $4,335 through October 1, 2020. The bonds refunded the 1998 series and partially refunded the 2001 series.	7,255

For the year ended June 30, 2018 (amounts expressed in thousands)

$67,790 2009 Water Revenue Bonds; Series B fixed rate bonds, 5.1% to 6.3%, due in annual installments from $2,475 to $4,985 through October 1, 2039.	67,790
$59,000 2011 Water Refunding/Revenue Bonds; Series A. The bonds were issued at a variable rate; however the City entered into an agreement to convert to a fixed rate of 3.2%. For information on the swap agreements see Note 9. Bonds are due in annual installments from $600 to $3,950 through October 1, 2035.	52,425
Subtotal	182,885
Add: Unamortized bond premium	1,748
Subtotal	$184,633

Sewer

$240,910 2009 Sewer Revenue Bonds; Series A & B fixed rate bonds, 4% to 7.2%, due in annual installments from $5,555 to $13,350 through August 1, 2039.	$195,665
$200,030 2015 Sewer Revenue Bonds; Series A fixed rate bonds, 4% to 5%, due in annual installments from $4,790 to $14,175 through August 1, 2040.	200,030
Subtotal	395,695
Add: Unamortized bond premium	24,197
Subtotal	$419,892
Total Revenue Bonds	$1,139,864

Remaining revenue bond debt service payments will be made from revenues of the Electric, Water and Sewer 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
2019	$ 14,445	$ 23,086	$ 37,531	$ 5,635	$ 7,352	$ 12,987
2020	14,995	22,516	37,511	5,865	7,120	12,985
2021	15,535	21,955	37,490	6,080	6,889	12,969
2022	16,085	21,371	37,456	6,320	6,658	12,978
2023	16,675	20,758	37,433	6,535	6,426	12,961
2024-2028	93,830	92,890	186,720	36,630	28,032	64,662
2029-2033	115,230	70,709	185,939	44,420	20,007	64,427
2034-2038	133,885	42,946	176,831	54,120	10,002	64,122
2039-2043	105,410	9,385	114,795	17,280	595	17,875
2044-2048	2,625	66	2,691	-	-	-
Premium	6,624	-	6,624	1,748	-	1,748
Total	$ 535,339	$ 325,682	$ 861,021	$ 184,633	$ 93,081	$ 277,714

	Sewer Utility Fund		
Fiscal Year	Principal	Interest	Total
2019	$ 13,515	$ 18,488	$ 32,003
2020	14,075	17,929	32,004
2021	10,820	17,372	28,192
2022	11,345	16,844	28,189
2023	11,905	16,289	28,194
2024-2028	68,835	72,128	140,963
2029-2033	87,445	53,517	140,962
2034-2038	111,180	29,779	140,959
2039-2043	66,575	4,339	70,914
Premium	24,197		24,197
Total	$ 419,892	$ 246,685	$ 666,577

Pension Obligation Bonds – Business Type Activities:	Principal Outstanding
In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.	
$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. $3,400 relates to Business Type Activities.	$3,400
$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from	

For the year ended June 30, 2018 (amounts expressed in thousands)

$2,910 to $3,580 through June 1, 2027. $14,924 relates to Business Type Activities.	14,924
Total Pension Obligation Bonds – Business Type Activities	$18,324

Fiscal Year	Principal	Interest	Total
2019	$ 3,550	$ 553	$ 4,103
2020	2,952	432	3,384
2021	1,595	331	1,926
2022	1,629	297	1,926
2023	1,668	256	1,924
2024-2028	6,930	549	7,479
Total	$ 18,324	$ 2,418	$ 20,742

Notes Payable – Enterprise Funds:	Principal Outstanding
Sewer fund loan from State of California for Cogeneration project, 2.336%, payable in net annual installments of $339, beginning January 29, 2003 through January 29, 2021	$ 978
Sewer fund loan from State of California for Headworks project, 1.803%, payable in net annual installments of $477, beginning November 6, 1999 through November 6, 2018	469
Public parking fund loan for Fox Entertainment Plaza project, 3.85%, payable in net annual installments of $1,747, beginning June 16, 2011 through December 16, 2031.	18,256
Notes payable consists of several agreements with Hillwood Enterprises, L.P. (Hillwood) for its development of logistic centers located in the City of San Bernardino. As part of these agreements, the Water fund purchased land from Hillwood and subsequently leased it back to the entity. In addition, the agreements require Hillwood to relocate wells located on the properties as well as terminate an existing lease. In consideration of the cost of the land purchase, well relocations and lease termination, the Water fund will make payments to Hillwood in a form of a credit with Hillwood's rental payments to the Water fund for the first 15 years of the leases.	21,524
On July 19, 2012, the City secured financing in the amount of $41,650 with BBVA Compass Bank for the renovation and expansion of the Riverside Convention Center. In March 2014, the financing arrangement with BBVA was increased to $44,650. The financing consists of an initial 21-month variable rate interest only period during construction that has a swap transaction layered over the remaining 20-year amortization resulting in a "synthetic fixed" rate of 3.24% for 20 of the 22 years. For information on the swap agreement see Note 9. At the end of the construction period, principal and interest are due on the first of each month, with equal payments each year of approximately $2,850.	37,356
Total notes payable – Enterprise Funds	$78,583

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
2019	$ 788	$ 28	$ 816
2020	326	14	340
2021	333	7	340
Total	$ 1,447	$ 49	$ 1,496

Public Parking Fund

Fiscal Year	Principal	Interest	Total
2019	$ 1,054	$ 693	$ 1,747
2020	1,095	652	1,747
2021	1,137	609	1,746
2022	1,182	565	1,747
2023	1,227	519	1,746
2024-2028	6,892	1,842	8,734
2029-2033	5,669	445	6,114
Total	$ 18,256	$ 5,325	$ 23,581

For the year ended June 30, 2018 (amounts expressed in thousands)

Water Fund

Fiscal Year	Principal	Interest	Total
2019	$ 1,202	$ 556	$ 1,758
2020	1,273	524	1,797
2021	1,348	490	1,838
2022	1,428	455	1,883
2023	1,511	415	1,926
2024-2028	8,970	1,389	10,359
2029-2033	5,792	212	6,004
Total	$ 21,524	$ 4,041	$ 25,565

Convention Center

Fiscal Year	Principal	Interest	Total
2019	1,866	1,170	3,036
2020	1,935	1,102	3,037
2021	1,987	1,049	3,036
2022	2,048	989	3,037
2023	2,110	926	3,036
2024-2028	11,561	3,621	15,182
2029-2033	13,459	1,722	15,181
2034-2038	2,390	76	2,466
Total	37,356	10,655	48,011

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	$ 1,103	$ 728
Machinery and equipment	32,493	6,086
Subtotal	33,596	6,814
Less: Accumulated depreciation	(10,817)	(3,024)
Total	$ 22,779	$ 3,790

The future minimum lease obligations as of June 30, 2018 were as follows:

Fiscal Year	Governmental Activities	Business-type Activities
2019	$ 4,821	$ 1,700
2020	3,640	1,687
2021	3,640	1,378
2022	3,640	819
2023	2,808	626
Thereafter	9,478	1,039
Total minimum lease payments	28,027	7,249
Less: Amount representing interest (rates ranging from 1.2% to 9%)	(2,380)	(428)
Total capital lease payable	$ 25,647	$ 6,821

Contracts – Enterprise Funds:	Principal Outstanding
Water stock acquisition rights payable on demand to various water companies	$938

Letters of Credit:

The City's 2008 Certificates of Participation and 2008 Electric Revenue Bonds (Series A and C) require an additional layer of security between the City and the purchaser of the bonds. The City has entered into the following letters of credit ("LOC") in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

Debt Issue	LOC Provider	LOC Expiration Date	Annual Commitment Fee
2008 Certificates of Participation	Bank of America, N.A.	2021	0.400%
2008A Electric Revenue Bonds	Barclays Bank, PLC	2021	0.325%
2008C Electric Revenue Bonds	Barclays Bank, PLC	2021	0.325%

For the year ended June 30, 2018 (amounts expressed in thousands)

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOC that are not repaid will be converted to an installment loan with principal to be paid quarterly not to exceed a 5-year period. The City would be required to pay annual interest equal to the highest of 8.0%, the Prime Rate plus 2.50%, the Federal Funds Rate plus 2.50% and 150% of the yield on the 30-year U.S. Treasury Bond. No amounts have ever been drawn against the three letters of credit due to a failed remarketing. The various indentures allow the City to convert the mode of the debt in the case of a failed remarketing.

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, 2018:

Governmental long-term obligations:	
Certificates of participation	$ 8,771
Total	$ 8,771
Enterprise funds:	
Electric	$ 10,800
Sewer	16,508
Total	$ 27,308

The City has 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.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required)		Annual Debt Service Payments (all of debt secured by this revenue)	Debt Service Coverage Ratio for FY 06/30/18
Electric revenues	$ 110,331	*	$ 40,720	$ 2.71
Water revenues	30,287	*	14,147	2.14
Sewer revenues	37,221	**	28,320	1.31

* Excludes non-cash pension expense
** Includes cash set-aside in a rate stabilization account in accordance with applicable bond covenants.

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.

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, 2018 was 100%. The remaining post closure period is currently 12 years.

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. However, there is the potential for these estimates to change due to inflation, deflation, technology, or change in laws or regulations. The City is recovering such costs in rates charged to its customers. The portion of costs to be recovered through future rates is classified as a regulatory asset and will be amortized over future periods.

7. 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 $100. Earthquake and flood insurance coverage has a limit of $25,000, with a deductible of 5% (subject to $100 minimum) for earthquake and $100 for flood. Workers' compensation insurance coverage has a limit of $25,000, with a self-insured retention of $3,000 per occurrence. The City carries commercial general liability insurance coverage in the amount of $20,000 per occurrence for general and auto liability claims greater than $3,000. 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, 2018 (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 self-insurance fund's claims liability amounts are:

Unpaid claims, June 30, 2016	$	43,269
Incurred claims (including IBNR's)		10,284
Claim payments and adjustments		(8,608)
Unpaid claims, June 30, 2017		44,945
Incurred claims (including IBNR's)		13,690
Claim payments and adjustments		(12,403)
Unpaid claims, June 30, 2018	$	46,232

8. Other Long-Term Obligations

<u>Changes in Long-Term Obligations</u>: Below is a summary of changes in long-term obligations during the fiscal year for the former Redevelopment Agency, which is accounted for in the Successor Agency Trust (a fiduciary fund):

	Beginning Balance	Additions	Reclass	Reductions	Ending Balance	Due Within One Year
Successor Agency Bonds	$ 217,147	$ -	$ -	$ (9,788)	$ 207,359	$ 9,320
Pension obligation bonds	-		554		554	-
Notes Payable	4,728	-	-	(390)	4,338	448
	$ 221,875	$ -	$ 554	$ (10,178)	$ 212,251	$ 9,768

Successor Agency Bonds:	Principal Outstanding
$26,255 State of California Department of General Services Project, 2003 Lease Revenue Refunding Bonds, Series A; 2% to 5% due in annual installments from $545 to $2,230 through Oct. 1, 2024.	12,835
$4,810 State of California Dept. of General Services Project, 2003 Lease Revenue Refunding Bonds, Series B; $310 serial bonds 1.20% to 1.42% through Oct.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.	2,090
$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 through Aug. 1, 2025; $4,980 term bonds at 4.5% due Aug. 1, 2029; $410 term bonds at 4.375% due Aug. 1, 2037.	8,120
$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 Aug. 1, 2017; $10,800 term bonds at 5.8% due Aug. 1, 2028.	10,800
$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 Aug. 1, 2025; $17,955 term bonds at 4.5% due Aug. 1, 2030; $47,775 term bonds at 5.0% due Aug. 1, 2037.	83,885
$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 at 5.24% due Aug. 1, 2017; $28,135 term bonds at 5.89% due Aug. 1, 2032.	28,135

On October 16 2014, the Successor Agency to the Redevelopment Agency of the City of Riverside issued 2014 Subordinate Tax Allocation Refunding Bonds (Series A and B) in the amount of $62,980. The bonds were issued to refund certain obligations of the former Redevelopment Agency of the City of Riverside. Interest is due semi-annually on March 1 and September 1, commencing March 1, 2015. Principal is due in annual installments from $160 to $4,745 through September 1,

(amounts expressed in thousands)

2034. The rate of interest varies from 0.6% to 5% per annum.	51,040
Subtotal	196,905
Add: Unamortized bond premium	10,454
Total Successor Agency Bonds	$207,359

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 9,320	$ 9,778	$ 19,098
2020	9,830	9,288	19,118
2021	10,805	8,762	19,567
2022	11,405	8,197	19,602
2023	11,945	7,600	19,545
2024-2028	56,525	28,833	85,358
2029-2033	45,560	15,956	61,516
2034-2038	41,515	4,962	46,477
Premium	10,454	-	10,454
Total	$ 207,359	$ 93,376	$ 300,735

Pension Obligation Bonds – Successor Agency:	Principal Outstanding
In 2018, the 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.	
$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; $133 relates to the Successor Agency.	133
$31,960 2017 Taxable Pension Obligation Bonds Series A; 1.25% to 3.125%, due in annual installments from $2,910 to $3,580 through June 1, 2027; $421 relates to the Successor Agency.	421
Total Pension Obligation Bonds – Successor Agency	$554

Notes Payable – Successor 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, subject to recording of completion.	2,987
HUD Section 108 loan for Mission Village Project, 6.15% to 6.72%, payable in semi-annual installments beginning Aug. 1, 1999 of $110 to $420 through Aug. 1, 2018.	420
Smith's Food & Drug Centers Inc., 6% payable in variable installments, subject to payment of annual Community Facilities District assessment.	931
Total Notes Payable – Successor Agency	$ 4,338

Remaining debt service will be paid by the Successor Agency Trust from future property tax revenues. Annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 448	$ 320	$ 768
2020	31	310	341
2021	34	307	341
2022	38	304	342
2023	42	300	342
2024-2028	1,217	1,423	2,640
2029-2033	471	1,238	1,709
2034-2038	777	933	1,710
2039-2043	1,280	430	1,710
Total	$ 4,338	$ 5,565	$ 9,903

As a result of action by the State of California to dissolve all redevelopment agencies in the state, the Successor Agency no longer receives the full amount of tax increment previously pledged by the dissolved redevelopment agency to its bondholders. In its place is a new revenue stream provided to the Successor Agency that represents only that portion of tax increment that is necessary to pay the enforceable obligations approved by the California Department of Finance.

For the year ended June 30, 2018 (amounts expressed in thousands)

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 for the Successor Agency also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses, where required) *	Annual Debt Service Payments (all of debt secured by this revenue)	Debt Service Coverage Ratio for FY 06/30/18
Property Taxes:			
Non-Housing	$ 56,415	$ 14,307	3.94
Housing	10,358	2,353	4.40

* The computations above are based on the total tax increment generated for the year ended June 30, 2018 for each project area that had been pledged as collateral for the Bonds. As discussed above, only a portion of tax increment has been actually remitted to the Successor Agency and reported as revenue in the accompanying financial statements.

Assessment Districts and Community Facilities Districts Bonds (Not obligations of the City):

As of June 30, 2018, the City has several series of Assessment District and Community Facility District Bonds outstanding in the amount of $42,375. Bonds were issued for improvements in certain districts and are long-term obligations of the property owners. 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.

9. Derivative Instruments

Interest Rate Swaps

The City has six cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011 and against debt issued in 2012. The balance of the deferral account for each swap is included as part of the deferred charge on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. Hedge accounting was also applied to the swap associated with the debt issued in 2012, which was also determined to be effective.

The following is a summary of the derivative activity for the year ended June 30, 2018:

	Notional Amount	Fair Value as of 06/30/18	Change in Fair Value for Fiscal Year
Governmental activities			
2008 Renaissance Certificates of Participation	$ 102,000	$ (13,977)	$ 5,521
Business-type activities			
2008 Electric Refunding/Revenue Bonds Series A	68,525	(4,777)	2,888
2008 Electric Refunding/Revenue Bonds Series C	41,975	(5,235)	2,207
2011 Electric Refunding/Revenue Bonds Series A	41,925	(5,216)	2,202
2011 Water Refunding/Revenue Bonds Series A	52,425	(5,593)	2,600
2012 Convention Center Financing	35,045	299	1,165

Objective: In order to lower borrowing costs as compared to fixed-rate bonds, the City entered into interest rate swap agreements in connection with its $141,840 2008 Electric Revenue Bonds (Series A and C), $56,450 2011 Electric Revenue Bonds, $59,000 2011 Water Revenue Bonds and $128,300 2008 Certificates of Participation ("COP"). Also, in 2012, the City entered into an additional interest rate swap agreement in connection with the Convention Center financing with BBVA Compass Bank.

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 pays a fixed payment and receives a variable payment computed as 63.00% of the LIBOR one month index plus 7 basis points. The Convention Center financing consists of an initial 21-month variable rate interest only period during construction, which swaps to a fixed rate for the remaining 20-year amortization whereby the City will pay a fixed payment and will receive a variable payment computed at 65.01% of the LIBOR one month index plus 150 basis points. The lease interest rate on the Convention Center has a cap at the lesser of 12% or the highest rate permitted by applicable law whereas the related swap does not have a cap. The swaps have notional amounts equal to the principal amounts stated above. 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.

For the year ended June 30, 2018 (amounts expressed in thousands)

The bonds and the related swap agreements for the 2008A Electric Revenue Bonds mature on October 1, 2029, 2008C Electric and 2011A Electric and 2011A Water Revenue/Refunding Bonds mature on October 1, 2035. The 2008 Certificates of Participation mature on March 1, 2037. The loan with BBVA Compass Bank will be paid in full on April 1, 2034.

As of June 30, 2018, rates were as follows:

	2008 Electric Refunding/ Revenue Bonds Series A	2008 Electric Refunding/ Revenue Bonds Series C	2011 Electric Refunding/ Revenue Bonds Series A
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	-0.47498%	-0.47558%	-0.44435%
Net interest rate swap payments	2.63602%	2.72842%	2.75665%
Variable rate bond coupon payments	0.39419%	0.39465%	0.36625%
Synthetic interest rate on bonds	3.03021%	3.12307%	3.12290%

	2011 Water Refunding/ Revenue Bonds Series A	2008 Renaissance COPs	2012 Convention Center Financing
	Rates	Rates	Rates
Interest rate swap:			
Fixed payment to counterparty	3.20000%	3.36200%	3.24000%
Variable payment from counterparty	-0.41887%	-0.43840%	-1.90203%
Net interest rate swap payments	2.78113%	2.92360%	1.33797%
Variable rate bond coupon payments	0.32721%	0.41818%	1.90203%
Synthetic interest rate on bonds	3.10834%	3.34178%	3.24000%

Fair Value: As of June 30, 2018, in connection with all swap arrangements, the transactions had a combined net negative fair value of ($34,499). 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: The City is not exposed to credit risk on the swaps because those swaps have a negative fair value. The swap counterparties, Bank of America, N.A., Bank of America Corp. and J.P. Morgan Chase & Co. were rated A+, BBB+ and A- respectively by Standard & Poor's. To mitigate the potential for credit risk for these swaps, 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, 2018, there is no requirement for collateral posting for any of the outstanding swaps.

Basis risk: The city is exposed to basis risk on its pay-fixed interest rate swap and rate cap hedging derivative instruments because the variable-rate payments received by the city on these hedging derivative instruments are based on a rate or index other than interest rates the city pays on its hedged variable-rate debt. 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.

Swap payments and associated debt: As of June 30, 2018, 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.

For the year ended June 30, 2018 (amounts expressed in thousands)

Fiscal Year	Principal	Interest	Interest Rate Swaps, Net	Total
	Variable-Rate Bonds			
2019	$ 13,516	$ 1,905	$ 9,344	$ 24,765
2020	16,610	1,809	8,917	27,336
2021	17,262	1,718	8,458	27,438
2022	17,823	1,621	7,979	27,423
2023	18,310	1,519	7,488	27,317
2024-2028	88,561	6,103	30,579	125,243
2029-2033	102,849	3,308	17,655	123,812
2034-2038	71,290	473	3,468	75,231
Total	$ 346,221	$ 18,456	$ 93,888	$ 458,565

10. Economic Contingency

A portion of fund balance has been committed within the General Fund for future economic contingencies. The amount that has been set aside is equal to approximately 20% of the 2018-2019 General Fund adopted expenditure budget.

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, 2018:

Receivable Funds	Payable Funds	Amount
General Fund	Nonmajor Governmental Funds	$ 633
	Nonmajor Enterprise Funds	225
		858
Electric Fund	Central Stores Fund *	305
Water Fund	Central Stores Fund *	131
Total		$ 1,294

* Internal service fund

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, 2018:

Receivable Funds	Payable Funds	Amount
Sewer Fund	Nonmajor Governmental Funds	$ 3,992
Self-Insurance Trust Fund *	Central Garage Fund*	335
Central Garage Fund *	Nonmajor Governmental Funds	2,068
Total		$ 6,395

* Internal service fund

In addition, the following advances to the former Redevelopment Agency are accounted for in the Private-Purpose Trust Fund of the Successor Agency:

Receivable Funds	Amount
Nonmajor Governmental Funds	3,327
Electric Fund	4,227
Total	$ 7,554

Transfers In/Out: Transfers are primarily used to (1) move revenues to the fund that statute or budget requires to expend them, and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

The following table shows amounts transferred to/from funds within the City for the year ended June 30, 2018:

For the year ended June 30, 2018 (amounts expressed in thousands)

Transfers In Funds	Transfers Out Funds	Amount
General Fund	Nonmajor Governmental Funds	$ 12,186
	Electric Fund	40,073
	Water Fund	6,173
	Sewer Fund	900
		59,332
Capital Outlay Fund	General Fund	6,276
	Nonmajor Governmental Funds	36
		6,312
Nonmajor Governmental Funds	General Fund	31,041
	Capital Outlay Fund	3,004
	Nonmajor Governmental Funds	57
	Nonmajor Enterprise Funds	3,028
		37,130
Nonmajor Enterprise Funds	General Fund	8,421
	Nonmajor Enterprise Funds	1,721
	Governmental Activities **	294
		10,436
Liability Insurance Trust Fund *	General Fund	5,000
	Total	$ 118,210

* Internal service fund
** Transfer of assets, net ($41,639) and liabilities ($41,345) from Governmental Activities rela establishment of the Civic Entertainment Fund

12. Deficit Net Position

Deficit net position exists in the Self-Insurance Internal Service Fund ($30,624). This City adopted a Self-Insurance Reserve Policy that will address the on-going deficit in fund balance. In the past, the City began funding a portion of the deficit in the internal service fund via self-insurance rate increases phased in over several years. However, the increases continue to be offset by unusually large losses incurred during the year combined with an adjustment for the increase in the amount estimated for claims and judgments. Management believes that there are sufficient funds on hand to cover current payment obligations and plans to continue to control costs and increase rates. However, the Self-Insurance Reserve Policy specifically address minimum cash balance requirements in the Self-Insurance Trust Fund in-line with best practices. In conjunction with the new reserve policy, City Council has approved a funding plan to increase the cash reserve balances over the next two fiscal years. The plan calls for cash contributions of $2,500 for the next fiscal year. Implementation of the reserve policy, the cash funding approved by City Council and the increased rates should provide the fund greater financial stability for future needs.

Deficit net position exists in the Successor Agency Private-Purpose Trust Fund ($149,658). The deficit in the Successor Agency Trust Fund will be reduced over the years as the related debt is paid-off with funds received from the Redevelopment Property Tax Trust Fund (RPTTF), which is administered by the County Auditor-Controller.

13. Litigation

The City is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the City 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.

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. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov.

(B) Funding Policy. The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. The City pays the employees' contributions to CalPERS for both miscellaneous and safety employees hired on or before specific dates as follows:
Safety (Police):

- 1st Tier (RPOA, RPOA Supervisory & RPAA Management) - The retirement formula is 3% at age 50 for employees hired on or before February 16, 2012 (RPOA, RPAA Management) or June 8, 2012 (RPOA Supervisory). Effective January 1, 2018, employees were required to pay 1.5% of their pensionable income, with the City contributing the other 7.5%. Only in the event that annual wages increase in excess of 2%, will the following apply: Effective January 1, 2019, employees will be required to pay an additional portion of their pensionable income. This portion is a three year increase of 1.5% (2019), 1.5% (2020) and 1.5% (2021). By 2021, employees will be contributing 6% of their pensionable income, with the City contributing the other 3%.

- 2nd Tier (RPOA, RPOA Supervisory & RPAA Management) - The retirement formula is 3% at age 50 for RPOA and RPAA Management employees hired on or after February 17, 2012 and RPOA Supervisory employees hired on or after June 8, 2012 pay their share (9%) of contributions.
- 3rd Tier (RPOA, RPOA Supervisory & RPAA) – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 11.50%. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

Safety (Fire):

- 1st Tier - The retirement formula is 3% at age 50 for employees hired before June 11, 2011. Effective January 1, 2019, employees will be required to pay a portion of their pensionable income. This portion is a three year increase of 2.5% (2019), 2.5% (2020) and 3% (2021). By 2021, employees will be contributing 8% of their pensionable income.
- 2nd Tier - The retirement formula is 3% at age 55 and new employees hired on or after June 11, 2011 pay their share (9%) of contributions.
- 3rd Tier – The retirement formula is 2.7% at age 57 for new members hired on or after January 1, 2013. A new member, as defined by the Public Employees' Pension Reform Act (PEPRA), hired on or after January 1, 2013 pay 50% of the normal cost to CalPERS which is currently 11.50% of compensation.

Miscellaneous:

- 1st Tier –
  - The retirement formula is 2.7% at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management, Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2% of their pensionable income, with the City contributing the other 6%. Effective January 1, 2019, employees will be required to pay an additional portion of their pensionable income. This portion is a three year increase of 2% (2019), 2% (2020) and 2% (2021). By 2021, employees will be contributing the entire 8% of their pensionable income.
  - The retirement formula is 2.7% at age 55 for SEIU and SEIU Refuse employees hired before June 7, 2011. Currently, employees are required to pay 6% of their pensionable income with the City contributing the other 2%. Effective January 1, 2019, employees will be required to pay an additional portion of their pensionable income. This portion is a two year increase of 1% (2019) and 1% (2020). By 2020, employees will be contributing the entire 8% of their pensionable income.
  - The retirement formula is 2.7% at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017 employees were required to pay 2% of their total pensionable income with the City paying the remaining 6%. Effective each November 1st, employees will be required to pay an additional portion of their pensionable income. This portion is a three year increase of 2% (2018), 2% (2019) and 2% (2020). By November 2020, employees will be contributing the entire 8% of their pensionable income.
- 2nd Tier - The retirement formula is 2.7% at age 55, and:
  - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8%) of contributions.
  - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.
- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 7%. Classic

For the year ended June 30, 2018 (amounts expressed in thousands)

members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

(C) Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(D) Employees Covered - At June 30, 2017, the following employees were covered by the benefit terms of each Plan: Inactive employees or beneficiaries currently receiving benefits are 2,114 and 766 for the Miscellaneous and Safety Plans, respectively. Inactive employees entitled to but not yet receiving benefits are 1,325 and 165 for Miscellaneous and Safety Plans, respectively. Active employees were 1,599 and 556 for Miscellaneous and Safety Plans, respectively.

(E) Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(F) Net Pension Liability - The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	Depending on age, service, and type of employment.	
Investment Rate of Return	7.50% (1)	7.50% (1)
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	

(1) Net of pension plan investment expenses, including inflation

Discount Rate – The discount rate used to measure each plan's total pension liability as of June 30, 2017 was 7.15% a reduction from the previous discount rate of 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the discount rates used to measure total pension liability are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rates are applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(amounts expressed in thousands)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

(G) Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	$ 1,261,562	$ 952,062	$ 309,500
Changes in the year:			
Service Cost	24,766	-	24,766
Interest on Total Pension Liability	92,725	-	92,725
Changes of Assumptions	79,037	-	79,037
Differences between Expected and Actual Experience	(26,068)	-	(26,068)
Net Plan to Plan Resource Movement		116	(116)
Contribution - employer	-	30,477	(30,477)
Contribution - employee	-	6,115	(6,115)
Net Investment Income	-	104,771	(104,771)
Benefit Payments, including Refunds of Employee Contributions	(60,108)	(60,108)	-
Administrative Expenses	-	(1,406)	1,406
Net Changes	110,352	79,965	30,387
Balance at June 30, 2018	$ 1,371,914	$ 1,032,027	$ 339,887

Safety

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	$ 936,802	$ 695,450	$ 241,352
Changes in the year:			
Service Cost	21,373	-	21,373
Interest on Total Pension Liability	70,337	-	70,337
Changes of Assumptions	59,768	-	59,768
Differences between Expected and Actual Experience	(18)	-	(18)
Net Plan to Plan Resource Movement	-	(119)	119
Contribution - employer	-	26,775	(26,775)
Contribution - employee	-	2,449	(2,449)
Net Investment Income	-	76,844	(76,844)
Benefit Payments, including Refunds of Employee Contributions	(47,009)	(47,009)	-
Administrative Expenses	-	(1,027)	1,027
Net Changes	104,451	57,913	46,538
Balance at June 30, 2018	$ 1,041,253	$ 753,363	$ 287,890

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

(amounts expressed in thousands)

Miscellaneous

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	$ 531,959	$ 339,887	$ 182,557

Safety

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	$ 433,466	$ 287,890	$ 168,802

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

H. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions.

For the year ended June 30, 2018, the City recognized pension expense of $54,879. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	$ 29,948	$ -
Changes of assumptions	56,380	
Differences between expected and actual experience	-	(22,573)
Net differences between projected and actual earnings on plan investments	14,658	-
Total	$ 100,986	$ (22,573)

Safety	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date, net	$ 25,286	$ -
Differences between actual and actuarial determined contributions	-	-
Changes of assumptions	40,812	
Differences between expected and actual experience	-	(4,721)
Net differences between projected and actual earnings on plan investments	10,715	-
Total	$ 76,813	$ (4,721)

$55,233 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Outflows/(Inflows) of Resources	
Fiscal Year	Miscellaneous	Safety
2018	$ 10,283	$ 7,312
2019	30,838	22,099
2020	14,902	17,531
2021	(7,558)	(137)

15. Other Post-Employment Benefits (OPEB)

Plan description - The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided - Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. 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 benefit to eligible retirees and beneficiaries. Retiree and spousal coverage terminates when the retirees becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility ago, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

(amounts expressed in thousands)

Employees covered by benefit terms – At June 30, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	304
Active plan members	2,121
Total	2,425

Significant Actuarial Assumptions Used in Calculating the Total OPEB Liability

The total OPEB liability was determined by actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Funding Policy:	Pay-as-you-go for implicit rate subsidy
Discount Rate:	3.40% per annum. This discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.
Inflation Rate:	2.75% per annum
Salary Inflation:	3.0% per annum
Salary Increases	The benefits are not payroll related but the City's cost for each individual's projected City contribution is allocated over their lifetime as a level-percentage of pay. For cost method purposes the merit increases from the most recent CalPERS pension plan valuation will be used
Mortality	CalPERS 2014 Experience Study

Sensitivity analysis of total OPEB liability for healthcare cost trend rates

The following presents the total OPEB liability, calculating using the healthcare cost trend rate of 6.00%/HMO and 6.50%/PPO, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%/HMO and 5.50%/PPO) or 1-percentage-point higher (7.00%/HMO and 7.50%/PPO) than the current rate:

	1% Decrease	Current healthcare cost trend rates	1% Increase
Total OPEB liability	$ 33,065	$ 36,786	$ 41,136

Sensitivity analysis of total OPEB liability for discount rates

The following presents the total OPEB liability, calculating using the discount rate of 3.40%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percenrtage-point lower (2.40%) or 1-percentage-point higher (4.40%) than the current rate:

	1% Decrease	Current discount rate	1% Increase
Total OPEB liability	$ 39,886	$ 36,786	$ 33,967

Change in total OPEB liability

For fiscal year 2018, the City recognized total OPEB expense of $3,436. The following table shows the change in the total OPEB liability for the year ended June 30, 2018:

	2017
Beginning total OPEB liability	$ 36,542
Service cost	2,554
Interest	1,090
Changes of assumptions	(1,668)
Benefit of implied subsidy payments	(1,732)
Net changes	244
Ending total OPEB liability	$ 36,786

Deferred outflows/inflows of Resources

At June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred inflows of resources
Changes of assumptions	$ 1,459
Total	$ 1,459

For the year ended June 30, 2018 (amounts expressed in thousands)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Deferred inflows of resources
2018	$ (209)
2019	(209)
2020	(209)
2021	(209)
2022	(209)
Thereafter	(414)
	$ (1,459)

16. Commitments and Contingencies

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, known as Intermountain Power Project (IPP), 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 and other fixed costs. Such payments are considered a cost of production.

On September 29, 2006, Senate Bill 1368 (SB 1368) was enacted into law. The bill requires electric service providers to limit financial investments in power plants to those that adhere to greenhouse gas performance standards as determined by the Public Utilities Commission. Pursuant to this legislation, the Electric Utility is prohibited from renewing its participation in IPP if it remains a coal fueled generating resource. On June 16, 2015, the City Council approved the Intermountain Power Project renewal agreements, including the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract, and authorized participation in the IPP renewal subscription process. The Second Amendatory Power Sales Contract became effective March 16, 2016. The generation component of IPP under the Renewal Power Sales Contract (Repower Project) is envisioned to be a natural gas fueled combined cycle plant with total capacity of 1,200 MW. The Renewal Power Sales Contract contemplates a term of fifty years, through June 2077 for the Repower Project. The Electric Utility is authorized to participate in the subscription process for up to 5 percent of the Repower Project or approximately 60 MW. On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and all other necessary documents for the first two rounds of the subscription process. The Electric Utility accepted an offer of 4.167 percent entitlement or 50 MW generation capacity in the IPP Repower Project based on the 1,200 MW designed capacity, which is within the maximum participation level approved by the City Council. The Electric Utility's corresponding Southern Transmission System allocation is 5.278 percent or approximately 127 MW. The IPP Repower Project renewal subscription process was completed after two rounds on January 17, 2017 and all entitlements in the project were fully subscribed. The Electric Utility's reduced power would allow it to diversify its energy portfolio in the future. Further, under the Renewal Power Sales Contract, the Electric Utility has the right to exit from the Repower Project by no later than November 1, 2019, if it is determined that the Repower Project is not cost beneficial to its customers.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency. SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs whether or not such generation output of transmission service is available.

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	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station	5.40%	12.3 MW	2017	2030
Southern Transmission System	10.20%	244.0 MW	2027	2027
Mead-Phoenix Transmission	4.00%	18.0 MW	2020	2030
Mead-Adelanto Transmission	13.50%	118.0 MW	2020	2030

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.

The outstanding debts associated with the take-or-pay obligations have fixed interest rates which range from 1.43 percent to 5.75 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.

	IPA	SCPPA			TOTAL
Debt Service Payment (in thousands) Year Ending June 30,	Intermountain Power Project	Southern Transmission System	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
2019	17,345	7,893	257	2,881	28,376
2020	17,232	6,913	254	2,859	27,258
2021	15,829	7,926	189	2,136	26,080
2022	10,834	9,448	-	-	20,282
2023	8,059	7,258	-	-	15,317
2024-2028	840	20,175	-	-	21,015
Total	$ 70,139	$ 59,613	$ 700	$ 7,876	$ 138,328

In addition to debt service, the Electric Utility'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, 2018 is as follows (in thousands):

FISCAL YEAR	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Dam Uprating	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
2018	$ 20,755	$ 3,653	$ 3,529	$ 14	$ 58	$ 302	$ 28,311
2017	$ 23,000	$ 3,285	$ 2,712	$ 58	$ 64	$ 254	$ 29,373

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has become a Participating Transmission Owner with the California Independent System Operator (CAISO) and has turned over the operational control of its transmission entitlements including the Southern Transmission System, Mead-Phoenix and Mead-Adelanto Transmission Projects. In return, users of the California's high voltage transmission grid are charged for, and the Electric Utility receives reimbursement for, transmission revenue requirements, including the costs associated with these three transmission projects.

Hoover Uprating Project

The Electric Utility's entitlement in the Hoover project through SCPPA will terminate on September 30, 2017. In March 2014, the Electric Utility prepaid its share of outstanding debt incurred by the Bureau of Reclamation in connection with the acquisition and construction of the Hoover Power Project Visitors Center and Air Slots. The payment of principal and interest on the debt is a component of the cost of power and energy payable by Hoover contractors, which includes SCPPA participants that receive power from the Hoover Power Project under agreements with the Western Area Power Administration. Because Bureau Debt bears interest at rates that are substantially higher than current market interest rates, the Electric Utility elected to prepay the debt in order to realize savings on power costs in the future. The Electric Utility's share of the debt is recorded on the statements of net position as unamortized purchased power to be amortized over the remaining term of the project through 2017. As of June 30, 2018, the balance was fully amortized.

On August 23, 2016, the City Council approved a 50-year Electric Service Contract (ESC) and an Amended and Restated Implementation Agreement (IA) with the Western Area Power Administration (Western), Bureau of Reclamation for 30 MW of hydroelectric power. The contract with Western will be effective October 1, 2017. The ESC extends the Electric Utility's 30 MW entitlement in the Hoover project an additional 50 years. The IA is a supplemental agreement to the ESC that establishes administrative, budgetary and project oversight by creating project committees and process for decision making plant operations.

Nuclear Insurance

The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities purchase the maximum private primary nuclear liability insurance available ($450 million) and participate in the industry's secondary financial protection plan. The secondary financial protection program is the industry's retrospective assessment plan that uses deferred premium charges from every licensed reactor owner if claims and/or costs resulting from a nuclear incident at any licensed reactor in the United States were to exceed the primary nuclear insurance at that plant's site. Effective April 7, 2018, the Act limits liability from third-party claims to approximately $13.1 billion per incident. Under the industry wide retrospective assessment program provided for under the Act, assessments are limited to $127.3 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to $19.0 million per reactor, per year, per event to be indexed for inflation every five years. Based on the Electric Utility's interest in Palo Verde and ownership in SONGS, the Electric Utility would be responsible for a maximum assessment of $5.8 million, limited to payments of $0.9 million per incident, per year. If the public liability limit above is insufficient, federal regulations may impose further revenue-raising measures to pay claims, including a possible additional assessment on all licensed reactor operators.

Renewable Portfolio Standards (RPS)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was passed by the State Legislative and signed by the Governor. SBX1-2 revised the amount of statewide retail electricity sales from renewable resources in the State Renewable Energy Resources Program to 33 percent by December 31, 2020 in three stages: average of 20 percent of retail sales during 2011-2013; 25 percent of retail sales by December 31, 2016; and 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the enforcement program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively, and further approved the Electric Utility's RPS Procurement plan implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. The Electric Utility met the 20 percent mandates from 2011-2013 and the 25 percent mandate by December 31, 2016. The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan. For calendar year 2017, renewable resources provided 36 percent of retail sales requirements.

On September 11, 2015, California legislature passed Senate Bill 350 (SB 350) increasing the RPS mandate beyond December 31, 2020 above 33 percent to 50 percent by December 31, 2030. SB 350 was signed into law by the Governor on October 7, 2015. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB 350 with the portfolio of renewable resources outlined below.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements (PPA) and power sales agreements (PSA) with various entities described below in general on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with this standard.

On September 10, 2018, the 100 Percent Clean Energy Act of 2018 (SB 100) was signed. This bill further increases the RPS goals of SBX1-2 and SB 350 by maintaining the 33 percent RPS target by December 31, 2020, while modifying the RPS percentages to be 44 percent by December 31, 2024, 52 percent by December 31, 2027, 60 percent by December 31, 2030, with an end goal of 100 percent of total retail sales of electricity in California generated from eligible renewable energy resources and zero-carbon resources by December 31, 2045. It is expected that the CEC will have further guidance and enforcement procedures for POUs. RPU will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

Long-term renewable PPAs and PSAs in operation (dollars in thousands):

Supplier	Type	Maximum Contract [1]	Contract Expiration	Estimated Annual Cost For 2019
Salton Sea Power LLC	Geothermal	46.0 MW	5/31/2020	$ 29,165
Wintec Energy, Ltd.	Wind	1.3 MW	12/30/2018	124
WKN Wagner	Wind	6.0 MW	12/22/2032	1,318
SunEdison - AP North Lake	Photovoltaic	20.0 MW	8/11/2040	4,623
Dominion - Columbia II	Photovoltaic	11.1 MW	12/22/2034	2,314
GlidePath Power Solutions - GPS Cabazon Wind LLC	Wind	39.0 MW	1/1/2025	4,299
Capital Dynamics - Kingbird Solar B, LLC	Photovoltaic	14.0 MW	12/31/2036	2,867
FTP Solar				
sPower - Summer Solar	Photovoltaic	10.0 MW	12/31/2041	1,748
sPower - Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041	1,748
sPower - Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036	3,826
Capital Dynamics - Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040	1,341
American Renewable Power-Loyalton	Biomass	0.8 MW	4/19/2023	615
CalEnergy - Salton Sea Portfolio Phase 1	Geothermal	20.0 MW	12/31/2039	12,187
Total		210.5 MW		$ 66,175

[1] All contracts are contingent on energy delivery from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

Long-term renewable PPAs with expected delivery:

Supplier	Type	Maximum Contract [1]	Expected Delivery	Energy Delivery No Later Than	Contract Term In Years
CalEnergy - Salton Sea Portfolio Phase 2	Geothermal	20.0 MW	1/1/2019	1/1/2019	21
CalEnergy - Salton Sea Portfolio Phase 3	Geothermal	46.0 MW	6/1/2020	6/1/2020	20
Total		66.0 MW			

(amounts expressed in thousands)

[1] All contracts are contingent on energy delivered from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

Cap-and-Trade Program

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. In January 2013, emission compliance obligations developed by CARB began under the Cap-and-Trade Program (Program). This Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. To ease the transition and mitigate the rate impacts to retail customers, CARB will allocate certain amounts of GHG allowances at no cost to electrical distribution utilities. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

At times, the Electric Utility may have allocated allowances in excess of its compliance obligations that can be sold into the CARB quarterly auctions. In fiscal year ended June 30, 2018, the Electric Utility received $8,131 in proceeds related to the sale of the GHG allowances which are included on the Statements of Revenues, Expenses and Changes in Net Position as operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the GHG proceeds. The available funds are to be utilized for qualifying projects, consistent with the goals of AB 32 to benefit the retail ratepayers. The balance in the Regulatory Requirement reserve was $16,093 as of June 30, 2018.

The Electric Utility also purchases GHG allowances which can be used in future periods for GHG compliance regulations. The balance of purchased GHG allowances was $1,097 as of June 30, 2018 and is recorded as inventory in the statement of net position.

17. Tax Abatements

In November 2012, the City entered into a tax sharing agreement with a local business to incentivize an expansion of their facility. Assistance is provided in the form of a rebate of sales and property taxes over fifteen years in an amount not to exceed $4,500. The agreement expires on the earlier of: 1) total cumulative tax rebate of $4,500; or 2) fifteen years in fiscal 2027-28.

Incremental Sales Tax Revenue can be generated from sales, over the fiscal 2011-12 base period, reported to the State Board of Equalization at the business site and from third party vendor transactions occurring using the business site as the point of sale. Incremental Property Tax Revenue is generated from the increase in County assessed valuation over the 2012-13 base period values, for the parcels designated in the agreement. For parcels acquired after 2012-13 in the project area, the acquisition price will become its base year valuation. The initial 2012-13 base year assessed valuation is $114,293 and has been adjusted to $125,043 for the parcels acquired in 2014-15. The business is due 100% of the incremental Property tax revenue due to the City from the project area tax rate. It is calculated as 11% of the value determined from taking 1% of the difference of current net assessed valuation over the adjusted base valuation. The cumulative rebate payment as of June 30, 2018 is $327.

18. Prior Period Adjustments

A prior period adjustment of $23,096 was made to decrease the General Fund's fund balance related to the elimination of advances related to the Pension Obligation Bonds. The 2005 and 2017 Taxable Pension Obligation Bonds were distributed between Governmental Activities, Business-Type Activities, and the Successor Agency to properly reflect their proportional share.

The restatement of beginning fund balance of the General Fund is summarized as follows:

	General Fund
Net position at July 1, 2017, as previously stated	$ 83,070
Elimination of Advances related to POBs	(23,096)
Net position at July 1, 2017, as restated	$ 59,974

Prior period adjustments of $1,001 and $617 were made to decrease the governmental activities' and the business-type activities' net position, respectively. The adjustment were made to reflect the prior period costs related to the net OPEB liability.

The restatement of beginning net position of the governmental activities and business-type activities are summarized as follows:

For the year ended June 30, 2018 (amounts expressed in thousands)

Governmental Activities

Net position at July 1, 2017, as previously stated	$	845,116
Net OPEB liability		(1,001)
Net position at July 1, 2017, as restated	$	844,115

Internal Service Funds

Net position at July 1, 2017, as previously stated	$	(81,914)
Net OPEB liability		(37)
Net position at July 1, 2017, as restated	$	(81,951)

Business-Type Activities

Electric Fund

Net position at July 1, 2017, as previously stated	$	484,201
Net OPEB liability		(328)
Net position at July 1, 2017, as restated	$	483,873

Water Fund

Net position at July 1, 2017, as previously stated	$	305,418
Net OPEB liability		(125)
Net position at July 1, 2017, as restated	$	305,293

Sewer Fund

Net position at July 1, 2017, as previously stated	$	205,531
Net OPEB liability		(85)
Net position at July 1, 2017, as restated	$	205,446

Non-Major Business-Type activities

Net position at July 1, 2017, as previously stated	$	46,380
Net OPEB liability		(79)
Net position at July 1, 2017, as restated	$	46,301

CITY OF
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Required Supplementary Information

Consists of the following:

- Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
- Schedule of Plan Contributions
- Other Post-Employment Benefits (OPEB) Schedule of Changes in Total OPEB Liability and Related Ratio

City of Riverside
Required Supplementary Information - Unaudited

Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period (Thousands)
Last 10 Years*

	6/30/2017		6/30/2016		6/30/2015		6/30/2014	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
TOTAL PENSION LIABILITY								
Service Cost	$ 24,766	$ 21,373	$ 22,189	$ 18,144	$ 22,228	$ 18,187	$ 23,320	$ 18,818
Interest	92,725	70,337	90,913	67,513	87,436	64,815	84,965	62,249
Changes of Assumptions	79,037	59,768	-	-	(21,782)	(16,117)	-	-
Difference Between Expected and Actual Experience	(26,068)	(18)	(8,417)	(4,373)	(23,548)	(6,835)	-	-
Benefit Payments, Including Refunds and Employee Contribution	(60,108)	(47,009)	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Net Change in Total Pension Liability	**$ 110,352**	**$ 104,451**	**$ 46,983**	**$ 36,675**	**$ 10,481**	**$ 17,974**	**$ 57,515**	**$ 42,086**
Total Pension Liability - Beginning	**1,261,562**	**936,802**	**1,214,579**	**900,127**	**1,204,098**	**882,153**	**1,146,583**	**840,067**
Total Pension Liability - Ending (a)	**$ 1,371,914**	**$ 1,041,253**	**$ 1,261,562**	**$ 936,802**	**$ 1,214,579**	**$ 900,127**	**$ 1,204,098**	**$ 882,153**
PLAN FIDUCIARY NET POSITION								
Contributions - Employer	$ 30,477	$ 26,775	$ 29,426	$ 26,483	$ 25,996	$ 23,384	$ 27,583	$ 23,156
Contributions - Employee	6,115	2,449	5,187	1,837	4,380	924	2,294	365
Net Investment Income	104,771	76,844	4,958	3,478	21,671	15,632	145,843	107,032
Benefit Payments, Including Refunds and Employee Contribution	(60,108)	(47,009)	(57,702)	(44,609)	(53,853)	(42,076)	(50,770)	(38,981)
Administrative and Other Expenses	(1,290)	(1,146)	(594)	(428)	(1,056)	(816)	-	-
Net Change in Fiduciary Net Position	**$ 79,965**	**$ 57,913**	**$ (18,725)**	**$ (13,239)**	**$ (2,862)**	**$ (2,952)**	**$ 124,950**	**$ 91,572**
Plan Fiduciary Net Position - Beginning	**952,062**	**695,450**	**970,787**	**708,689**	**973,649**	**711,641**	**848,699**	**620,069**
Plan Fiduciary Net Position - Ending (b)	**1,032,027**	**753,363**	**952,062**	**695,450**	**970,787**	**708,689**	**973,649**	**711,641**
Plan Net Pension Liability Ending (a)-(b)	**$ 339,887**	**$ 287,890**	**$ 309,500**	**$ 241,352**	**$ 243,792**	**$ 191,438**	**$ 230,449**	**$ 170,512**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**75.23%**	**72.35%**	**75.47%**	**74.24%**	**79.93%**	**78.73%**	**80.86%**	**80.67%**
Total - Employee Payroll	**$ 116,465**	**$ 68,459**	**$ 114,521**	**$ 64,778**	**$ 113,850**	**$ 64,648**	**$ 113,869**	**$ 64,715**
Net Pension Liability as a Percentage of Total - Employee Payroll	**291.84%**	**420.53%**	**270.26%**	**372.58%**	**214.13%**	**296.12%**	**202.38%**	**263.48%**

* - Historical information is required only for measurement periods where GASB 68 is applicable.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit also know as Golden Handshakes.

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflected an adjustment of the discount rate from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan adminstrative expenses). In 2014, amounts reported were based on the 7.5% discount rate.

City of Riverside
Required Supplementary Information - Unaudited

Schedule of Plan Contributions (Thousands)
Last 10 Years *

	2017-18 *		2016-17 *		2015-16 *		2014-15 *	
	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety	Miscellaneous	Safety
Actuarially Determined Contribution	$26,955	$23,076	$24,885	$21,886	$21,063	$ 18,452	$ 20,505	$ 17,341
Contributions in Relation to the Actuarially Determined Contribution	(30,477)	(26,775)	(29,426)	(26,483)	(25,997)	(23,384)	(27,584)	(23,156)
Contribution Excess	$ (3,522)	$ (3,699)	$ (4,541)	$ (4,597)	$ (4,934)	$ (4,932)	$ (7,079)	$ (5,815)
Total Covered Payroll	$121,957	$68,251	$116,465	$68,459	$114,521	$64,778	$113,850	$64,648
Contributions as a Percentage of Total - Covered Payroll	22.10%	33.81%	21.37%	31.97%	18.39%	28.48%	18.01%	26.82%

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2014 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	Market Value of Asset
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Historical information is required only for measurement periods where GASB 68 is applicable.

Other Information:
For changes to prevoius year's information, refer to past GASB 68 reports.

City of Riverside
Required Supplementary Information - Unaudited
Schedule of Changes in Total OPEB Liability and Related Ratio

Reporting period June 30,	2018
Measurement period June 30,	2017
Beginning Total OPEB Liability	$ 36,542
Service Cost	2,554
Interest	1,090
Changes in Assumptions	(1,668)
Benefit of Implied Subsidy Payments	(1,732)
Net Changes	244
Ending Total OPEB Liability	$ 36,786
Covered - Employee Payroll	$ 170,858
Total OPEB Liability as Percentage of Covered Employee Payroll	21.53%

CITY OF
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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.

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 Improvements Fund – To account for qualified air pollution reduction programs funded by the South Coast Air Quality Management District.

Housing & 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.

National Pollution Discharge Elimination System (NPDES) Storm Drain Fund – 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.

Special Districts Fund – To account for Loving Homes, Village at Canyon Crest, Sycamore Highlands, Riverwalk, Riverwalk Parks Projects, and Street Lighting districts.

Housing Fund – To account for the housing activities for persons with low or moderate income.

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 Improvement 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.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The **General Debt Service Fund** accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds.

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, 2018
(amounts expressed in thousands)

	Special Revenue							
Assets	**Urban Areas Security Initiative**	**Gas Tax**	**Air Quality Improvements**	**Housing & Community Development**	**NPDES Storm Drain**	**Special Districts**	**Housing**	**Total**
Cash and investments	$ -	$ 14,990	$ 1,070	$ 3,239	$ 425	$ 558	$ 12,277	$ 32,559
Receivable (net of allowance for uncollectibles):								
Interest	-	50	4	13	-	-	43	110
Property taxes	-	-	-	-	-	101	-	101
Accounts	-	34	-	2	-	-	-	36
Intergovernmental	609	399	104	2,161	190	-	-	3,463
Notes	-	-	-	13,845	-	-	24,239	38,084
Prepaid items	-	-	-	30	-	-	-	30
Advances to Successor Agency Trust Fund	-	-	-	-	-	-	3,327	3,327
Land & improvements held for resale	-	-	-	443	-	-	2,654	3,097
Total assets	$ 609	$ 15,473	$ 1,178	$ 19,733	$ 615	$ 659	$ 42,540	$ 80,807
Liabilities								
Accounts payable	$ 59	$ 284	$ 44	$ 1,539	$ 9	$ 31	$ 19	$ 1,985
Accrued payroll	-	-	-	2	1	-	2	5
Retainage payable	-	511	-	-	-	-	-	511
Intergorvernmental	-	-	-	-	-	6	-	6
Due to other funds	550	-	-	-	-	-	-	550
Total liabilities	609	795	44	1,541	10	37	21	3,057
Deferred Inflows of Resources								
Unavailable revenue	-	-	-	14,288	-	-	24,239	38,527
Total deferred inflows of resources	-	-	-	14,288	-	-	24,239	38,527
Fund Balances								
Nonspendable:								
Inventories, prepaids and deposits	-	-	-	30	-	-	-	30
Advances	-	-	-	-	-	-	3,327	3,327
Restricted for:								
Housing and redevelopment	-	-	-	3,874	-	-	14,953	18,827
Transportation and public works	-	14,678	1,134	-	605	622	-	17,039
Total fund balances	-	14,678	1,134	3,904	605	622	18,280	39,223
Total liabilities deferred inflows of resources, and fund balances	$ 609	$ 15,473	$ 1,178	$ 19,733	$ 615	$ 659	$ 42,540	$ 80,807

Continued

City of Riverside
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	
Assets	**Special Capital Improvement**	**Storm Drain**	**Transportation**	**Total**	**General Debt Service**	**Library Special**	**Total Nonmajor Governmental Funds**
Cash and investments	$ 4,192	$ 1,579	$ -	$ 5,771	$ 583	$ 1,498	$ 40,411
Cash and investments at fiscal agent	1,084	-	-	1,084	13,174	-	14,258
Receivable (net of allowance for uncollectibles):							
Interest	16	5	-	21	23	-	154
Property taxes	-	-	-	-	112		213
Accounts	-	-	-	-	30	-	66
Intergovernmental	225	-	95	320	-	-	3,783
Notes	-	-	-	-	-	-	38,084
Prepaid items	-	-	-	-	385	-	415
Advances to Successor Agency Trust Fund	-	-	-	-	-	-	3,327
Land & improvements held for resale	-	-	-	-	-	-	3,097
Total assets	$ 5,517	$ 1,584	$ 95	$ 7,196	$ 14,307	$ 1,498	$ 103,808
Liabilities							
Accounts payable	$ 8	$ 13	$ -	$ 21	$ 120	$ -	$ 2,126
Accrued payroll	-	-	-	-	-	-	5
Retainage payable	5	-	-	5	-	-	516
Intergovernmental	-	-	-	-	-	-	6
Due to other funds	-	-	83	83	-	-	633
Advance from other funds	3,399	-	-	3,399	2,661	-	6,060
Total liabilities	3,412	13	83	3,508	2,781	-	9,346
Deferred Inflows of Resources							
Unavailable revenue	225	-	-	225	17	-	38,769
Total deferred inflows of resources	225	-	-	225	17	-	38,769
Fund Balances							
Nonspendable:							
Inventories, prepaids and deposits	-	-	-	-	-	-	30
Advances	-	-	-	-	-	-	3,327
Permanent fund principal	-	-	-	-	-	1,498	1,498
Restricted for:							
Housing and redevelopment	-	-	-	-	-	-	18,827
Debt service	-	-	-	-	11,509	-	11,509
Transportation and public works	-	-	12	12	-	-	17,051
Other purposes	1,880	1,571	-	3,451	-	-	3,451
Total fund balances	1,880	1,571	12	3,463	11,509	1,498	55,693
Total liabilities, deferred inflows of resources, and fund balances	$ 5,517	$ 1,584	$ 95	$ 7,196	$ 14,307	$ 1,498	$ 103,808

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Special Revenue							
	Urban Area Security Initiative	**Gas Tax**	**Air Quality Improvement**	**Housing & Community Development**	**NPDES Storm Drain**	**Special Districts**	**Housing**	**Total**
Revenues								
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	$ 1,751	$ 8,343	$ 418	$ 8,851	$ -	$ -	$ -	$ 19,363
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	1,215	3,896	-	5,111
Rental and investment income	-	65	4	88	1	-	109	267
Miscellaneous	-	-	207	262	-	-	898	1,367
Total revenues	1,751	8,408	629	9,201	1,216	3,896	1,007	26,108
Expenditures								
Current:								
General government	-	-	479	946	-	-	3,183	4,608
Public safety	1,751	-	-	-	-	4,557	-	6,308
Highways and streets	-	-	-	-	-	564	-	564
Culture and recreation	-	-	-	-	-	56	-	56
Capital outlay	-	8,451	-	8,134	1,122	-	-	17,707
Debt service:								
Principal	-	-	-	8	-	-	19	27
Interest	-	-	-	1	-	-	4	5
Total expenditures	1,751	8,451	479	9,089	1,122	5,177	3,206	29,275
Excess (deficiency) of revenues over (under) expenditures	-	(43)	150	112	94	(1,281)	(2,199)	(3,167)
Other financing sources (uses)								
Transfers in	-	-	-	49	-	1,903	124	2,076
Transfers out	-	-	(38)	-	-	-	-	(38)
Proceeds on retirement of capital assets	-	34	-	-	-	-	-	34
Total other financing sources (uses)	-	34	(38)	49	-	1,903	124	2,072
Net change in fund balances	-	(9)	112	161	94	622	(2,075)	(1,095)
Fund balances - beginning	-	14,687	1,022	3,743	511	-	20,355	40,318
Fund balances - ending	$ -	$ 14,678	$ 1,134	$ 3,904	$ 605	$ 622	$ 18,280	$ 39,223

Continued

City of Riverside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Capital Projects					Permanent Fund	
	Special Capital Improvement	Storm Drain	Transportation	Total	General Debt Service	Library Special	Total Nonmajor Governmental Funds
Revenues							
Licenses and permits	$ 2,287	$ 140	$ -	$ 2,427	$ -	$ -	$ 2,427
Intergovernmental	-	578	11	589	-	-	19,952
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	18	-	18
Special assessments	-	-	-	-	1,096	-	6,207
Rental and investment income	22	7	-	29	705	15	1,016
Miscellaneous	86	-	-	86	469	96	2,018
Total revenues	2,395	725	11	3,131	2,288	111	31,638
Expenditures							
Current:							
General government	874	-	-	874	18	-	5,500
Public safety	-	-	-	-	-	-	6,308
Highways and streets	-	-	-	-	-	-	564
Culture and recreation	-	-	-	-	-	190	246
Capital outlay	2,404	437	11	2,852	-	-	20,559
Debt service:							
Principal	-	-	-	-	21,877	-	21,904
Interest	63	-	-	63	12,678	-	12,746
Bond issuance costs	-	-	-	-	10	-	10
Total expenditures	3,341	437	11	3,789	34,583	190	67,837
Excess (deficiency) of revenues over (under) expenditures	(946)	288	-	(658)	(32,295)	(79)	(36,199)
Other financing sources (uses)							
Transfers in	-	19	-	19	35,035	-	37,130
Transfers out	(55)	-	-	(55)	(12,186)	-	(12,279)
Issuance of long-term debt	-	-	-	-	14,500	-	14,500
Proceeds on retirement of capital assets	-	-	-	-	-	-	34
Total other financing sources (uses)	(55)	19	-	(36)	37,349	-	39,385
Net change in fund balances	(1,001)	307	-	(694)	5,054	(79)	3,186
Fund balances - beginning	2,881	1,264	12	4,157	6,455	1,577	52,507
Fund balances - ending	$ 1,880	$ 1,571	$ 12	$ 3,463	$ 11,509	$ 1,498	$ 55,693

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the fiscal year ended June 30, 2018
(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									
Intergovernmental	$ 6,020	$ 1,751	$ (4,269)	$ 8,290	$ 8,343	$ 53	$ 394	$ 418	$ 24
Rental and investment income	-	-	-	150	65	(85)	-	4	4
Miscellaneous	-	-	-	-	-	-	254	207	(47)
Total revenues	6,020	1,751	(4,269)	8,440	8,408	(32)	648	629	(19)
Expenditures									
Current:									
General government	-	-	-	-	-	-	1,071	479	592
Public safety	6,020	1,751	4,269	-	-	-	-	-	-
Capital outlay	-	-	-	22,044	8,451	13,593	-	-	-
Total expenditures	6,020	1,751	4,269	22,044	8,451	13,593	1,071	479	592
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(13,604)	(43)	13,561	(423)	150	573
Other financing sources (uses)									
Transfers in (out)	-	-	-	-	-	-	(38)	(38)	-
Proceeds on retirement of capital assets	-	-	-	-	34	34	-	-	-
Total other financing sources (uses)	-	-	-	-	34	34	(38)	(38)	-
Net change in fund balances	-	-	-	(13,604)	(9)	13,595	(461)	112	573
Fund balances (deficit), beginning	-	-	-	14,687	14,687	-	1,022	1,022	-
Fund balances (deficit), ending	$ -	$ -	$ -	$ 1,083	$ 14,678	$ 13,595	$ 561	$ 1,134	$ 573

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Special Revenue											
	Housing & Community Development			NPDES Storm Drain			Special Districts			Housing		
	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget	Final Budget	Actual	Variance to Final Budget
Revenues												
Intergovernmental	$ 8,221	$ 8,851	$ 630	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Charges for services	-	-	-		-	-		-	-			-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	1,391	1,215	(176)	4,059	3,896	(163)	-	-	-
Rental and investment income	57	88	31	-	1	1	-	-	-	-	109	109
Miscellaneous	262	262	-	-	-	-	-	-	-	-	898	898
Total revenues	8,540	9,201	661	1,391	1,216	(175)	4,059	3,896	(163)	-	1,007	1,007
Expenditures												
Current:												
General government	2,086	946	1,140	-	-	-	-	-	-	10,375	3,183	7,192
Public safety	-	-	-	-	-	-	4,494	4,557	(63)			-
Highways and streets	-	-	-	-	-	-	1,014	564	450			-
Culture and recreation	-	-	-	-	-	-	228	56	172			-
Capital outlay	21,158	8,134	13,024	1,976	1,122	854	-	-	-	-	-	-
Debt service:												
Principal	36	8	28	-	-	-	-	-	-	-	19	(19)
Interest	11	1	10	-	-	-	-	-	-	6	4	2
Total expenditures	23,291	9,089	14,202	1,976	1,122	854	5,736	5,177	559	10,381	3,206	7,175
Excess (deficiency) of revenues over (under) expenditures	(14,751)	112	(14,639)	(585)	94	(491)	(1,677)	(1,281)	396	(10,381)	(2,199)	8,182
Other financing sources (uses)												
Transfers in (out)	-	49	49	-	-	-	1,074	1,903	829	1,099	124	(975)
Issuance of long-term debt	-	-	-	-	-		-	-			-	-
Proceeds on retirement of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	49	49	-	-	-	1,074	1,903	829	1,099	124	(975)
Net change in fund balances	(14,751)	161	(14,590)	(585)	94	(491)	(603)	622	1,225	(9,282)	(2,075)	7,207
Fund balances (deficit), beginning	3,743	3,743	-	511	511	-	-	-	-	20,355	20,355	-
Fund balances (deficit), ending	$ (11,008)	$ 3,904	$ (14,590)	$ (74)	$ 605	$ (491)	$ (603)	$ 622	$ 1,225	$ 11,073	$ 18,280	$ 7,207

(continued)

City of Riverside
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Capital Projects											
	Capital Outlay			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	Final Budget	Actual	Variance to Final Budget
Revenues												
Licenses and permits	$ -	$ -	$ -	$ 2,600	$ 2,287	$ (313)	$ 130	$ 140	$ 10	$ -	$ -	$ -
Intergovernmental	40,078	11,989	(28,089)	250	-	(250)	12,674	578	(12,096)	38	11	(27)
Special assessments	125	504	379	-	-	-	-	-	-	-	-	-
Rental and investment income	170	112	(58)	-	22	22	20	7	(13)	-	-	-
Miscellaneous	3,750	2,883	(867)	-	86	86	-	-	-	-	-	-
Total revenues	44,123	15,488	(28,635)	2,850	2,395	(455)	12,824	725	(12,099)	38	11	(27)
Expenditures												
Current:												
General government	-	-	-	1,100	874	226	-	-	-	-	-	-
Capital outlay	62,443	10,299	52,144	1,271	2,404	(1,133)	13,103	437	12,666	38	11	27
Debt service:												
Principal	-	-	-	1,391	-	1,391	-	-	-	-	-	-
Interest	-	-	-	60	63	(3)	-	-	-	-	-	-
Total expenditures	62,443	10,299	52,144	3,822	3,341	481	13,103	437	12,666	38	11	27
Excess (deficiency) of revenues over (under) expenditures	(18,320)	5,189	23,509	(972)	(946)	26	(279)	288	567	-	-	-
Other financing sources (uses)												
Transfers in (out)	1,283	3,308	2,025	-	(55)	(55)	-	19	19	-	-	-
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-	
Gain (loss) on retirement of capital assets	-	5	(5)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,283	3,313	2,020	-	(55)	(55)	-	19	19	-	-	-
Net change in fund balances	(17,037)	8,502	25,529	(972)	(1,001)	(29)	(279)	307	586	-	-	-
Fund balances (deficit), beginning	17,946	17,946	-	2,881	2,881	-	1,264	1,264	-	70	12	(58)
Fund balances (deficit), ending	$ 909	$ 26,448	$ 25,529	$ 1,909	$ 1,880	$ (29)	$ 985	$ 1,571	$ 586	$ 70	$ 12	$ (58)

CITY OF
RIVERSIDE

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.

Civic Entertainment Fund – To account for the operations of the Riverside Fox Theater, Riverside Municipal Auditorium, The Box, and the Riverside Convention Center.

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 Position
Nonmajor Enterprise Funds
June 30, 2018
(amounts expressed in thousands)

Assets	**Civic Entertainment**	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current assets:						
Cash and investments	$ 1,020	$ 883	$ 7,428	$ 1,778	$ 826	$ 11,935
Receivables (net of allowance for uncollectibles)						
Interest	-	3	30	7	5	45
Utility billed	-	-	1,100	-	-	1,100
Utility unbilled	-	-	784	-	-	784
Accounts	1,170	94	843	24	788	2,919
Intergovernmental	-	40	-	294	20	354
Inventory	52	-	-	-	-	52
Prepaid items	319	-	-	-	-	319
Deposits	300	-	-	-	-	300
Restricted assets:						-
Other restricted cash and cash equivalents	-	-	1,118	-	-	1,118
Total current assets	2,861	1,020	11,303	2,103	1,639	18,926
Non-current assets:						
Regulatory assets	-	-	4,874	-	-	4,874
Derivative instruments	299	-	-	-	-	299
Capital assets:						
Land	-	9,988	-	-	9,192	19,180
Buildings	22	2,631	-	43	33,229	35,925
Accumulated depreciation-buildings	-	(1,503)	-	(17)	(7,092)	(8,612)
Improvements other than buildings	44,201	20,714	-	2,848	6,740	74,503
Accumulated depreciation-improvements other than buildings	(3,662)	(8,956)	-	(557)	(2,919)	(16,094)
Machinery and equipment	425	470	16,080	4,756	1,130	22,861
Accumulated depreciation-machinery and equipment	(260)	(410)	(11,887)	(3,527)	(1,126)	(17,210)
Construction in progress	-	-	299	-	-	299
Total non-current assets:	41,025	22,934	9,366	3,546	39,154	116,025
Total assets	43,886	23,954	20,669	5,649	40,793	134,951
Deferred Outflows of Resources						
Change in derivative values	-	-	-	-	-	-
Pension contributions, changes in assumptions and differences in experience	-	310	2,320	1,063	607	4,300
Total deferred outflows of resources	-	310	2,320	1,063	607	4,300

Continued

City of Riverside
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2018
(amounts expressed in thousands)

Liabilities	**Civic Entertainment**	**Airport**	**Refuse**	**Transportation**	**Public Parking**	**Total**
Current liabilities:						
Accounts payable	888	5	1,180	12	99	2,184
Accrued payroll	-	2	19	8	4	33
Retainage payable	-	-	15	-	-	15
Unearned revenue	16	-	1	1,252	-	1,269
Deposits	579	-	-	-	-	579
Due to other funds	225	-	-	-	-	225
Pension obligation bonds - current	-	40	172	82	48	342
Capital leases - current	533	-	-	-	-	533
Notes payable - current	1,866	-	-	-	1,054	2,920
Landfill capping - current	-	-	250	-	-	250
Compensated absences - current	-	36	321	123	28	508
Total current liabilities	4,107	83	1,958	1,477	1,233	8,858
Non-current liabilities:						
Pension obligation bonds	-	167	716	340	199	1,422
Notes payables	35,490	-	-	-	17,202	52,692
Capital leases	1,095	-	-	-	-	1,095
Regulatory liability	28	-	-	-	-	28
Landfill capping	-	-	4,520	-	-	4,520
Compensated absences	-	1	12	5	1	19
Net OPEB liability	-	131	1,147	553	266	2,097
Net pension liability	-	1,100	8,350	3,827	2,207	15,484
Total non-current liabilities	36,613	1,399	14,745	4,725	19,875	77,357
Total liabilities	40,720	1,482	16,703	6,202	21,108	86,215
Deferred Inflows of Resources						
Change in derivative values	289	-	-	-	-	289
Pension contributions, changes in assumptions and differences in experience	-	61	668	314	222	1,265
OPEB contributions, changes in assumptions and differences in experience	-	4	38	22	7	71
Total deferred inflows of resources	289	65	706	336	229	1,625
Net Position						
Net investment in capital assets	40,726	22,934	4,492	3,546	20,898	92,596
Restricted for landfill capping	-	-	1,118	-	-	1,118
Unrestricted	(37,849)	(217)	(30)	(3,372)	(835)	(42,303)
Total net position	$ 2,877	$ 22,717	$ 5,580	$ 174	$ 20,063	$ 51,411

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Civic Entertainment	Airport	Refuse	Transportation	Public Parking	Total
Operating revenues:						
Charges for services	$ 16,393	$ 1,562	$ 23,085	$ 441	$ 6,258	$ 47,739
Operating expenses:						
Personnel services	-	698	5,723	2,677	1,100	10,198
Contractual services	6,476	150	4,352	84	1,907	12,969
Maintenance and operation	-	365	6,378	526	587	7,856
General	11,123	217	2,778	515	763	15,396
Materials and supplies	-	17	1,186	201	8	1,412
Insurance	162	32	91	50	88	423
Depreciation and amortization	975	693	1,542	714	992	4,916
Total operating expenses	18,736	2,172	22,050	4,767	5,445	53,170
Operating Income (loss)	(2,343)	(610)	1,035	(4,326)	813	(5,431)
Nonoperating revenues (expenses):						
Operating grants	-	-	-	3,374	-	3,374
Interest income	4	3	36	3	5	51
Other	-	32	1,096	29	-	1,157
Gain (loss) on retirement of capital assets	-	6	(245)	3	-	(236)
Interest expense and fiscal charges	(1,259)	(7)	(32)	(15)	(741)	(2,054)
Total non-operating revenues	(1,255)	34	855	3,394	(736)	2,292
Income (loss) before capital contributions and transfers	(3,598)	(576)	1,890	(932)	77	(3,139)
Cash capital contributions	875	841	-	846	-	2,562
Transfers in	8,715	-	-	-	1,721	10,436
Transfers out	(3,115)	-	(896)	-	(738)	(4,749)
Change in net position	2,877	265	994	(86)	1,060	5,110
Net position - beginning, as previously stated	-	22,456	4,629	284	19,011	46,380
Prior period adjustment	-	(4)	(43)	(24)	(8)	(79)
Net position - beginning, as restated	-	22,452	4,586	260	19,003	46,301
Net position - ending	$ 2,877	$ 22,717	$ 5,580	$ 174	$ 20,063	$ 51,411

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Civic Entertainment	Airport	Refuse	Transportation	Public Parking	Totals
Cash flows from operating activities:						
Cash received from customers and users	$ 15,223	$ 1,509	$ 22,943	$ 920	$ 6,368	$ 46,963
Cash paid to employees for services	-	(601)	(5,030)	(2,349)	(943)	(8,923)
Cash paid to other suppliers of goods or services	(16,949)	(792)	(15,359)	(1,322)	(3,386)	(37,808)
Other receipts	18	32	1,503	29	-	1,582
Net cash (used) provided by operating activities	(1,708)	148	4,057	(2,722)	2,039	1,814
Cash flows from noncapital financing activities:						
Transfers in	8,421	-	-	-	1,721	10,142
Transfers out	(3,115)	-	(896)	-	(738)	(4,749)
Operating grants	-	-	-	3,374	-	3,374
Receipts (payments) on interfund advances	225	-	-	-	(307)	(82)
Payments on pension obligation bonds	-	(38)	(162)	(76)	(142)	(418)
Net cash (used) provided by noncapital financing activities	5,531	(38)	(1,058)	3,298	534	8,267
Cash flows from capital and related financing activities:						
Purchase of capital assets	(586)	(884)	(1,507)	-	(1)	(2,978)
Proceeds from the sale of capital assets	-	6	83	3	-	92
Principal paid on long-term obligations	(1,837)	-	-	-	(1,015)	(2,852)
Interest paid on long-term obligations	(1,259)	(7)	(32)	(15)	(741)	(2,054)
Contributions	875	841	-	846	-	2,562
Net cash (used) provided for capital and related financing activities	(2,807)	(44)	(1,456)	834	(1,757)	(5,230)
Cash flows from investing activities:						
Sale and (purchase) of investments	-	-	(8)	(4)	(3)	(15)
Interest from investments	4	3	36	3	5	51
Net cash (used) provided by investing activities	4	3	28	(1)	2	36
Net change in cash and cash equivalents	1,020	69	1,571	1,409	818	4,887
Cash and cash equivalents, beginning	-	814	6,975	369	8	8,166
Cash and cash equivalents, ending	$ 1,020	$ 883	$ 8,546	$ 1,778	$ 826	$ 13,053

Continued

City of Riverside
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

Continued

	Civic Entertainment	Airport	Refuse	Transportation	Public Parking	Totals
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:						
Operating income (loss)	$ (2,343)	$ (610)	$ 1,035	$ (4,326)	$ 813	$ (5,431)
Other nonoperating items	-	32	1,096	29	-	1,157
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:						
Depreciation and amortization	975	693	1,542	714	992	4,916
Changes in assets, liabilities and deferred inflows/outflows of resources:						
Utility billed receivable	-	-	(62)	-	-	(62)
Utility unbilled receivable	-	-	(10)	-	-	(10)
Accounts receivable	(1,170)	(13)	(70)	(8)	109	(1,152)
Intergovernmental receivable	-	(40)	-	487	1	448
Inventory	(52)	-	-	-	-	(52)
Prepaid and deposit items	(619)	-	-	-	-	(619)
Regulatory assets	-	-	407	-	-	407
Derivative instruments	(299)	-	-	-	-	(299)
Accounts payable	888	(6)	31	(3)	(33)	877
Accrued payroll	-	2	19	8	4	33
Retainage payable	-	-	15	-	-	15
Other payables	16	(8)	(14)	57	(14)	37
Deposits payable	579	-	-	-	-	579
Regulatory liability	28	-	-	-	-	28
Landfill capping	-	-	(620)	-	-	(620)
Change in derivative values	289	-	-	-	-	289
Net pension liability and related charges in deferred outflows and inflows of resources	-	93	640	292	157	1,182
Net OPEB liability and related charges in deferred outflows and inflows of resources	-	5	48	28	10	91
Net cash (used) provided by operating activities	$ (1,708)	$ 148	$ 4,057	$ (2,722)	$ 2,039	$ 1,814
Schedule of noncash financing and investing activities:						
Capital assets - transfer from governmental activities	$ 39,487	$ -	$ -	$ -	$ -	$ 39,487
Gain/(Loss) on retirement of capital assets	-	6	(245)	3	-	(236)
Note payable and derivative swap - transfer from governmental activities	(39,193)	-	-	-	-	(39,193)

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.

Self-Insurance Trust – To account for the operations of the City's self-insured workers' compensation, unemployment and liability programs.

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 Position
Internal Service Funds
June 30, 2018
(amounts expressed in thousands)

Assets	Self-Insurance Trust	Central Stores	Central Garage	Total
Current assets:				
Cash and investments	$ 16,867	$ -	$ 6,917	$ 23,784
Receivables (net of allowance for uncollectibles)				
Interest	52	-	23	75
Accounts	43	-	7	50
Intergovernmental	51	-	367	418
Inventory	-	5,836	448	6,284
Total current assets	17,013	5,836	7,762	30,611
Non-current assets:				
Advances to other funds	335	-	2,068	2,403
Capital assets:				
Land			458	458
Intangible assets, depreciable	219	-	-	219
Accumulated depreciation - intangible assets, depreciable	(132)	-	-	(132)
Buildings	-	-	4,092	4,092
Accumulated depreciation-buildings	-	-	(718)	(718)
Improvements other than buildings	-	-	1,315	1,315
Accumulated depreciation - improvements other than buildings	-	-	(470)	(470)
Machinery and equipment	5	139	11,121	11,265
Accumulated depreciation-machinery and equipment	(4)	(139)	(8,834)	(8,977)
Construction in progress	-	-	253	253
Total non-current assets:	423	-	9,285	9,708
Total assets	17,436	5,836	17,047	40,319
Deferred Outflows of Resources				
Pension contributions, changes in assumptions and differences in experience	306	336	1,708	2,350
Total deferred outflows of resources	306	336	1,708	2,350
Liabilities				
Current liabilities:				
Accounts payable	766	318	193	1,277
Accrued payroll	3	3	14	20
Retainage payable	-	-	13	13
Due to other funds	-	436	-	436
Pension obligation bonds - current	18	24	103	145
Claims and judgments - current	9,872	-	-	9,872
Compensated absences - current	47	75	255	377
Total current liabilities	10,706	856	578	12,140
Non-current liabilities:				
Advances from other funds	-	-	335	335
Pension obligation bonds	73	102	429	604
Claims and judgments	36,360	-	-	36,360
Compensated absences	7	11	37	55
Net OPEB liability	131	154	665	950
Net pension liability	1,066	1,193	6,105	8,364
Total non-current liabilities	37,637	1,460	7,571	46,668
Total liabilities	48,343	2,316	8,149	58,808
Deferred Inflows of Resources				
Pension contributions, changes in assumptions and differences in experience	17	66	412	495
OPEB contributions, changes in assumptions and differences in experience	6	5	25	36
Total deferred inflows of resources	23	71	437	531
Net Position				
Net investment in capital assets	88	-	7,217	7,305
Unrestricted	(30,712)	3,785	2,952	(23,975)
Total net position	$ (30,624)	$ 3,785	$ 10,169	$ (16,670)

City of Riverside
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Totals
Operating revenues:				
Charges for services	$ 14,052	$ 1,240	$ 9,481	$ 24,773
Operating expenses:				
Personnel services	932	807	3,857	5,596
Contractual services	565	2	89	656
Maintenance and operation	3	33	2,704	2,740
General	1,934	369	753	3,056
Materials and supplies	2	13	250	265
Claims/Insurance	14,647	7	79	14,733
Depreciation and amortization	45	-	1,046	1,091
Total operating expenses	18,128	1,231	8,778	28,137
Operating income (loss)	(4,076)	9	703	(3,364)
Non-operating revenues (expenses):				
Interest income	85	-	65	150
Other	3	-	431	434
Gain (loss) on retirement of capital assets	26	-	71	97
Interest expense and fiscal charges	(3)	(5)	(28)	(36)
Total non-operating revenue (expenses)	111	(5)	539	645
Income before capital contributions and transfers	(3,965)	4	1,242	(2,719)
Transfers in	5,000	-	-	5,000
Change in net position	1,035	4	1,242	2,281
Net position - beginning, as previously stated	(31,653)	3,787	8,952	(18,914)
Prior period adjustment	(6)	(6)	(25)	(37)
Net position - beginning, as restated	(31,659)	3,781	8,927	(18,951)
Net position - ending	$ (30,624)	$ 3,785	$ 10,169	$ (16,670)

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Self-Insurance Trust	Central Stores	Central Garage	Total
Cash flows from operating activities:				
Cash received from customers and users	$ 14,002	$ 1,240	$ 9,679	$ 24,921
Cash paid to employees for services	486	(693)	(3,346)	(3,553)
Cash paid to other suppliers of goods or services	(17,031)	(694)	(4,063)	(21,788)
Other receipts	3	-	431	434
Net cash (used) provided by operating activities	(2,540)	(147)	2,701	14
Cash flows from noncapital financing activities:				
Transfers in	5,000	-	-	5,000
Receipts on interfund advances	439	175	355	969
Payments on pension obligation bonds	(16)	(23)	(98)	(137)
Net cash (used) provided by noncapital financing activities	5,423	152	257	5,832
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	-	(762)	(762)
Proceeds from the sale of capital assets	26	-	71	97
Interest paid on long-term obligation	(3)	(5)	(28)	(36)
Net cash (used) for capital and related financing activities	23	(5)	(719)	(701)
Cash flows from investing activities:				
Sale and (purchase) of investments	(24)	-	(8)	(32)
Interest from investments	85	-	65	150
Net cash provided by investing activities	61	-	57	118
Net change in cash and cash equivalents	2,967	-	2,296	5,263
Cash and cash equivalents, beginning	13,900	-	4,621	18,521
Cash and cash equivalents, ending	$ 16,867	$ -	$ 6,917	$ 23,784

Continued

City of Riverside
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

Continued

Reconciliation of operating income (loss) to net cash (used) provided by operating activities:	Self-Insurance Trust	Central Stores	Central Garage	Total
Operating income (loss)	$ (4,076)	$ 9	$ 703	$ (3,364)
Other nonoperating items	3	-	431	434
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Depreciation and amortization	45	-	1,046	1,091
Changes in assets, liabilities and deferred inflows/outflows of resources:				
Accounts receivable	(26)	-	(1)	(27)
Intergovernmental receivable	(24)	-	199	175
Inventory	-	(166)	(118)	(284)
Accounts payable	120	(104)	(83)	(67)
Accrued payroll	3	3	14	20
Retainage payable	-	-	13	13
Other payables	16	5	(25)	(4)
Claims and judgments	1,287	-	-	1,287
Net pension liability and related charges in deferred outflows and inflows of resources	102	99	493	694
Net OPEB liability and related charges in deferred outflows and inflows of resources	10	7	29	46
Net cash (used) provided by operating activities	$ (2,540)	$ (147)	$ 2,701	$ 14

CITY OF
RIVERSIDE

Agency Fund

The City's Agency Fund 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, 2018
(amounts expressed in thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and investments	$ 3,181	$ 3,992	$ 3,864	$ 3,309
Cash and investments at fiscal agent	5,068	3,756	4,136	4,688
Interest receivable	8	57	55	10
Property taxes receivable	34	81	34	81
Total assets	$ 8,291	$ 7,886	$ 8,089	$ 8,088
Liabilities				
Accounts payable	$ -	$ 64	$ 63	1
Held for bond holders	8,291	7,822	8,026	8,087
Total liabilities	$ 8,291	$ 7,886	$ 8,089	$ 8,088

CITY OF
RIVERSIDE

COMBINING GENERAL FUND AND CAPITAL OUTLAY SCHEDULES WITH MEASURE Z FUND ACTIVITY

City of Riverside
Balance Sheet
Combining General Fund Schedule
June 30, 2018
(amounts expressed in thousands)

Assets	**General Fund**	**Measure Z Fund**	**Total General Fund**
Cash and investments	$ 76,455	$ 7,687	$ 84,142
Cash and investments at fiscal agent	18	-	18
Receivables (net of allowance for uncollectibles)			
Interest	193	-	193
Property taxes	3,876	-	3,876
Sales tax	12,475	11,379	23,854
Utility billed	1,226	-	1,226
Accounts	5,642	-	5,642
Intergovernmental	5,325	-	5,325
Notes	10	-	10
Prepaid items	1,932	15	1,947
Due from other funds	858	-	858
Land & improvements held for resale	175	-	175
Total assets	$ 108,185	$ 19,081	$ 127,266
Liabilities			
Accounts payable	$ 6,661	$ 802	$ 7,463
Accrued payroll	16,409	33	16,442
Retainage payable	8	5	13
Intergovernmental	151	-	151
Unearned revenue	330	-	330
Deposits	8,558	-	8,558
Total liabilities	32,117	840	32,957
Deferred Inflows of Resources			
Unavailable revenue	4,685	-	4,685
Total deferred inflows of resources	4,685	-	4,685
Fund Balances			
Nonspendable:			
Inventories, prepaids and deposits	1,932	15	1,947
Restricted for:			
Housing and redevelopment	175	-	175
Debt service	2,037	-	2,037
Other purposes	779	-	779
Committed for:			
Economic contingency	53,800	-	53,800
Assigned to:			
General government	2,425	209	2,634
Public safety	1,110	849	1,959
Highways and streets	1,255	909	2,164
Culture and recreation	620	-	620
Continuing projects	7,250	8,615	15,865
Unassigned	-	7,644	7,644
Total fund balances	71,383	18,241	89,624
Total liabilities, deferred inflows of resources, and fund balances	$ 108,185	$ 19,081	$ 127,266

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Combining General Fund Schedule
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	General Fund	Measure Z Fund	Total General Fund
Revenues			
Taxes	$ 166,914	$ 56,202	$ 223,116
Licenses and permits	10,015	-	10,015
Intergovernmental	10,513	-	10,513
Charges for services	17,438	-	17,438
Fines and forfeitures	3,699	-	3,699
Special assessments	402	-	402
Rental and investment income	2,312	6	2,318
Miscellaneous	3,815	-	3,815
Total revenues	215,108	56,208	271,316
Expenditures			
Current:			
General government	14,181	1,454	15,635
Public safety	166,204	18,404	184,608
Highways and streets	18,528	115	18,643
Culture and recreation	29,136	-	29,136
Capital outlay	2,646	-	2,646
Debt service:			
Bond issuance costs	14	-	14
Total expenditures	230,709	19,973	250,682
Excess (deficiency) of revenues over (under) expenditures	(15,601)	36,235	20,634
Other financing sources (uses)			
Transfers in	48,397	10,935	59,332
Transfers out	(39,650)	(11,088)	(50,738)
Transfers in from Measure Z Fund *	20,482	-	20,482
Transfers out to General Fund *	-	(20,482)	(20,482)
Proceeds from the sale of capital assets	422	-	422
Total other financing sources (uses)	29,651	(20,635)	9,016
Net change in fund balances	14,050	15,600	29,650
Fund balances - beginning	80,429	2,641	83,070
Prior period adjustment	(23,096)	-	(23,096)
Fund balances - ending	$ 71,383	$ 18,241	$ 89,624

* Per accounting standards, Transfers within the same fund are not reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances; however, they are reflected in this schedule for transparency purposes.

City of Riverside
Balance Sheet
Combining Capital Outlay Fund Schedule
June 30, 2018
(amounts expressed in thousands)

Assets		**Capital Outlay**		**Measure Z Capital Outlay**		**Total Capital Outlay**
Cash and investments	$	14,143	$	4,500	$	18,643
Cash and investments at fiscal agent		2		-		2
Receivables (net of allowance for uncollectibles)						
Interest		71		11		82
Accounts		1,608		-		1,608
Intergovernmental		7,353		-		7,353
Total assets	$	23,177	$	4,511	$	27,688
Liabilities						
Accounts payable	$	953	$	33	$	986
Retainage payable		48		-		48
Unearned revenue		125		-		125
Total liabilities		1,126		33		1,159
Deferred Inflows of Resources						
Unavailable revenue		81		-		81
Total deferred inflows of resources		81		-		81
Fund Balances						
Restricted for:		-				
Transportation and public works		21,970		4,478		26,448
Total fund balances		21,970		4,478		26,448
Total liabilities, deferred inflows of resources, and fund balances	$	23,177	$	4,511	$	27,688

City of Riverside
Statement of Revenues, Expenditures and Changes in Fund Balances
Combining Capital Outlay Fund Schedule
For the fiscal year ended June 30, 2018
(amounts expressed in thousands)

	Capital Outlay	Measure Z Capital Outlay	Total Capital Outlay
Revenues			
Intergovernmental	$ 11,989	$ -	$ 11,989
Special assessments	504	-	504
Rental and investment income	112	-	112
Miscellaneous	2,883	-	2,883
Total revenues	15,488	-	15,488
Expenditures			
Current:			
Capital outlay	8,697	1,602	10,299
Total expenditures	8,697	1,602	10,299
Excess (deficiency) of revenues over (under) expenditures	6,791	(1,602)	5,189
Other financing sources (uses)			
Transfers in	240	6,072	6,312
Transfers out	(3,004)	-	(3,004)
Proceeds from the sale of capital assets	5	-	5
Total other financing sources (uses)	(2,759)	6,072	3,313
Net change in fund balances	4,032	4,470	8,502
Fund balances - beginning	17,938	8	17,946
Fund balances - ending	$ 21,970	$ 4,478	$ 26,448

CITY OF
RIVERSIDE

Statistical Section
(Unaudited)

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.

Contents **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Riverside
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2009	**2010**	**2011**	**2012[1]**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental activities										
Net investment in capital assets	$ 950,496	$ 976,614	$ 1,019,892	$ 1,076,485	$ 1,083,485	$ 1,106,384	$ 1,126,220	$ 1,123,910	$ 1,102,409	$ 1,093,896
Restricted	98,903	108,932	80,820	86,325	80,712	96,587	105,847	106,488	104,853	112,183
Unrestricted	(41,861)	(80,947)	(90,159)	23,145	17,989	(2,049)	(406,388)	(389,278)	(362,146)	(364,500)
Total governmental activities net position	$ 1,007,538	$ 1,004,599	$ 1,010,553	$ 1,185,955	$ 1,182,186	$ 1,200,922	$ 825,679	$ 841,120	$ 845,116	$ 841,579
Business-type activities										
Net investment in capital assets	$ 659,904	$ 660,619	$ 654,974	$ 666,919	$ 609,691	$ 616,844	$ 626,166	$ 654,870	$ 702,844	$ 800,227
Restricted	38,621	59,863	56,397	54,923	69,068	68,507	75,660	85,526	93,570	80,717
Unrestricted	207,405	219,720	256,038	285,062	330,833	359,698	209,469	235,144	245,116	199,143
Total business-type activities net position	$ 905,930	$ 940,202	$ 967,409	$ 1,006,904	$ 1,009,592	$ 1,045,049	$ 911,295	$ 975,540	$ 1,041,530	$ 1,080,087
Primary government										
Net investment in capital assets	$ 1,610,400	$ 1,637,233	$ 1,674,866	$ 1,743,404	$ 1,693,176	$ 1,723,228	$ 1,752,386	$ 1,778,780	$ 1,805,253	$ 1,894,123
Restricted	137,524	168,795	137,217	141,248	149,780	165,094	181,507	192,014	198,423	192,900
Unrestricted	165,544	138,773	165,879	308,207	348,822	357,649	(196,919)	(154,134)	(117,030)	(165,357)
Total primary government net position	$ 1,913,468	$ 1,944,801	$ 1,977,962	$ 2,192,859	$ 2,191,778	$ 2,245,971	$ 1,736,974	$ 1,816,660	$ 1,886,646	$ 1,921,666

[1] The increase in total governmental activities net position (and related unrestricted net position) is primarily due to the dissolution of the Redevelopment Agency.

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

(in thousands)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Expenses										
Governmental activities:										
General government	$ 71,391	$ 85,110	$ 72,606	$ 48,731	$ 54,808	$ 39,331	$ 26,587	$ 24,483	$ 44,510	$ 45,360
Public safety	142,353	137,338	139,364	148,605	147,652	149,555	154,123	161,284	160,665	216,772
Highways and streets	29,700	31,492	32,131	35,342	35,072	36,564	36,563	38,836	38,585	42,544
Culture and recreation	29,423	44,319	50,017	54,594	40,077	42,252	45,594	47,762	49,406	38,362
Interest on long-term debt	34,361	32,049	33,638	25,087	16,627	17,741	17,025	16,387	16,028	12,414
Total governmental activities expenses	307,228	330,308	327,756	312,359	294,236	285,443	279,892	288,752	309,194	355,452
Business-type activities:										
Electric	269,209	256,860	275,922	288,799	292,175	304,416	309,874	307,925	317,335	333,061
Water	53,931	55,402	56,390	56,715	58,768	60,030	62,792	57,769	62,189	68,281
Sewer	34,853	41,248	42,276	43,702	43,945	40,385	35,593	39,978	38,305	54,136
Entertainment	-	-	-	-	-	-	-	-	-	19,995
Airport	1,734	2,206	2,320	2,646	2,029	1,662	1,809	1,799	1,998	2,179
Refuse	18,425	20,527	20,046	19,979	20,581	20,831	20,007	21,652	21,953	22,082
Transportation	3,194	3,368	3,493	3,667	3,745	4,067	4,385	4,113	4,221	4,782
Public parking	5,095	4,024	4,401	4,984	5,051	4,610	5,604	5,141	5,448	6,186
Total business-type activities expenses	386,441	383,635	404,848	420,492	426,294	436,001	440,064	438,377	451,449	510,702
Total primary government expenses	$ 693,669	$ 713,943	$ 732,604	$ 732,851	$ 720,530	$ 721,444	$ 719,956	$ 727,129	$ 760,643	$ 866,154
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 13,691	$ 12,933	$ 14,241	$ 14,662	$ 13,338	$ 13,775	$ 17,600	$ 24,944	$ 27,441	$ 24,605
Public safety	8,414	8,177	8,075	7,837	7,793	7,444	7,256	3,243	1,167	1,880
Highways and streets	14,391	17,847	16,985	16,532	15,825	17,487	13,868	5,709	5,930	5,554
Culture and recreation	3,168	2,367	3,180	4,622	5,237	7,406	16,319	12,458	22,802	6,078
Operating grants and contributions	23,313	32,853	21,127	31,581	21,485	14,341	12,869	16,321	19,374	22,548
Capital grants and contributions	69,745	23,395	38,138	54,476	32,202	48,433	43,904	31,216	7,617	18,039
Total governmental activities program revenues	132,722	97,572	101,746	129,710	95,880	108,886	111,816	93,891	84,331	78,704
Business-type activities:										
Charges for services:										
Electric	314,164	309,910	313,703	333,029	347,933	344,037	347,621	354,530	366,066	364,516
Water	54,923	57,534	62,084	65,206	68,489	68,691	66,051	57,250	62,627	66,828
Sewer	23,247	27,342	32,769	37,747	43,772	46,162	50,336	52,664	59,735	65,081
Entertainment	-	-	-	-	-	-	-	-	-	16,393
Airport	1,232	1,315	1,342	1,524	1,396	1,100	1,260	1,549	1,578	1,562
Refuse	18,394	18,712	19,134	19,588	20,829	20,677	21,360	21,806	22,567	23,085
Transportation	336	328	344	352	344	413	385	377	359	441
Public parking	4,332	4,876	5,205	4,803	4,777	4,382	4,609	4,918	5,009	6,258
Operating grants and contributions	1,929	2,487	2,159	2,738	2,718	2,524	3,869	2,322	3,751	3,374
Capital grants and contributions	17,288	6,838	7,337	21,164	11,734	11,486	8,027	18,868	24,151	26,957
Total business-type activities program revenues	435,845	429,342	444,077	486,151	501,992	499,472	503,518	514,284	545,843	574,495
Total primary government program revenues	$ 568,567	$ 526,914	$ 545,823	$ 615,861	$ 597,872	$ 608,358	$ 615,334	$ 608,175	$ 630,174	$ 653,199

(continued)

(in thousands) Page 2 of 2

Table 2
City of Riverside
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2009	**2010**	**2011**	**2012[1]**	**2013[2]**	**2014**	**2015**	**2016**	**2017**	**2018**
Net Revenues (Expense)										
Governmental activities	$ (174,506)	$ (232,736)	$ (226,010)	$ (182,649)	$ (198,356)	$ (176,557)	$ (168,076)	$ (194,861)	$ (224,863)	$ (276,748)
Business-type activities	49,404	45,707	39,229	65,659	75,698	63,471	63,454	75,907	94,394	63,793
Total primary government net expense	$ (125,102)	$ (187,029)	$ (186,781)	$ (116,990)	$ (122,658)	$ (113,086)	$ (104,622)	$ (118,954)	$ (130,469)	$ (212,955)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales	$ 41,882	$ 39,645	$ 44,157	$ 47,701	$ 50,222	$ 55,096	$ 59,437	$ 60,976	$ 75,883	$ 120,338
Property	116,420	104,087	100,802	74,179	52,904	51,323	54,864	55,545	59,526	63,515
Utility users	25,964	25,975	26,691	27,320	28,206	28,092	28,076	27,828	27,958	27,498
Franchise	5,144	4,477	4,937	4,883	4,959	5,046	5,543	5,730	4,814	4,972
Transient occupancy	2,912	2,488	2,731	2,995	3,703	4,189	5,280	6,093	6,622	6,793
Intergovernmental, unrestricted	4,569	1,339	1,285	351	337	263	3,153	477	145	172
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Investment earnings	15,941	8,289	7,439	4,440	2,786	2,759	3,233	729	6,145	5,187
Miscellaneous	5,137	3,344	9,544	9,273	9,208	5,425	12,395	11,708	2,050	4,278
Transfers	42,087	40,153	34,378	40,679	42,262	43,100	42,681	41,216	45,716	41,459
Extraordinary items	-	-	-	149,617	-	-	-	-	-	-
Total governmental activities	260,056	229,797	231,964	361,438	194,587	195,293	214,662	210,302	228,859	274,212
Business-type activities:										
Investment income	23,402	21,271	17,548	11,405	4,744	8,005	5,319	6,888	2,650	3,939
Miscellaneous	4,590	7,447	4,808	3,110	5,767	7,081	7,652	22,666	14,662	12,901
Transfers	(42,087)	(40,153)	(34,378)	(40,679)	(42,262)	(43,100)	(42,681)	(41,216)	(45,716)	(41,459)
Extraordinary items	-	-	-	-	(41,259)	-	-	-	-	-
Total business-type activities	(14,095)	(11,435)	(12,022)	(26,164)	(73,010)	(28,014)	(29,710)	(11,662)	(28,404)	(24,619)
Total primary government	245,961	218,362	219,942	335,274	121,577	167,279	184,952	198,640	200,455	249,593
Change in Net Position										
Governmental activities	$ 85,550	$ (2,939)	$ 5,954	$ 178,789	$ (3,769)	$ 18,736	$ 46,586	$ 15,441	$ 3,996	$ (2,536)
Business-type activities	35,309	34,272	27,207	39,495	2,688	35,457	33,744	64,245	65,990	39,174
Total primary government	$ 120,859	$ 31,333	$ 33,161	$ 218,284	$ (1,081)	$ 54,193	$ 80,330	$ 79,686	$ 69,986	$ 36,638

[1] The increase in total governmental activities net position is primarily due to the dissolution of the Redevelopment Agency.
[2] The decrease in total business-type activities net position is primarily due to the power plant closure.

Table 3
City of Riverside
Fund Balances of Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting, in thousands)

	2013	2014	2015	2016	2017	2018
General fund						
Nonspendable	$ 26,421	$ 24,419	$ 23,642	$ 23,094	$ 26,168	$ 1,947
Restricted	2,196	2,204	2,985	3,067	2,651	2,991
Committed	-	-	-	-	-	53,800
Assigned	10,711	14,505	13,965	9,922	14,968	23,242
Unassigned	37,763	37,732	39,059	29,495	39,283	7,644
Total general fund	$ 77,091	$ 78,860	$ 79,651	$ 65,578	$ 83,070	$ 89,624
All other governmental funds						
Nonspendable	$ 1,441	$ 1,460	$ 1,625	$ 1,619	$ 1,601	$ 4,855
Restricted for:						
Housing and redevelopment	26,410	26,223	25,523	24,746	24,098	18,827
Debt service	25,884	26,177	26,203	26,221	6,455	11,509
Transportation and public works	16,487	54,876	36,347	36,876	34,178	43,499
Other purposes	2,003	321	2,326	3,628	4,145	3,451
Unassigned	-	-	-	-	(24)	-
Total all other governmental funds	$ 72,225	$ 109,057	$ 92,024	$ 93,090	$ 70,453	$ 82,141

Note: Certain reclassifications have been made to prior year balances to conform with current year's presentation.

The City of Riverside implemented GASB 54 in the fiscal year ended June 30, 2011.
The City has elected to show six years of data for this schedule.

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	$ 192,322	$ 177,255	$ 179,318	$ 156,593	$ 139,994	$ 143,748	$ 153,200	$ 156,172	$ 174,803	$ 223,116
Licenses and permits	7,368	6,899	7,657	9,292	10,173	9,244	11,168	11,611	14,455	12,442
Intergovernmental	86,873	60,550	61,082	66,618	50,734	59,348	49,892	51,896	31,440	42,454
Charges for services	9,099	9,570	10,720	11,774	12,062	15,734	24,737	26,443	31,384	17,438
Fines and forfeitures	6,213	7,512	8,928	6,293	6,234	7,283	3,957	1,941	1,976	3,717
Special assessments	5,431	5,464	6,014	6,276	6,669	6,272	6,757	7,039	7,578	7,113
Use of money and property	18,620	11,173	10,173	8,095	3,878	4,315	5,112	4,370	4,718	3,446
Miscellaneous	7,596	7,082	16,605	10,611	14,933	6,957	6,939	12,578	7,252	8,716
Total revenues	$ 333,522	$ 285,505	$ 300,497	$ 275,552	$ 244,677	$ 252,901	$ 261,762	$ 272,050	$ 273,606	$ 318,442
Expenditures:										
General government	$ 25,995	$ 23,835	$ 26,090	$ 18,835	$ 15,713	$ 13,558	$ 17,799	$ 19,900	$ 20,650	$ 21,135
Public safety	145,802	138,594	140,994	150,878	150,290	151,721	157,660	164,800	163,712	190,916
Highways and streets	18,452	14,987	14,587	16,651	16,294	16,944	16,594	17,416	17,504	19,207
Culture and recreation	26,859	40,373	44,345	57,538	45,356	34,275	37,527	39,583	40,643	29,382
Capital outlay	180,394	131,908	105,689	75,482	73,581	72,365	60,060	53,208	31,000	33,504
Debt Service:										
Principal	44,349	48,078	89,264	83,378	45,006	45,500	49,101	51,987	72,700	21,904
Interest	33,033	31,267	32,611	24,133	15,116	16,787	17,048	16,451	16,115	12,746
Debt issuance costs	259	231	174	169	581	843	172	180	29	24
Payment for advance refunding	-	-	-	-	3,521	-	-	-	-	-
Total expenditures	$ 475,143	$ 429,273	$ 453,754	$ 427,064	$ 365,458	$ 351,993	$ 355,961	$ 363,525	$ 362,353	$ 328,818
Excess of revenues over (under) expenditures	$ (141,621)	$ (143,768)	$ (153,257)	$ (151,512)	$ (120,781)	$ (99,092)	$ (94,199)	$ (91,475)	$ (88,747)	$ (10,376)

(continued)

Table 4
City of Riverside
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis accounting)

(in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other financing sources (uses):										
Transfers in	$ 100,797	$ 88,303	$ 214,631	$ 196,859	$ 56,572	$ 58,469	$ 61,510	$ 61,384	$ 94,521	$ 102,774
Transfers out	(58,710)	(48,150)	(180,280)	(156,305)	(14,178)	(15,369)	(18,829)	(20,168)	(48,805)	(66,021)
Issuance of long term debt	30,425	51,821	104,875	34,940	99,753	87,037	30,940	31,145	31,578	14,500
Capital lease financings	-	3,116	2,000	-	7,203	6,625	4,450	5,846	2,109	-
Sales of capital assets	(5,798)	529	(1,629)	156	82	931	(114)	261	4,199	461
Payments to refunded bond agent	-	-	-	-	(43,591)	-	-	-	-	-
Total other financing sources (uses)	66,714	95,619	139,597	75,650	105,841	137,693	77,957	78,468	83,602	51,714
Extraordinary items:										
Dissolution of Riverside Redevelopment Agency:										
Transfer of assets and liabilities to Successor Agency	-	-	-	(130,174)	-	-	-	-	-	-
Transfer of assets from Successor Agency	-	-	-	28,121	-	-	-	-	-	-
Assumption of obligation	-	-	-	(4,927)	-	-	-	-	-	-
Total extraordinary items	-	-	-	(106,980)	-	-	-	-	-	-
Net change in fund balances	$ (74,907)	$ (48,149)	$ (13,660)	$ (182,842)	$ (14,940)	$ 38,601	$ (16,242)	$ (13,007)	$ (5,145)	$ 41,338
Debt service as a percentage of noncapital expenditures	26.058% **(1)**	23.211%	32.757% **(2)**	32.507% **(3)**	21.039%	21.803%	22.360%	21.714%	26.625%	11.999%

(1) Increase relates to $30 million refinancing of 2005B pension bonds that took place in May 2008, which became due in-full in June 2009. The $30 million Pension Bond Anticipation Notes have been paid in-full and immediately re-issued each year in 2009, 2010, 2011, 2012, 2013 and 2014.
(2) Increase in debt service related to one-time early redemption of $31.7 million of 2011 Redevelopment Tax Allocation Bonds and $9.1 million of loan proceeds that were drawn-down during the year and re-paid within the year.
(3) Includes one-time early redemption of $33.3 million of 2011 Redevelopment Tax Allocation Bonds.

Table 5
City of Riverside
Business-Type Activities Electricity Revenues By Source
Last Ten 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
2009	105,525	65,532	97,100	4,674	5,684	18,673	12,250	309,438
2010	107,301	65,091	97,458	1,466	5,639	21,100	11,855	309,910
2011	107,792	64,039	102,067	124	5,529	22,091	12,061	313,703
2012	110,471	66,047	107,455	50	5,614	30,735	12,657	333,029
2013	118,173	66,632	110,680	638	5,712	32,688	13,410	347,933
2014	111,880	67,063	111,260	115	5,600	32,630	15,489	344,037
2015	114,112	68,572	112,283	60	5,654	30,587	16,353	347,621
2016	116,997	69,759	113,756	3	4,737	32,924	16,354	354,530
2017	117,662	71,456	115,432	9	4,782	35,497	21,228	366,066
2018	115,630	71,128	115,106	2	4,792	37,484	20,374	364,516

Table 6
City of Riverside
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting) **(in thousands)**

Fiscal Year	Sales Tax[1]	Property Tax[2]	Utility Users Tax	Franchise Tax	Transient Occupancy Tax	Total Taxes
2009	$ 41,882	$ 116,420	$ 25,964	$ 5,144	$ 2,912	$ 192,322
2010	39,645	104,087	25,975	4,477	2,488	176,672
2011	44,157	100,802	26,691	4,937	2,731	179,318
2012	47,701	74,179	27,320	4,883	2,995	157,078
2013	50,222	52,904	28,206	4,959	3,703	139,994
2014	55,096	51,323	28,092	5,046	4,189	143,746
2015	59,437	54,864	28,076	5,543	5,280	153,200
2016	60,976	55,545	27,828	5,730	6,093	156,172
2017	75,883	59,526	27,958	4,814	6,622	174,803
2018	120,338	63,515	27,498	4,972	6,793	223,116

[1] Increase in sales tax in fiscal year 2017 is due to Measure Z which was passed by the voters November 2016 and became effective April 1, 2017. Measure Z is a one percent transaction and use tax.

[2] Decrease in property taxes in fiscal years 2012 and 2013 relates to the dissolution of the Redevelopment Agency. Upon the dissolution of the Redevelopment Agency on February 1, 2012, property taxes received by the Successor Agency are reported in a private-purpose trust fund and therefore are excluded from the activities of the primary government.

Table 7
City of Riverside
Taxable Sales by Category
Last Ten Calendar Years **(in thousands of dollars)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Apparel Stores	$ 154,899	$ 152,564	$ 161,802	$ 168,352	$ 175,320	$ 178,349	$ 188,670	$ 203,001	$ 214,852	$ 210,158
General Merchandise	466,096	435,230	432,303	444,125	450,988	463,355	475,147	477,903	478,538	465,490
Food Stores	172,195	170,151	167,259	169,380	181,719	193,368	209,022	217,902	168,854	169,922
Eating and Drinking Places	383,596	364,291	371,419	395,423	422,153	447,841	483,901	533,317	582,262	609,705
Building Materials	374,161	307,894	292,605	349,398	376,011	454,468	514,993	567,790	636,415	666,907
Auto Dealers and Supplies	949,747	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385	1,608,231	1,588,854
Service Stations	424,252	301,654	350,904	419,497	430,322	418,110	413,128	370,257	338,762	360,830
Other Retail Stores	564,633	487,924	501,071	517,583	535,945	550,157	595,305	633,089	692,375	677,850
All Other Outlets	1,104,611	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982	1,474,160	1,481,019
Total	$ 4,594,190	$ 3,899,529	$ 4,102,609	$ 4,501,800	$ 4,699,571	$ 5,140,773	$ 5,653,990	$ 6,013,625	$ 6,194,449	$ 6,230,735

Source: State of California Board of Equalization and the Hdl Companies.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Table 8
City of Riverside
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years **(in thousands)**

Fiscal Year Ended June 30	City				Dissolved Redevelopment Agency[1]				
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Rate[2]
2009	24,428,633	1,330,053	(7,515,667)	18,243,019	5,998,768	581,943	(224,025)	6,356,686	0.343
2010	22,644,262	1,299,353	(7,103,040)	16,840,575	5,598,484	564,825	(266,257)	5,897,052	0.350
2011	22,056,793	1,260,923	(6,920,720)	16,396,996	5,396,219	544,906	(268,323)	5,672,802	0.347
2012	22,031,328	1,264,151	(6,952,649)	16,342,830	5,395,632	572,153	(270,313)	5,697,472	0.348
2013	22,313,665	1,244,448	(7,142,401)	16,415,712	N/A	N/A	N/A	N/A	0.348
2014	23,045,134	1,201,634	(7,394,982)	16,851,786	N/A	N/A	N/A	N/A	0.125
2015	24,482,621	1,329,391	(7,945,000)	17,867,012	N/A	N/A	N/A	N/A	0.124
2016	25,710,122	1,225,375	(8,432,984)	18,502,513	N/A	N/A	N/A	N/A	0.124
2017	26,927,989	1,311,356	(9,029,817)	19,209,528	N/A	N/A	N/A	N/A	0.124
2018	28,373,517	1,354,934	(9,791,810)	19,936,641	N/A	N/A	N/A	N/A	0.124

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.

[1] In accordance with the timeline set forth in Assembly Bill 1X 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

[2] Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

Source: Riverside County Auditor-Controller

Table 9
City of Riverside
Direct and Overlapping Property Tax Rates
(Rate per $100 of Assessed Valuation)
Last Ten Fiscal Years

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/2017	2017/2018
Basic Levy[1]	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unified School Districts Debt Service[2]	0.259	0.284	0.301	0.332	0.325	0.390	0.377	0.487	0.495	0.517
City of Riverside Debt Service	0.007	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006	0.006
Metropolitan Water District Original Area	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Riverside City Community College Debt Service	0.013	0.012	0.015	0.017	0.017	0.018	0.018	0.017	0.016	0.016
Total Direct & Overlapping[3] Tax Rates	**1.283**	**1.307**	**1.325**	**1.358**	**1.352**	**1.418**	**1.405**	**1.514**	**1.521**	**1.543**
City's Share of 1% Levy Per Prop 13[4]	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145	0.145
General Obligation Debt Rate	0.007	0.006	0.006	0.006	0.006	0.007	0.006	0.006	0.006	0.006
Redevelopment Rate[5,7]	1.004	1.004	1.004	1.004	-	-	-	-	-	-
Total Direct Rate[6]	0.343	0.350	0.347	0.348	0.348	0.125	0.124	0.124	0.124	0.124

[1] 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 any voter approved bonds.

[2] Includes: Alvord Unified School District, Corona Norco Unified School District, Jurupa Unified School District, Moreno Valley Unified School District, and Riverside Unified School District.

[3] Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

[4] City's share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

[5] RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

[6] Total Direct Rate is the weighted average of all individual direct rates. Beginning in 2013/14, the Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

[7] In accordance with the timeline set forth in Assembly Bill X1 26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Note: Amounts presented in this table have been restated for prior years to reflect the most current information available.

Source: Riverside County Assessor 2007/08 - 2016/17 Tax Rate Table.

Table 10
City of Riverside
Principal Property Taxpayers
Current Year and Nine Years Ago

(in thousands)

	2018			2009		
Property Owner	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Riverside Healthcare System	$ 273,296	1	1.0%	$ 109,056	5	0.4%
Tyler Mall	214,956	2	0.8%	179,147	2	0.7%
Rohr Inc	148,268	3	0.5%	-		0.0%
La Sierra University	134,779	4	0.5%	133,363	3	0.5%
State Street Bank and Trust Co	129,258	5	0.5%	83,391	7	0.3%
Cole ID	107,100	6	0.4%	-		-
Corona Pointe Apartments	102,163	7	0.4%	-		-
BRE Properties	98,937	8	0.4%	180,571	1	0.7%
CPT Riverside Plaza LLC	89,829	9	0.3%	-		-
Riverside Fair Isle Apartments	87,753	10	0.3%	-		0.0%
Riverside Colonnade	-		-	112,991	4	0.5%
MEF Realty	-		-	89,303	6	0.4%
Press Enterprise Company	-		-	82,248	8	0.3%
Mission Grove Plaza	-		-	80,354	9	0.3%
Riverside Plaza	-		-	68,517	10	0.3%
Totals	$ 1,386,339		4.9%	$ 1,118,941		4.5%

Notes:
The amounts shown above include assessed value data for both the City and the Successor Agency.

Source: Riverside County Assessor 2017/18 and 2008/09 Combined Tax Rolls

Table 11
City of Riverside
Property Tax Levies and Collections
Last Ten Fiscal Years **(in thousands)**

Fiscal Year Ended June 30	Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$ 86,251	$ 84,134	97.55%	$ 2,117	$ 86,251	100.00%
2010	77,228	74,491	96.46%	2,737	77,228	100.00%
2011	74,608	72,327	96.94%	2,281	74,608	100.00%
2012	41,020	40,340	98.34%	680	41,020	100.00%
2013	43,333	42,447	97.96%	886	43,333	100.00%
2014	45,138	44,684	98.99%	454	45,138	100.00%
2015	48,846	48,427	99.14%	419	48,846	100.00%
2016	50,023	49,585	99.12%	-	49,585	99.12%
2017	53,655	53,252	99.25%	-	53,252	99.25%
2018	57,567	57,173	99.32%	-	57,173	99.32%

Note:
The table reflects amounts related to the City. In addition, it includes amounts related to the Redevelopment Agency through dissolution (1/31/12). The amounts collected by the Redevelopment Agency include monies that were passed-though to other agencies. Current tax levies are the original charge as provided by the County of Riverside. Current tax collections do not include supplemental taxes, aircraft taxes or other property taxes.

The City adopted the Teeter plan available with the County of Riverside effective Fiscal year 2014. Under the Teeter plan the County of Riverside has responsibility for the collection of delinquent taxes and the City receives 100% of the levy.

Table 12
City of Riverside
Electricity Sold by Type of Customer
Last Ten Fiscal Years

(in millions of kilowatt-hours)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Type of Customer:										
Residential	733	701	666	688	726	700	711	726	730	727
Commercial	433	406	400	413	419	421	428	438	448	447
Industrial	946	906	912	969	1,003	997	995	983	996	999
Wholesale sales	137	44	7	2	14	4	2	-	1	-
Other	33	32	31	31	31	30	31	23	23	22
Total	2,282	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,198	2,195
Total direct rate										
Monthly Base Rate [1]	13.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06	18.06

[1] Monthly Base Rate includes a Reliability Charge of $5.00 (small residence 100 amp) implemented in January 2008. In January 2010 the Reliability Charge increased to $10.00 (small residence 100 amp).

Source: Riverside Public Utilities, Finance Services

Table 13
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
2009	0.14389	0.15122	0.10271	0.17169
2010	0.15307	0.16014	0.10756	0.17876
2011	0.16173	0.16001	0.11194	0.18089
2012	0.16068	0.15991	0.11088	0.17938
2013	0.16274	0.15913	0.11030	0.18375
2014	0.15995	0.15936	0.11156	0.18513
2015	0.16050	0.16022	0.11282	0.18291
2016	0.16119	0.15915	0.11577	0.20908
2017	0.16116	0.15958	0.11586	0.21287
2018	0.15910	0.15902	0.11524	0.21288

Source: Riverside Public Utilities, Finance Services

Table 14
City of Riverside
Top 10 Electricity Customers
Current Year and Nine Years Ago

	2018			2009		
Electricity Customer	**Electricity Charges**	**Rank**	**Percent of Total Electric Revenues**	**Electricity Charges**	**Rank**	**Percent of Total Electric Revenues**
Local University	$12,548,112	1	4.09%	$7,481,477	2	2.73%
Local Government	8,075,057	2	2.63%	7,805,664	1	2.85%
Local Government	7,864,356	3	2.56%	6,184,476	3	2.26%
Local School District	4,442,089	4	1.45%	4,351,162	4	1.59%
Corporation	3,990,337	5	1.30%	3,251,002	5	1.19%
Corporation	3,695,864	6	1.21%	2,323,394	6	0.85%
Corporation	3,159,703	7	1.03%	1,952,604	7	0.71%
Hospital	2,777,910	8	0.91%	1,762,868	10	0.64%
Hospital	2,716,410	9	0.89%	-		0.00%
Local University	2,620,281	10	0.85%	-		0.00%
Corporation	-		-	1,943,163	8	0.71%
Corporation	-		-	1,768,410	9	0.65%
Hospital	-		-	-		0.00%
	$51,890,119		16.92%	$38,824,220		14.18%

Retail Sales Per Financial Statements	$306,656,506	$ 273,841,491

N/A - not available

Source: Riverside Public Utilities, Finance Services

Table 15
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	Pension Obligation Bonds[2]	Certificates of Participation	Capital Leases	Notes/Loans Payable
2009	18,171	285,743	-	139,410	198,268	7,455	8,749
2010	17,533	278,867	-	136,050	211,212	6,303	9,291
2011	16,845	305,195	-	132,095	207,246	6,670	8,849
2012	16,107	-	-	127,480	202,703	5,220	4,000
2013	15,314	-	43,762	122,005	158,697	8,424	28,652
2014	14,460	-	42,344	115,775	191,446	13,168	47,611
2015	13,546	-	40,891	108,725	187,212	14,966	45,574
2016	12,567	-	39,398	101,000	181,429	12,006	43,482
2017	11,513	-	37,854	92,592	156,516	17,193	41,325
2018	10,388	-	36,246	60,883	150,800	25,647	1,746

	Business-Type Activities						
Fiscal Year	Revenue Bonds	Notes/Loans Payable	Capital Leases	Pension Obligation Bonds[2]	Total Primary Government	Percentage of Personal Income[1]	Debt Per Capita[1]
2009	670,512	7,915	2,574	-	1,342,931	20.15%	4.54
2010	968,393	7,249	2,151	-	1,637,049	24.83%	5.44
2011	1,071,554	76,747	1,720	-	1,826,921	27.58%	6.01
2012	1,063,853	73,821	1,332	-	1,494,516	21.94%	4.84
2013	1,031,839	70,798	2,558	-	1,482,049	21.41%	4.75
2014	1,094,290	36,030	2,266	-	1,557,390	22.54%	4.96
2015	1,239,634	37,225	1,720	-	1,689,493	24.64%	5.38
2016	1,208,851	37,793	4,694	-	1,641,220	23.93%	5.22
2017	1,180,345	35,255	6,209	-	1,578,802	22.11%	4.83
2018	1,139,864	78,583	6,821	18,324	1,529,302	20.81%	4.69

[1] These ratios are calculated using personal income and population data for the prior calendar year.
[2] The 2005 and 2017 Taxable Pension Obligation Bonds were divided between Governmental Activities, Business-Type Activities, and the Successor Agency.

Source: City of Riverside Notes to Financial Statements and Statistical Table 20.

Table 16
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	Total	Percent of Assessed Value [1]	Per Capita [2]
2009	18,171	139,410	198,268	285,743	641,592	3.52%	2,167
2010	17,533	136,050	211,212	278,867	643,662	3.82%	2,140
2011	16,845	132,095	207,246	305,195	661,381	4.03%	2,175
2012	16,107	127,480	202,703	-	346,290	2.12%	1,122
2013	15,314	122,005	158,697	-	296,016	1.80%	949
2014	14,460	115,775	191,446	-	321,681	1.91%	1,024
2015	13,546	108,725	187,212	-	309,483	1.73%	985
2016	12,567	101,000	181,429	-	294,996	1.65%	909
2017	11,513	92,592	156,516	-	260,621	1.36%	798
2018	10,388	79,207	150,800	-	240,395	1.21%	738

Notes:
General bonded debt is debt payable with governmental fund and enterprise fund resources.

[1] Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

[2] These ratios are calculated using population data for the prior calendar year.

Source: City of Riverside Notes to Financial Statements and Reserve Cash Reconciliation maintained by City Finance Department.

Table 17
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

2017-18 Assessed Valuation:	$ 28,103,778,537
Less Dissolved Redevelopment Agency Incremental Valuation:	8,167,137,151
Adjusted Assessed Valuation:	$ 19,936,641,386

	Total Debt	% Applicable	City's Share of Debt[1]
Overlapping debt repaid with property taxes[2]			
Metropolitan Water District	$ 60,600,000	1.034 %	$ 626,604
Riverside County Flood Control and Water Conservation District Zone No. 4	16,750,000	2.096	351,080
Riverside City Community College District	256,365,337	28.706	73,592,234
Alvord Unified School District	208,288,867	70.672	147,201,908
Riverside Unified School District	224,730,000	85.973	193,207,123
Corona-Norco Unified School District	433,791,926	0.001	4,338
Jurupa Unified School District	124,587,972	0.002	2,492
Moreno Valley Unified School District	112,668,521	10.378	11,692,739
Alvord Unified School District Community District No.2006-1	7,430,000	82.333	6,117,342
Riverside Unified School District Community Facilities Districts	74,225,000	89.479-100	74,118,738
City of Riverside Community Facilities Districts	13,855,000	100	13,855,000
City of Riverside 1915 Act Bonds	21,950,000	100	21,950,000
Total overlapping debt repaid with property taxes			$ 542,719,598

(continued)

Table 17
City of Riverside
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

Other overlapping debt[2]

Riverside County General Fund Obligations	$ 812,829,106	10.755 %	$ 87,419,770
Riverside County Pension Obligations	266,365,000	10.755	28,647,556
Corona-Norco Unified School District Certificates of Participation	31,262,071	0.001	313
Jurupa Unified School District Certificates of Participation	41,727,209	0.002	835
Moreno Valley Unified School District Certificates of Participation	14,900,000	10.378	1,546,322
Riverside Unified School District General Fund Obligations	17,425,346	85.973	14,981,093
Western Municipal Water District General Fund Obligations	10,197,212	32.707	3,335,202
Total other overlapping debt			135,931,091
Less: Riverside County supported obligations			360,648
			135,570,443
Overlapping tax Increment debt			221,947,531
Total overlapping debt			900,237,572
City direct debt			304,034,000
Combined total direct and overlapping debt			$ 1,204,271,572

(1) Debt balances are as of June 30, 2018 (most recent available) for other agency debt, and June 30, 2018 for all City of Riverside direct debt.

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

Ratios to 2017-18 Assessed Valuation:

Total debt repaid with property taxes…………………….…….....	1.93%
City direct debt ($304,034,000)………..…………..………..….	1.08%
Combined total direct and overlapping debt……………………...	4.29%

Ratios to Dissolved Redevelopment Incremental Valuation ($8,167,137,151):

Total overlapping tax Increment debt……………………………..	2.72%

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., Riverside County Auditor-Controller and City Finance Department.

Table 18
City of Riverside
Legal Debt Margin Information
Last Ten Fiscal Years

(in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed valuation	$ 18,243,019	$16,840,575	$ 16,396,996	$ 16,342,830	$ 16,415,712	$ 16,851,786	$ 17,867,012	$ 18,502,513	$ 19,209,528	$ 19,936,641
Conversion percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	4,560,755	4,210,144	4,099,249	4,085,708	4,103,928	4,212,947	4,466,753	4,625,628	4,802,382	4,984,160
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	684,113	631,522	614,887	612,856	615,589	631,942	670,013	693,844	720,357	747,624
Total net debt applicable to limit:	18,171	17,533	16,845	16,107	15,314	14,460	13,546	12,567	11,513	10,388
Legal debt margin	665,942	613,989	598,042	596,749	600,275	617,482	656,467	681,277	708,844	737,236
Total net debt applicable to the limit as a percentage of debt limit	2.7%	2.8%	2.7%	2.6%	2.5%	2.3%	2.0%	1.8%	1.6%	1.4%

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 8, Statistical Table 15 and Notes to Financial Statements.

Table 19
City of Riverside
Pledged-Revenue Coverage
Business Type Activity Debt
Last Ten Fiscal Years

(in thousands)

Electric Revenue Bonds

Fiscal Year	Pledged Revenue[1]	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	314,733	219,680	95,053	19,460	16,790	2.62
2009	320,447	202,904	117,543	20,572	24,941	2.58
2010	320,560	199,040	121,520	21,574	22,572	2.75
2011	319,177	212,878	106,299	23,029	25,087	2.21
2012	340,098	221,876	118,222	25,174	27,630	2.24
2013	348,187	226,997	121,190	18,486	25,941	2.73
2014	347,541	241,136	106,405	21,632	27,575	2.16
2015	348,244	250,578 *	97,666	15,485	26,532	2.32
2016	371,029	249,607 *	121,422	16,460	25,780	2.87
2017	368,956	251,998 *	116,958	14,032	25,553	2.95
2018	368,116	257,785 *	110,331	15,675	25,045	2.71

Water Revenue Bonds

Fiscal Year	Pledged Revenue[1]	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	67,312	33,827	33,485	4,355	4,275	3.88
2009	60,886	35,639	25,247	4,473	6,728	2.25
2010	61,985	35,953	26,032	4,533	8,008	2.08
2011	84,328	35,220	49,108	4,799	9,263	3.49
2012	73,557	35,309	38,248	4,708	8,872	2.82
2013	72,700	35,940	36,760	5,395	8,700	2.61
2014	71,317	37,698	33,619	4,574	8,536	2.56
2015	66,010	36,725 *	29,285	5,258	8,342	2.15
2016	60,047	35,608 *	24,439	5,533	8,063	1.80
2017	65,689	37,956 *	27,733	5,486	8,124	2.04
2018	71,054	40,767 *	30,287	6,098	8,049	2.14

Sewer Revenue Bonds

Fiscal Year	Pledged Revenue[1]	Less: Operating Expenses[1]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2010	31,470	26,865	4,605	666	151	5.64
2011	37,772	27,575	10,197	692	125	12.48
2012	42,562	29,632	12,930	692	5,471	2.10
2013	52,944	29,999	22,945	7,465	10,891	1.25
2014	52,098	28,930	23,168	7,753	10,781	1.25
2015	51,288	27,598	23,690	8,056	10,958	1.25
2016	68,412	31,864	36,548	8,405	20,786	1.25
2017	78,337	29,921	48,416	9,010	19,621	1.69
2018	68,735	31,513	37,222	9,184	19,136	1.31

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. Pledged revenue includes applicable cash set aside in a rate stabilization account in accordance with applicable bond covenants.

* Excludes non-cash pension expense

The City of Riverside does not have any pledged revenue related to Govermental Activities.

Table 20
City of Riverside
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population [1]	Personal Income [2] (in thousands)	Per Capita Personal Income [2]	Unemployment Rate [3]
2008	296,038	6,665,142	22,514	8.6
2009	300,769	6,592,294	21,918	13.7
2010	304,051	6,623,143	21,783	14.8
2011	308,511	6,811,923	22,080	13.7
2012	311,955	6,923,217	22,193	9.7
2013	314,034	6,909,376	22,002	8.4
2014	314,221	6,857,559	21,824	7.9
2015	324,696	6,953,323	21,414	6.4
2016	326,792	7,139,080	21,845	5.8
2017	325,860	7,349,024	22,552	5.1

Sources:

[1] California State Department of Finance.

[2] Demographic Estimates for 2005-2009 are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries. Demographic Estimates for 2010 and later are per the US Cenus Bureau, most recent American Community Survey.

[3] State of California Empolyment Development Department.

Table 21
City of Riverside
Principal Employers
Current Year and Nine Years Ago

	2018			2009		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
County of Riverside	11,865	1	8.1%			
University of California	8,686	2	6.0%	7,127	1	4.6%
Riverside Unified School District	4,000	3	2.7%	4,200	2	2.7%
Kaiser	3,484	4	2.4%	3,900	3	2.5%
City of Riverside	2,504	5	1.7%	2,749	4	1.8%
California Baptist University	2,285	6	1.6%			
Riverside Community Hospital	2,200	7	1.5%	1,600	8	1.0%
Alvord Unified School District	1,800	8	1.2%	2,000	5	1.3%
UTC Aerospace Systems	1,200	9	0.8%			
Parkview Community Hospital	897	10	0.6%	915	9	0.6%
Riverside Community College District				2,000	6	1.3%
Fleetwood Enterprises				1,963	7	1.3%
Riverside Medical Clinic				750	10	0.5%
Total	38,921		26.7%	27,204		17.5%

Source: City of Riverside, Economic Development Department

Table 22
City of Riverside
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014 [2]	2015	2016	2017	2018
Function										
General government	439.10	433.40	431.40	440.40	413.90	356.25	361.25	394.24	417.55	453.80
Public safety (sworn and non-sworn personnel)										
Police [1]	591.93	589.93	589.93	599.93	596.75	551.75	553.75	554.75	512.00	558.00
Fire	254.21	255.46	255.46	255.46	255.46	255.00	255.00	251.00	239.00	245.00
Highways and streets	369.65	349.50	348.11	357.11	362.11	333.48	308.00	308.00	272.00	271.00
Sanitation	58.60	59.00	56.00	56.00	57.00	59.00	57.00	59.00	59.00	59.00
Culture and recreation	340.71	328.07	328.07	341.22	351.48	269.98	274.45	286.75	276.23	276.10
Airport	7.00	7.00	9.50	9.50	9.50	6.00	6.00	6.00	7.00	7.00
Water	167.00	177.65	180.15	181.15	181.15	182.15	181.15	181.15	174.15	158.65
Electric	408.10	419.45	448.50	452.50	459.50	462.50	464.50	466.50	471.75	475.25
Total	2,636.30	2,619.46	2,647.12	2,693.27	2,686.85	2,476.11	2,461.10	2,507.39	2,428.68	2,503.80

[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).
[2] In fiscal year 2013/14 the City Council deleted a number of long-term unfunded positions.

Source: City of Riverside, Finance Department

Table 23
City of Riverside
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Arrests	10,150	8,690	8,118	7,736	8,362	9,321	10,310	9,242	8,358	8,423
Fire										
Number of calls answered	26,397	26,484	27,322	27,637	29,988	30,668	32,943	35,905	36,150	38,501
Inspections	7,638	7,234	6,505	10,074	10,151	12,476	8,770	6,636	6,482	6,519
Public works:										
Street resurfacing (miles)	18.90	20.00	21.25	18.43	16.50	35.38	38.75	39.01	27.09	17.37
Parks and recreation										
Number of recreation classes	21,884	27,762	37,303	43,318	41,364	45,707	43,007	53,907	53,308	54,025
Number of facility rentals	36,822	34,565	42,638	43,288	43,358	46,432	44,363	47,772	48,097	46,904
Water										
Number of accounts	64,062	64,231	64,349	64,367	64,591	64,829	65,102	65,094	65,428	65,640
Annual consumption (ccf)	29,721,236	26,687,271	25,902,439	27,062,142	28,186,178	28,887,304	26,007,490	22,529,463	25,340,729	27,514,374
Electric										
Number of accounts	106,385	106,335	106,855	107,321	107,525	108,358	108,388	108,776	109,274	109,619
Annual consumption (kwh)	2,282	2,089	2,016	2,103	2,193	2,152	2,167	2,170	2,197	2,195
Sewer:										
New connections	18,765	16,971	17,746	18,166	17,607	17,274	17,553	17,669	17,654	17,551
Average daily sewage treatment (millions of gallons)	33.00	33.29	30.06	29.84	29.57	28.49	27.15	26.35	27.19	26.16

[1] 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									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Function										
Public Safety										
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Substations	5	4	4	4	4	4	4	4	5	4
Helicopters	4	4	4	4	4	3	3	3	3	2
Airplane	0	0	0	0	0	0	0	0	0	1
Fire										
Stations	14	14	14	14	14	14	14	14	14	14
Active apparatus	30	30	26	27	28	28	31	33	32	33
Reserve apparatus	7	7	9	9	11	11	8	9	9	9
Training facilities	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	866.89	867.96	868.39	868.70	868.89	871.19	872.16	872.22	872.01	872.24
Streetlights	29,675	29,757	29,868	29,933	29,949	29,968	29,986	30,427	30,467	30,479
Signalized intersections	365	362	362	365	365	367	386	381	382	384
Culture and recreation										
Parks acreage	2,773.00	2,773.00	2,811.00	2,811.00	2,891.00	2,911.80	2,926.80	2,983.00	2,983.00	2,988.00
Community centers	11	11	11	11	11	11	11	11	11	11
Playgrounds	41	41	41	41	43	44	44	46	46	46
Swimming pools	7	7	7	7	7	7	7	7	7	7
Softball & baseball diamonds	44	44	44	44	44	44	44	44	44	44
Library branches	7	7	8	8	8	8	8	8	8	8
Museum exhibit-fixed	6	5	8	5	3	3	4	5	5	0[1]
Museum exhibit-special	2	2	2	1	4	4	5	6	6	1[1]
Water										
Fire hydrants	7,523	7,593	7,632	7,682	7,726	7,754	7,758	7,908	7,952	8,173
Sewer										
Sanitary sewers (miles)	794	820	823	829	829	829	820	829	827	820
Electric										
Miles of overhead distribution system	522.0	519.0	517.0	515.0	513.0	513.0	513.0	513.0	513.0	514.0
Miles of underground system	769.0	782.0	791.0	804.0	810.0	814.0	815.0	817.0	826.0	831.0

[1] The decrease in total numbers of Museum's exhibits is due to the closure of the Riverside Metropolitan Museum for expansion and renovation. The Museum is expected to reopen as early as late 2020.

Source: City of Riverside, various departments

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City of Arts & Innovation

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Riverside, CA 92522

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

June 13, 2019

Riverside Public Financing Authority
Riverside, California

Re: $33,505,000 Riverside Public Financing Authority Lease Revenue Bonds, Series 2019B (Main Library Project)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the sale and issuance by the Riverside Public Financing Authority (the "Authority") of $33,505,000 aggregate principal amount of the Riverside Public Financing Authority Lease Revenue Bonds Series 2019B (Main Library Project) (the "Bonds"). The Bonds are being issued pursuant to the Indenture dated as of August 1, 2012, as amended and supplemented by the First Supplemental Indenture dated as of June 1, 2019 (collectively, the "Indenture"), each by and among the Authority, the City of Riverside (the "City") and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are payable, in part, from Base Rental Payments made by the City pursuant to the terms of a Lease Agreement dated as of August 1, 2012, as amended and supplemented by the First Supplement to Lease Agreement dated as of June 1, 2019 (collectively, the "Lease"), each by and between City and the Authority. Capitalized terms not defined herein shall have the meanings set forth in the Indenture.

The Bonds are dated their date of delivery, have been issued for the purposes set forth in the Indenture in fully registered form, bear interest from their dated date at the rates described in, and mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions as set forth in, the Indenture. The description of the Bonds and other statements concerning the terms and conditions of the issuance of the Bonds set forth herein do not purport to set forth all of the terms and conditions of the Bonds or of any other document relating to the issuance of the Bonds, but are intended only to identify the Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Bonds.

In rendering the opinions set forth below, we have examined certified copies of the proceedings of the Authority and the City, and other information submitted to us relative to the issuance and sale by the Authority of the Bonds. We have examined originals, or copies identified to our satisfaction as being true copies, of the Indenture, the Lease, the Ground Lease dated as of August 1, 2012, as amended and supplemented by the First Supplement to Ground Lease dated as of June 1, 2019 (collectively, the "Ground Lease"), each by and between the City and the Authority, the Assignment Agreement dated as of August 1, 2012, as amended and supplemented by the First Supplement to Assignment Agreement dated as of June 1, 2019 (collectively, the "Assignment Agreement"), each by and between the Authority and the Trustee, the Tax Certificate relating to the Bonds (the "Tax Certificate"), the resolutions of the Authority and the City adopted on May 21, 2019 with respect to the Bonds, opinions of counsel to the City and the Authority, certificates of the City, the Authority and others, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. 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 preceding paragraphs of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Lease, the Ground Lease, the Assignment 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 interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Lease, the Ground Lease, the Assignment Agreement and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein with respect to any indemnification, contribution, choice of law, choice of forum, penalty or waiver provisions contained in the Bonds, the Indenture, the Lease, the Ground Lease or the Assignment Agreement, nor do we express any opinion with respect to the state or quality of title to any of the real or personal property described in the Lease, the Ground Lease or the Assignment Agreement, or the accuracy or sufficiency of the description of any such property contained therein.

Our opinion is limited to matters governed by the laws of the State of California and federal income tax law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds issued thereunder, of the Base Rental Payments and any other amounts held by the Trustee in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Ground Lease and the Lease have been duly authorized and executed by the Authority and the City and constitute valid and binding agreements of the parties thereto. The Assignment Agreement has been duly authorized and executed by the Authority and, assuming due execution by the Trustee, constitutes a valid and binding agreement of the Authority. The obligation of the City to pay Base Rental Payments during the term of the Lease constitutes a

valid and binding obligation of the City provided that such Base Rental Payments are payable only from funds of the City legally available therefor.

4. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the pledge under the Indenture. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof, including the City, is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds are not a debt of the Authority, the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

5. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. The foregoing opinion is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues for the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

7. The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

8. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

Except as set forth in paragraphs 5 through 8 above, we express no opinion as to any tax consequences related to the Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular owners of the Bonds. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal tax consequences that may arise due to ownership of the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Lease, the Ground Lease, the Assignment Agreement and the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion herein as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial 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, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein. We have not been engaged or undertaken to review, confirm or verify, and therefore express no opinion herein as to, the accuracy, completeness, fairness or sufficiency of any of the statements in the Official Statement or any exhibits or appendices thereto or any other offering material relating to the Bonds. In addition, we have not been engaged to and therefore express no opinion as to the compliance by the Authority or the underwriter with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Bonds.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") dated June 13, 2019 is executed and delivered by the City of Riverside (the "Issuer") in connection with the issuance and delivery of $33,505,000 Riverside Public Financing Authority Lease Revenue Bonds, Series 2019B (Main Library Project) (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of August 1, 2012, as supplemented by a First Supplemental Indenture, dated as of June 1, 2019, by and among the City, the Authority and U.S. Bank National Association, as trustee.

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Disclosure Representative" shall mean the City Manager, Treasurer or Chief Financial Officer of the Issuer or either of their designees, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean, initially, the Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed in writing by the Issuer and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

''EMMA'' shall mean the Electronic Municipal Market Access system of the MSRB.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Official Statement" means the Official Statement relating to the Bonds dated May 29, 2019.

''Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent upon written direction to, not later than 270 days following the end of the Issuer's fiscal year (which presently ends on June 30), commencing with the report for the fiscal year ending June 30, 2019, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. 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 Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Dissemination Agent (if other than the Issuer) of a change in the fiscal year dates. The Issuer 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(b) If the Dissemination Agent is a person or entity other than the Issuer then, not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a). If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report due date, the Issuer 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) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in a timely manner, in the form required by the MSRB.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the Issuer provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended, which may be a part of the Issuer's audited financial statements. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the Issuer shall be audited by such auditor as shall then be required or permitted by State law. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) To the extent not included in the audited financial statements of the Issuer, the Annual Report shall also include the following:

(i) Table 2, containing information about the City's General Fund balance sheet;

(ii) Tables 3 and 6, containing information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City, and showing tax revenue collections by source;

(iii) Table 4, containing only the General Fund adopted budget information (and not projected actual information);

(iv) Table 9, containing information about assessed values of taxable property;

(v) Table 10, containing information about principal property taxpayers;

(vi) Table 11, showing property tax levies and collections, only if and for so long as the City is not covered by the County's Teeter Plan;

(vii) Table 12, containing information showing the aggregate principal amount of long-term bonds, leases and other obligations of the City which are payable out of the General Fund of the City; and

(viii) Tables 14 through 17, containing information on the City's funding status and contribution rates with respect to its PERS retirement plans.

(c) 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 Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange

Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, or their failure to perform;

(5) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determinations of taxability or of the Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) ratings changes;

(9) bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) unless described in paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(3) appointment of a successor or additional trustee or the change of the name of a trustee;

(4) nonpayment related defaults;

(5) modifications to the rights of Owners of the Bonds;

(6) notices of redemption;

(7) release, substitution or sale of property securing repayment of the Bonds; and

(8) incurrence of a financial obligation of the Issuer or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) and (b)(6) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

(h) As used in this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Fiscal Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the Issuer an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report 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. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event the Issuer fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Participating Underwriter) take all action necessary to cause the Issuer to comply with this Disclosure Certificate. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer 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 Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. If the Dissemination Agent is a person or entity other than the Issuer, this Section 11 shall apply. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it 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 be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bond Owner's, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: City of Riverside
3900 Main Street
Riverside, California 92501

CITY OF RIVERSIDE

By: ______________________________
Chief Financial Officer/Treasurer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Riverside
Name of Issue:	Lease Revenue Bonds, Series 2019B (Main Library Project)
Date of Issuance:	June 13, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated June 13, 2019. The City anticipates that the Annual Report will be filed by ________________.

Dated: __________________

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2019B Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2019B Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2019B Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2019B Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, 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 securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 is rated "AA+" by Standard & Poor's. 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities 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 the Authority or the Paying 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, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the

Authority or the Paying 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. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority 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.

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