

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2017**NEW ISSUE—BOOK-ENTRY ONLY**

RATINGS: S&P – “___”
Fitch – “___”
 (See “RATINGS.”)

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 certain representations and compliance with certain covenants and requirements described herein, the interest (and original issue discount) with respect to the Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Bonds. See “TAX MATTERS.”

\$ _____ *

CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BONDS
2017 SERIES A

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Riverside, California (the “City”) is issuing its Taxable Pension Obligation Refunding Bonds, 2017 Series A (the “Bonds”) pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and a Trust Agreement, dated as of June 1, 2004, between U.S. Bank National Association, as trustee (the “Trustee”) and the City, as previously amended and supplemented and as amended and supplemented by an Eleventh Supplemental Trust Agreement, dated as of May 1, 2017 (collectively, the “Trust Agreement”).

The Bonds are delivered in book-entry form without coupons, and will be initially registered in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC”). DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive instruments representing their interests in the Bonds purchased. The Bonds will be delivered initially in denominations of \$5,000 and any integral multiple thereof. The Bonds will bear interest at the rate set forth on the inside cover hereof.

Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2017.

Proceeds of the Bonds will be used to refund the City’s outstanding \$31,145,000 aggregate principal amount Taxable Pension Obligation Refunding Bond Anticipation Notes, 2016 Series A (the “2016 Notes”), issued under the Trust Agreement, and pay the costs of issuing the Bonds[, including the premium for a municipal bond insurance policy and a debt service reserve insurance policy for the Bonds].

Pursuant to the Retirement Law (as defined herein), the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the unfunded accrued actuarial liability which is evidenced by the Bonds. The Bonds are payable from legally available funds of the City. The Bonds are being issued to refund the 2016 Notes, which were issued to refund other outstanding pension obligation bonds originally issued to pay unamortized, unfunded accrued actuarial liability with respect to certain pension benefits of certain City employees under the Retirement Law (the “Unfunded Liability”) to California Public Employees’ Retirement System (“PERS”).

The Bonds are not subject to optional redemption prior to maturity.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

[The City has applied for a municipal bond insurance policy and debt service reserve policy and will decide whether to purchase such policies at the time of pricing of the Bonds.]

The purchase of the Bonds involves various investment risks discussed throughout this Official Statement, including the risks discussed under the heading “RISK FACTORS.” The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. The Bonds do not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain matters will be passed on for the City by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, and for the Underwriter by Nixon Peabody LLP, Los Angeles, California. The Bonds, in book-entry form, will be available through the facilities of the Depository Trust Company, on or about May ___, 2017.

STIFEL

Dated: May ___, 2017

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$ _____
CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BONDS
2017 SERIES A

MATURITY SCHEDULE

Base CUSIP[†]: 769036

\$ _____ **Serial Bonds**

Maturity Date (June 1)	Principal Amount	Interest Rate	Yield
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[\$ _____ % Bonds Due June 1, 20__; Price – ____% (CUSIP[†]: 769036 _____)]

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No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering that this Official Statement describes and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page, nor will there be any offer to sell, solicitation of any offer to buy or sale of such securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth in this Official Statement has been obtained from the City and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City or the Underwriter. The information and expression of opinions contained in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made by means of it will, under any circumstances, create any implication that there have not been changes in the affairs of the City since the date of this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under 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.

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.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Rusty Bailey, Mayor
Mike Gardner, Councilmember
Andy Melendrez, Councilmember
Mike Soubirous, Councilmember
Paul Davis, Councilmember
Chris Mac Arthur, Councilmember
Jim Perry, Councilmember
John Burnard, Councilmember

CITY STAFF

John A. Russo, City Manager
Marianna Marysheva-Martinez, Assistant City Manager
Al Zelinka, Assistant City Manager
Alexander T. Nguyen, Assistant City Manager
Colleen J. Nicol, City Clerk
Scott Miller, Chief Financial Officer
Adam Raymond, Assistant Chief Financial Officer
Gary Geuss, City Attorney

SPECIAL SERVICES

Bond Counsel

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

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor

Urban Futures Incorporated
Tustin, California

Trustee

U.S. Bank National Association
Los Angeles, California

\$ _____ *

**CITY OF RIVERSIDE
TAXABLE PENSION OBLIGATION REFUNDING BONDS
2017 SERIES A**

INTRODUCTION

General

This Official Statement, including the cover and the attached appendices (this “Official Statement”), provides certain information concerning the bonds captioned above (the “Bonds”) issued by the City of Riverside, California (the “City”). The Bonds will be issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California and a Trust Agreement, dated as of June 1, 2004 between U.S. Bank National Association, as trustee (the “Trustee”) and the City, as previously amended and supplemented and as amended and supplemented by an Eleventh Supplemental Trust Agreement, dated as of May 1, 2017 (collectively, the “Trust Agreement”).

Purpose

The City is issuing the Bonds to (i) refund the City’s outstanding \$31,145,000 aggregate principal amount Taxable Pension Obligation Refunding Bond Anticipation Notes, 2016 Series A (the “2016 Notes”) issued under the Trust Agreement and (ii) pay the costs of issuing the Bonds[, including the premium for a municipal bond insurance policy and a debt service reserve insurance policy for the Bonds]. The 2016 Notes were issued to refund outstanding pension obligation bonds originally issued by the City to pay unamortized, unfunded accrued actuarial liability with respect to certain pension benefits of certain City employees.

The City is a member of the California Public Employees’ Retirement System (“PERS”) and, as such, is obligated by the Public Employees’ Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the “Retirement Law”), and the contract between the Board of Administration of PERS and the City Council of the City, dated July 1, 1945, as amended most recently on December 16, 2011 (the “PERS Contract”), to make contributions to PERS to (a) fund pension benefits for City employees who are members of PERS, (b) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the unfunded accrued actuarial liability that is evidenced by the Bonds. See “SECURITY FOR THE BONDS.”

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and transactions relating to the issuance of the 2004 Bonds (as defined below), additional bonds (such as the Bonds) and obligations issued to refund such Bonds (such as the Bonds) and certain other matters. On May 3, 2004, the court entered a default judgment (the “Validation Judgment”) to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. See the section entitled “VALIDATION” for additional information regarding the legal effects of the Validation Judgment.

* Preliminary; subject to change.

The City

The City was incorporated in 1883 and operates under a charter adopted in 1953. The City operates under a council-manager form of government, and is governed by a seven-member City Council elected by wards with four-year staggered terms. The Mayor is elected at large for a four-year term. The positions of City Clerk, City Manager and City Attorney are filled by appointment of the City Council. The City encompasses approximately 81.5 square miles in the western portion of Riverside County (the “County”), about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The City is the county seat of the County. The current population of the City is 324,696. For other selected information concerning the City, see APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION.”

The Bonds

The Bonds will bear interest from their date of initial delivery until their stated maturity at the rates of interest set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on each June 1 and December 1 (each, an “Interest Payment Date”), commencing December 1, 2017 .

The Bonds, when delivered, will be in book-entry form and registered in the name of CEDE & CO., as nominee of The Depository Trust Company (“DTC”). The Bonds will be delivered initially in denominations of \$5,000 and any integral multiple thereof. See APPENDIX E—“BOOK ENTRY PROVISIONS.”

[Application for Bond Insurance Policy and Reserve Policy

The City has applied for a municipal bond insurance policy for the Bonds and for a debt service reserve policy. Should the City select a provider for any such policies, then the City will reflect the terms of any commitment to issue such policies in the final Official Statement.]

Security for the Bonds

The obligation of the City to make payments with respect to the Bonds is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, the PERS Contract and the Validation Judgment, and payment of principal of and interest on the Bonds is payable from any legally available funds in the City’s General Fund including certain interfund transfers. The Bonds are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Bonds.

The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur that are payable from its General Fund. Payment of the Bonds is on parity with the obligation of the City pursuant to its City of Riverside Taxable Pension Obligation Bonds, 2004 Series A (the “2004 Bonds”), originally issued pursuant to the Trust Agreement in the principal amount of \$89,540,000, of which \$56,600,000 currently remains outstanding and the City of Riverside Taxable Pension Obligation Bonds 2005 Series A (the “2005 Bonds”) originally issued pursuant to the First Supplemental Trust Agreement in the aggregate principal amount of \$30,000,000, of which \$13,255,000 currently remains outstanding. The Trust Agreement provides that in order to meet its obligations thereunder, the City will deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year the amount which, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Bonds and any parity obligations thereto, including the 2004 Bonds and the 2005 Bonds, payable during such fiscal year. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT.”

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY’S GENERAL

FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The assets of PERS will not secure or be available to pay principal of or interest on the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words (collectively, the “Forward-Looking Statements”). All statements other than statements of historical facts included in this Official Statement regarding the financial position, capital resources and status of the City are Forward-Looking Statements. Although the City believes that the expectations reflected in such Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from expectations of the City (collectively, the “Cautionary Statements”) are disclosed in this Official Statement. All Forward-Looking Statements attributable to the City are expressly qualified in their entirety by the Cautionary Statements.

Summaries Not Definitive

Brief descriptions and summaries of the Bonds, the Trust Agreement and Validation Judgment (as defined in this Official Statement) are contained in this Official Statement and in the Appendices hereto. These descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Trustee and, during the offering period, from Stifel, Nicolaus & Company, Incorporated. Copies of the documents described herein will also be available at the office of the Chief Financial Officer, City of Riverside, 3900 Main St. 6th Floor, Riverside, California 92501. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” for certain of such definitions.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds to be received from the sale of the Bonds and funds related to the 2016 Notes will be applied as estimated in the following table:

Sources:

Principal Amount of Bonds
Plus/Less [Net] Original Issue Premium/Discount
Plus Interest Deposit for 2016 Notes
TOTAL SOURCES:

Uses:

Deposit to Escrow Fund for Refunding of 2016 Notes
Costs of Issuance Fund ⁽¹⁾
TOTAL USES:

⁽¹⁾ Includes Underwriter's fee, legal, printing, trustee, consultant, rating and other miscellaneous fees, [municipal bond insurance policy and debt service reserve policy premiums] and other costs associated with the issuance and delivery of the Bonds.

REFUNDING PLAN

All of the proceeds of the Bonds will be used to defease and refund the 2016 Notes by deposit into an escrow account established under an Escrow Agreement dated as of May 1, 2017 by and between the City and U.S. Bank National Association, as escrow bank. Additionally, the City will direct the Trustee to deposit with the escrow bank from moneys held by the Trustee in connection with the 2016 Notes the amount of \$_____, representing interest on the 2016 Notes for deposit to the Escrow Fund for payment of interest on the 2016 Notes on June 1, 2017. Amounts so deposited will be sufficient to pay the principal and interest due at maturity of the 2016 Notes on June 1, 2017.

THE BONDS

General

The Bonds will be dated the date of delivery thereof and delivered as fully registered Bonds. The Bonds will be delivered initially in denominations of \$5,000 and any integral multiple thereof. The Bonds will be transferable and exchangeable as set forth in the Trust Agreement and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book entry form only, in the denominations set forth above.

The Bonds will bear interest from the Closing Date, at the rates and mature in the amounts and years as set forth on the inside cover page hereof. Interest on the Bonds, computed on the basis of a 360-day year consisting of twelve (12) 30-day months, will be paid each Interest Payment Date. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month next preceding such Interest Payment Date regardless of whether or not such day is a Business Day (the "Record Date"), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from their dated date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds (including the final interest payment upon maturity), is payable by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered

Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Trustee prior to the applicable Record Date. The principal of the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the principal office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee.

No Optional Redemption*

The Bonds are not subject to optional redemption prior to maturity.

Book Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX E—"BOOK ENTRY PROVISIONS."

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

SECURITY FOR THE BONDS

General

The obligation of the City to make payments with respect to the Bonds (and the Bonds issued under the Trust Agreement) is an absolute and unconditional obligation of the City imposed upon the City by the Retirement Law, the PERS Contract and the Validation Judgment, and payment of principal of and interest on the Bonds and the Bonds is payable from any legally available funds in the City's General Fund including certain interfund transfers. The Bonds are not voter-approved debt backed by the taxing power of the City, and the full faith and credit of the City is not pledged to the repayment of the Bonds. The City has other obligations payable from its General Fund, and the Trust Agreement does not impose any limit on other obligations the City may incur that are payable from its General Fund. The Trust Agreement provides that in order to meet its obligations thereunder (including with respect to the 2004 Bonds, the 2005 Bonds and the Bonds), the City will deposit or cause to be deposited with the Trustee on or before August 1 of each fiscal year the amount that, together with any moneys transferred pursuant to the Trust Agreement, is sufficient to pay debt service on the Bonds, the 2004 Bonds and the 2005 Bonds and any Additional Bonds payable during such fiscal year. For other selected information concerning the City, see APPENDIX A—"CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION." See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" for a description of the flow of funds under the Trust Agreement.

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW AND THE VALIDATION ACTION, THE CITY

* Preliminary; subject to change.

COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Issuance of Additional Bonds

Under the Trust Agreement, the City may at any time issue Additional Bonds, but only subject to the following conditions:

(i) The City will be in compliance with all agreements and covenants contained in the Trust Agreement; and

(ii) The issuance of such Additional Bonds will have been authorized pursuant to the Act and will have been provided for by a Supplemental Trust Agreement that will specify, among other requirements set forth in the Trust Agreement, the following:

(1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds will be applied solely for (i) the purpose of satisfying any obligation of the City to make payments to PERS relating to pension benefits accruing to PERS pursuant to the Retirement Law members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds or Additional Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(2) Whether such Additional Bonds are current interest fixed rate bonds, listed securities, index bonds, auction rate securities, variable rate bonds, tender option bonds, capital appreciation bonds or bonds bearing interest at such other interest rate modes as may be set forth in a Supplemental Trust Agreement;

(3) The authorized principal amount and designation of such Additional Bonds;

(4) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(5) The interest payment dates for such Additional Bonds; and

(6) Such other provisions (including the requirements of a book-entry bond registration system, if any) as are necessary or appropriate and not inconsistent herewith.

At any time after the sale of any Additional Bonds in accordance with the Act, the City will execute such Additional Bonds for issuance pursuant to the Trust Agreement and will deliver them to the Trustee, and thereupon such Additional Bonds will be delivered by the Trustee to the purchaser thereof upon the Written Request of the City, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(i) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(ii) A Written Request of the City as to the delivery of such Additional Bonds;

(iii) An Opinion of Counsel to the effect that (1) the City has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the City, and (2) such Additional Bonds are valid and binding obligations of the City;

(iv) A Certificate of the City stating that all requirements of the provisions related to Additional Bonds under the Trust Agreement have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement; and

(v) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

RISK FACTORS

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

No Tax Pledge

THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS ARE OBLIGATIONS IMPOSED BY LAW PAYABLE FROM ANY LEGALLY AVAILABLE FUNDS IN THE CITY'S GENERAL FUND, INCLUDING CERTAIN INTERFUND TRANSFERS TO BE APPROPRIATED BY THE CITY PURSUANT TO THE RETIREMENT LAW, THE PERS CONTRACT AND THE VALIDATION JUDGMENT. PURSUANT TO THE RETIREMENT LAW, THE CITY COUNCIL IS OBLIGATED TO MAKE APPROPRIATIONS TO PAY THE UNFUNDED LIABILITY. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Certain Risks Associated with Sales Tax and Other Local Tax Revenues

For fiscal year 2015-16, sales tax revenues were the largest source of revenue to the City. In addition, the City anticipates that Measure Z, which is a 1.0% sales and use tax passed by the voters in November 2016, will contribute a significant amount of revenue available for General Fund obligations of the City in the future. Measure Z took effect on April 1, 2017, and is set to expire in 2036.

Sales and use tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors. For example, before the final maturity of the Bonds, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues or other local taxes, whether implemented by State legislative action or voter initiative, including any initiative by City voters under Article XIIC of the California Constitution to repeal Measure Z, could have an adverse effect on sales tax revenues received by the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIIC and XIID of the State Constitution."

Finally, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are

exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the State Board of Equalization for administering the City's sales tax could also be changed.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations which would constitute additional charges against its general revenues. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Bonds may be decreased.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of the City's pension system. Any of these factors could give rise to additional liability of the City to its pension system as a result of which the City would be obligated to make additional payments to its pension system over the amortization schedule for full funding of its obligation to its pension system. See "APPENDIX A - CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION."

Assessed Value of Taxable Property

Property taxes account for a significant portion of the City's General Fund revenues. Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, ongoing drought, toxic dumping, coastal erosion or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets as has been experienced recently. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Reductions in the market values of taxable property may cause property owners to appeal assessed values and may also be associated with an increase in delinquency rates for taxes. Section 2(b) of Article XIII A of the California Constitution and Section 51 of the Revenue and Taxation Code, which follow from "Proposition 8," require the County assessor to annually enroll either a property's adjusted base year value (its "Proposition 13 Value") or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 Value on the assessor's roll, that lower value is referred to as its "Proposition 8 Value."

Although the annual increase for a Proposition 13 Value is limited to no more than 2%, the same restriction does not apply to a Proposition 8 Value. The Proposition 8 Value of a property is reviewed annually as of January 1; the current market value must be enrolled as long as the Proposition 8 Value falls below the Proposition 13 Value. Thus, any subsequent increase or decrease in market value is enrolled regardless of any percentage increase or decrease. Only when a current Proposition 8 Value exceeds its Proposition 13 Value attributable to a piece of property (adjusted for inflation), the County assessor reinstates the Proposition 13 Value.

Decreases in the aggregate value of taxable property within the City resulting from natural disaster or other calamity, reclassification by ownership or use, or as a result of the implementation of Proposition 8 all may have an adverse impact on the General Fund revenues available to make debt service payments on the Bonds.

See “—Seismic, Topographic and Climatic Conditions” and APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION—Ad Valorem Property Taxes.”

Impact of State Budget

State Budget. The State of California has experienced significant financial and budgetary stress in recent years. 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 which 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 fiscal year 2016-17 State budget and the 2017-18 proposed 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 increased the state sales tax by \$0.0025

for four years, and 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 either the 2016-17 State budget or the 2017-18 proposed State budget. City staff closely monitors these issues, and any identified impacts are quickly incorporated into the City's budgetary planning.

Redevelopment Agency Dissolution

City of Riverside Redevelopment Agency Dissolution. The Redevelopment Agency of the City of Riverside ("Redevelopment 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.

There are six Redevelopment Project Areas throughout the City including Arlington, Casa Blanca, merged Downtown/Airport/Industrial/HunterPark/Northside, La Sierra/Arlanza, Magnolia Center, and University Corridor/Sycamore Canyon. Over the years, the Redevelopment Agency was active in implementing housing programs, business incentive programs, commercial improvement programs, planning and development of projects, capital improvement projects, and property acquisition in the Project Areas.

On June 29, 2011, Governor Brown signed Assembly Bill 1X 26 (AB 1X 26) eliminating redevelopment agencies throughout the State. On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a lawsuit against the State of California in response to the passage of AB 1X 26. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26. The bill provided that upon dissolution of the Redevelopment Agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

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 to the Redevelopment Agency (the "Successor Agency"). The Successor Agency is a separate legal entity, which serves as a custodian for the assets and liabilities of the dissolved Redevelopment Agency pending distribution to the appropriate taxing entities after the payment of enforceable obligations. The activity of the Successor Agency is overseen by an Oversight Board comprised of individuals appointed by various government agencies and the City as Successor Agency of the former Redevelopment Agency.

In accordance with the timeline set forth in the bill (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 legal entities on January 31, 2012.

Impact on City. The Redevelopment 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 Agency. Previously, the Redevelopment Agency's practice was to reimburse the City for these amounts annually with tax increment funds. The City historically loaned funds to the Redevelopment Agency

for various capital projects and land acquisitions. Several of these loans remain outstanding and have been found to be enforceable obligations as each has a valid loan agreement executed prior to the enactment of AB1X 26.

Under AB1X 26, 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 Redevelopment 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 AB1X 26 will not materially adversely affect the City's ability to make payments on the Bonds when due.

Litigation

The City may be or become a party to litigation that has an impact on the General Fund. Although the City maintains certain insurance policies that provide coverage under certain circumstances and with respect to certain types of incidents (see Appendix A for further information), the City cannot predict what types of liabilities may arise in the future. See "CONSTITUTIONAL AND STATUTORY LIMITATION ON TAXES AND APPROPRIATIONS—Revenue Transfer from Electric Utility" for a description of pending litigation challenging certain transfers from the City's electric utility to the City's General Fund.

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 Trust Agreement, the rights and remedies provided in the Trust Agreement 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 Trust Agreement. 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 that may have priority of payment superior to that of the Owners of the 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 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 pension obligation securities. Specifically, in the Stockton bankruptcy the Court found that PERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors.

Additionally, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to PERS. 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 Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal and interest.

The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the 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.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. 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 XIII B of the State Constitution."

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. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII C and Article XIII D of the State Constitution."

Secondary Market Risk

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

Seismic, Topographic and Climatic Conditions

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 improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and floods and wild fires).

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 or around the City, there could be an adverse impact on the City's ability to pay the Bonds. Portions of the City are also located in a 100-year flood plain.

Building codes require that some of these factors be taken into account, to a limited extent, in the design of improvements. 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 public and private improvements within the City in general may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of any hazardous substance that would limit the beneficial use of a property within the City. 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 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 a purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller. Such reduction could adversely impact the property tax revenues received by the City and deposited into the General Fund, which could significantly and adversely affect the operations and finances of the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Article XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A, which is \$1.00 per \$100 of assessed market value.

Since its adoption, Article XIII A 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 XIII A.

Article XIII B of the State Constitution

In addition to the limits Article XIII A 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 XIII B that effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, 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 XIII B 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 XIII B.

Articles XIII C and XIII D 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 XIII C and XIII D 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 XIII A and XIII C of the State Constitution. The amendments to Article XIII A 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 XIII C 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 XIII D, 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 XIII D, 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 XIII C 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 XIII C and XIII D. 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 XIII D 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 XIII D 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 XIID 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 XIID.

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 XIID 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 XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC'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 XIIC 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 XIIC 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 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 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 Transfer, which had been previously approved by voters in 1907, 1968 and 1977. The Measure was approved by the voters and the Water Revenue Transfer was affirmed. On April 15, 2013, the City entered into a settlement agreement and release in the Moreno case. Under the terms of that agreement, the City agreed to cease any future Water Revenue 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 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 Transfers in the future.

The transfers to the General Fund of the City for the Fiscal Year ending June 30, 2016, were \$6,429,600. The budgeted transfer to the General Fund of the City for the Fiscal Year ending June 30, 2017 is projected to be \$5,672,500.

Transfers from the City’s Electric Enterprise. Although the City also makes a revenue transfer to the City’s general fund from the City’s electric utility, that transfer is not subject to Article XIII C of the California Constitution, which expressly excludes electric rates from its scope. It is, however, subject to regulation under other provisions of State law. See “—Revenue Transfer from Electric Utility.”

Reduction or Repeal of Taxes, Fees and Charges. Article XIII C 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

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 transfers to the General Fund of the City for the Fiscal Year ending June 30, 2016 were \$38,359,800. The budgeted transfer to the General Fund of the City for the Fiscal Year ending June 30, 2017 is projected to be \$39,229,900.

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 General Fund transfer from the Electric Utility is not a cost of providing the service of the Electric Utility, then the Electric Utility might be required to revise its rates and charges to eliminate the revenues needed to pay the General Fund transfer, and the Electric Utility could be required to rebate to its customers the amount of any rates and charges in excess of the cost of service. In such an event, the challenged Revenue Fund transfer would likely be returned to the Electric Utility.

On April 28, 2016, a writ of mandate lawsuit entitled *Richard Olquin v. City of Riverside* was filed against the City asserting that adding certain funds received by the City's Electric Utility from the California Independent Systems Operator to the Electric Revenue Transfer was a violation of Prop 26. To the City's knowledge, the California Supreme Court has not ruled whether such a transfer violates Prop. 26; the City's Electric Revenue Fund Transfer is distinguishable from the transfer described in the *City of Redding* case (described above under the heading “—Article XIIC and Article XIID of the State Constitution—Water Utility Revenue Transfer Under the City Charter”) because the Riverside City Charter has provided for the Electric Revenue Fund Transfer since before the adoption of Prop. 26.

In the *Olquin* lawsuit, plaintiff sought a court order compelling the City to return to the electric utility approximately \$115,046,399.50, which represents all Electric Revenue Transfers paid to the General Fund since May 1, 2013, as well as a permanent injunction prohibiting future Electric Revenue Transfers. In March 2017, the court dismissed the lawsuit on the following two grounds: (1) failure to allege a rate increase, because the contested transfer did not require the Electric Utility to raise its rates; and (2) even if such a rate increase could be alleged, the lawsuit is untimely under the statute of limitations in Public Utilities Code Section 10004.5. The time within which an appeal may be filed has not yet expired. If plaintiff appeals, and such transfers are found to be a violation of State law, the City believes that such a ruling would not impact the ability of the City to pay interest and principal on the Bonds when due.

Proposition 1A

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

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

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

Proposition 1A may result in more stable City revenues, although the actual impact of Proposition 1A will depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve

budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other actions, some of which could be adverse to the City.

See the section entitled “RISK FACTORS—Impact of State Budget” 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 on 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 XIII A, Article XIII B, XIII C, XIII D, 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.

VALIDATION

On March 8, 2004, the City, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Sections 53511 and 53589.5, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the proceedings and transactions relating to the issuance of the 2004 Bonds, additional bonds (such as the Bonds) and obligations

issued to refund such bonds (such as the Bonds) and certain other matters. On May 3, 2004, the court entered a default judgment to the effect, among other things, that the 2004 Bonds are, and any additional bonds and refunding obligations will be, valid, legal and binding obligations of the City and in conformity with all applicable provisions of law. Pursuant to Section 870 of the California Code of Civil Procedure, the period during which a notice of appeal to this judgment could have been timely filed has expired and the judgment is binding and conclusive in accordance with California law. As with any judgment, there can be no assurance that this judgment will not be challenged. No such challenge has been filed, and the City is unaware of any pending challenge to this judgment. In issuing the opinion as to the validity of the Bonds, Bond Counsel will rely upon the entry of the foregoing default judgment.

THE CITY

For certain financial, demographic and statistical information on the City and the surrounding area, see APPENDIX A—“CITY OF RIVERSIDE GENERAL DEMOGRAPHIC AND FINANCIAL INFORMATION.”

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City’s ability to issue and pay the Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the City for the Fiscal Year ended June 30, 2016, included in Appendix B to this Official Statement, have been audited by Macias Gini & O’Connell LLP, Newport Beach, California, independent certified public accountants, as stated in their report appearing in Appendix B. Copies of the audited financial statements for the City’s other fiscal years can be obtained at the office of the Chief Financial Officer at City Hall located at 3900 Main Street, Riverside, California 92522.

CONTINUING DISCLOSURE

The City has covenanted in its continuing disclosure certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and other operating data on an annual basis no later than March 31 of each year, commencing March 31, 2018, and to provide notice 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 F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter 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 undertaking – 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. Specifically, the City failed to make a filing in 2012 and in 2013 with respect to an issue of pension obligation bond anticipation notes delivered by the City in 2011 and 2012 (the “2011/2012 Notes”) due to a discrepancy in the continuing disclosure certificate. Though the continuing disclosure certificates for the City’s pension obligation bond anticipation notes issued in prior years and issued subsequently included no requirement for an annual report to be filed, the continuing disclosure

certificate related to the 2011/2012 Notes erroneously included an annual report filing requirement. The City and its bond counsel did not identify this error at the time of issuance of the 2011/2012 Notes, and therefore, the City did not timely file an annual report for the 2011/2012 Notes. Upon realizing this oversight, the City immediately filed the required annual reports as soon as it had notice of the error in order to fully comply with the continuing disclosure certificate, although the annual reporting requirement was included in the certificate in error as the 2011/2012 Notes matured not later than one year after their issuance. The City has added a requirement to its continuing disclosure policy to review the final continuing disclosure certificate of each new bond issue at the time of closing to avoid a reoccurrence of this situation. In addition, in 2014, the City failed to timely file a material event notice within 10 business days of the upgrade in rating of Assured Guaranty Municipal Corp., which insures certain of the City's bond issues. The City filed such notice on the 16th business day following such event.

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.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest due with respect to the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Internal Revenue Code (the "Code"), prohibit employee benefit plans ("Plans") subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest") with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these "prohibited transaction" rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriter, as a result of its own activities or because of the activities of an affiliate, may be considered Parties in Interest, with respect to certain plans. Prohibited transactions may arise under Section 406

of ERISA and Section 4975 of the Code if Bonds are acquired by a Plan with respect to which the Underwriter or any of their affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Bond and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by “qualified professional asset managers,” and transactions affected by certain “in-house asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Bond by or on behalf of a Plan, each prospective purchaser of a Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Bond, or (ii) the acquisition of such Bond is subject to a statutory or administrative exemption.

Any Plan fiduciary who proposes to cause a Plan to purchase Bonds should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable, and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan’s investment portfolio.

APPROVAL OF LEGALITY

Certain legal matters incident to the execution and delivery of the Bonds are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Bond Counsel. Except with respect to certain legal matters, Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Bond Counsel’s fee for delivery of its opinion is contingent on successful execution and delivery of the Bonds.

RATINGS

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) has assigned its municipal bond rating of “___” and Fitch Ratings Group has assigned its municipal bond rating of “___” to the Bonds.

The rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained from S&P or Fitch Ratings Group. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) at a price of \$_____ (being the principal amount of the Bonds, plus/less [net] original issue premium/discount of \$_____ and less Underwriter’s Discount of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and it will be obligated to purchase all such Bonds if any such Bonds are purchased. The public offering prices of the Bonds may be changed from time to time by the Underwriter without notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

MISCELLANEOUS

The summaries or descriptions of provisions of the Bonds, the Trust Agreement, the Validation Action, the PERS Contract, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Trust Agreement may be obtained during the offering period from the Underwriter and thereafter upon request to the principal corporate trust office of the Trustee.

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

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

CITY OF RIVERSIDE

By: _____
Chief Financial Officer

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 and 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 Geronio 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 2016, the County had a population estimated at 2,347,828 and San Bernardino County had a population estimated at 2,139,570. With a population of over 4.4 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas (“MSAs”) in the United States. The County alone is larger than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties’ population.

Municipal Government

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

Functions of the City government are carried out by approximately 2,500 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 350 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, 2016 the population of the City was estimated to be 324,696, an increase of approximately less than 1% over the estimated population of the City in 2015. The following table presents population data for both the City and County.

**Table 1
POPULATION**

<i>Year</i>	<i>City of Riverside</i>	<i>Riverside County</i>
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

Sources: 1950- 2010 U.S. Census; 2011-2016 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 B—“CITY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.”

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

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

	<i>Fiscal Year 2011-12</i>	<i>Fiscal Year 2012-13</i>	<i>Fiscal Year 2013-14</i>	<i>Fiscal Year 2014-15</i>	<i>Fiscal Year 2015-16</i>
ASSETS:					
Cash and Investments	\$ 47,677 ⁽²⁾⁽⁴⁾	\$ 26,980 ⁽²⁾⁽⁴⁾	\$ 31,017 ⁽²⁾	\$ 46,747 ⁽²⁾	\$ 33,511
Cash and investments at fiscal agent	1,405	4,116	4,564	4,563	2,758
Receivables (net)					
Interest	214	49	1	30	19
Property taxes	6,851	6,909	5,027	3,874	4,524
Sales taxes	11,140	12,065	13,106	14,178	19,117
Utilities billed	1,171	1,173	1,182	1,226	1,123
Accounts	10,034	9,965	8,014	7,607	12,674
Intergovernmental	3,375	4,647	4,445	3,202	5,388
Notes	1	--	--	--	1,597
Prepaid items	320	1,491	241	659	1,455
Deposits	--	--	300	300	300
Due from other funds	16,287 ⁽²⁾	21,879 ⁽²⁾	18,116 ⁽²⁾	6,934 ⁽²⁾	1,564
Advances to other funds	24,706	24,250	23,226	22,064	20,757
Advances to Successor Agency	693	680	652	619	582
Land & Improvements held for resale	118	--	--	675	1,341
Total Assets	<u>\$ 123,992</u>	<u>\$ 114,204</u>	<u>\$ 109,891</u>	<u>\$ 112,678</u>	<u>\$ 106,710</u>
LIABILITIES:					
Accounts Payable	\$ 5,454	\$ 7,710	\$ 7,531	\$ 8,328	\$ 7,640
Accrued payroll	11,036	10,878	8,635	11,697	14,985
Retainage payable	799	114	10	7	31
Intergovernmental	182	195	159	147	144
Deferred revenue	7,118	313 ⁽³⁾	387	227	1,296 ⁽⁵⁾
Deposits	24,804	10,841 ⁽⁴⁾	9,226	8,867	8,946
Due to other funds	--	--	--	--	-
Advances from other funds	349	258	166	72	-
Total Liabilities	<u>\$ 49,742</u>	<u>\$ 30,309</u>	<u>\$ 26,114</u>	<u>\$ 29,345</u>	<u>\$ 33,042</u>
DEFERRED INFLOWS OF REVENUE					
Unavailable revenue	\$ --	\$ 6,804 ⁽³⁾	\$ 4,917	\$ 3,682	\$ 8,090
Total Deferred Inflow of Revenue	<u>\$ --</u>	<u>\$ 6,804</u>	<u>\$ 4,917</u>	<u>\$ 3,682</u>	<u>\$ 8,090</u>
FUND BALANCE:⁽¹⁾					
Nonspendable	\$ 25,720	\$ 26,421	\$ 24,419	\$ 23,642	\$ 23,094
Restricted	2,803	2,196	2,204	2,985	3,067
Assigned	6,380	10,711	14,505	13,965	9,922
Unassigned	39,347	37,763	37,732	39,059	29,495
Total fund balances	<u>\$ 74,250</u>	<u>\$ 77,091</u>	<u>\$ 78,860</u>	<u>\$ 79,651</u>	<u>\$ 65,578</u>
Total Liabilities and Fund Balances	<u>\$ 123,992</u>	<u>\$ 114,204</u>	<u>\$ 109,891</u>	<u>\$ 112,678</u>	<u>\$ 106,710</u>

(1) GASB Statement No. 54 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.

(2) The decrease in cash and increase due from other funds relates to short-term borrowing by other funds to address negative cash positions in those funds.

(3) A change in accounting standards in Fiscal Year 2012-13 required certain revenue previously reflected as deferred revenue to be classified as unavailable revenue.

(4) The decrease in deposits in Fiscal Year 2012-13 is the result of a reduction in former Redevelopment Agency pass-through funds on hand due to these payments now being made by the County per the terms of the redevelopment dissolution legislation. The decrease in deposits also results in a reduction in the cash and investments balance.

(5) The increase in Deferred revenue in Fiscal Year 2015-16 was due to an increase in accrued revenue related to public safety grants, receivable within the Deferred revenue measurement period of 60 days, that occurred and was recorded under Deferred revenue instead of Unavailable revenue.

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

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

	<i>Fiscal Year</i> <i>2011-12</i>	<i>Fiscal Year</i> <i>2012-13</i>	<i>Fiscal Year</i> <i>2013-14</i>	<i>Fiscal Year</i> <i>2014-15</i>	<i>Fiscal Year</i> <i>2015-16</i>
Revenues:					
Taxes	\$ 129,303	\$ 139,994	\$ 143,748	\$ 153,200	\$ 156,172
Licenses and permits	7,119	7,395	7,694	8,490	9,077
Intergovernmental ⁽¹⁾	9,168	8,632	12,915	10,454	10,006
Charges for services	11,770	12,062	15,734	24,737	26,443
Fines and forfeitures	6,293	6,234	7,283	3,957	1,937
Special assessments	4,509	4,406	4,219	4,480	4,424
Rental and Investment Income	2,662	2,148	1,857	2,854	1,868
Miscellaneous	<u>4,725</u>	<u>6,143</u>	<u>3,402</u>	<u>5,180</u>	<u>4,146</u>
Total Revenues	\$ 175,549	\$ 187,014	\$ 196,852	\$ 213,352	\$ 214,073
Expenditures					
Current:					
General Government	\$ 11,717	\$ 11,841	\$ 10,351	\$ 14,027	\$ 15,578
Public safety	147,086	145,545	149,450	156,648	163,837
Highways and streets	16,651	16,294	16,944	16,594	17,416
Culture and recreation	28,814	32,450	34,165	37,405	39,413
Capital Outlay	1,140	2,942	8,589	4,899	8,139
Debt service; principal ⁽³⁾	6,845	10,511	9,262	10,954	12,232
Debt service; interest	7,015	6,781	6,259	5,940	5,626
Bond issuance costs	<u>169</u>	<u>94</u>	<u>103</u>	<u>172</u>	<u>180</u>
Total Expenditures	\$ 219,437	\$ 226,458	\$ 235,123	\$ 246,639	\$ 262,421
Revenues over (under) expenditures	\$ (43,888)	\$ (39,444)	\$ (38,271)	\$ (33,257)	\$ (48,348)
Other Financing Sources (Uses)					
Transfers in	\$ 40,266	\$ 44,115	\$ 45,695	\$ 45,410	\$ 44,790
Transfers out	(83,292) ⁽²⁾	(8,897)	(13,184)	(16,024)	(16,747)
Proceeds from issuance of long-term debt	30,940	30,940	30,940	30,940	31,145
Payment to escrow account for advance refunding ⁽³⁾	(30,775)	(30,940)	(30,940)	(30,940)	(30,940)
Capital Lease Proceeds	--	6,985	6,625	4,450	5,846
Sales of capital assets	<u>156</u>	<u>82</u>	<u>904</u>	<u>242</u>	<u>181</u>
Total other financing sources (uses)	\$ (42,705)	\$ 42,285	\$ 40,040	\$ 34,078	\$ 34,275
Net change in fund balances	<u>(86,593)</u>	<u>2,841</u>	<u>1,769</u>	<u>791</u>	<u>(14,073)</u>
Fund balances, July 1	<u>160,843</u>	<u>74,250</u>	<u>77,091</u>	<u>78,860</u>	<u>79,651</u>
Fund balances, June 30	\$ 74,250	\$ 77,091	\$ 78,860	\$ 79,651	\$ 65,578

(1) Reflects revenue received from grants and motor vehicle in-lieu fees.

(2) Amount includes properties transferred from the Redevelopment Agency to the City in March 2011, which remained subject to the restrictions associated with Redevelopment-purchased properties. Subsequent to the issuance of the Fiscal Year 2010-11 financial statements, these properties were transferred back to the Successor Agency or to the City's Housing Authority per the requirements of applicable state law and with the approval of the Successor Agency Oversight Board.

(3) For financial statement reporting, principal of the Taxable Pension Obligation Refunding Bond Anticipation Notes is reflected as Debt service; principal.

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 2016-17 and 2017-18. 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 (i.e., the end of fiscal Year 2016-17), the City Council will receive a mid-cycle review of year-end financials. The mid-cycle review process will provide 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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Fiscal Year 2015-16 Annual Budget. Table 4 summarizes the final budget and audited actual results of the General Fund of the City for Fiscal Year 2015-16.

Table 4
CITY OF RIVERSIDE
GENERAL FUND FINAL BUDGET VERSUS ACTUALS
(Fiscal Year 2015-16)
(Amounts Expressed in Thousands)

	<i>2015-16</i> <i>Final Budget</i>	<i>2015-16</i> <i>Actual</i>	<i>Variance</i>
Revenues			
Taxes	\$ 159,403	\$ 156,172	\$ (3,231)
Licenses and permits	9,094	9,077	(17)
Intergovernmental ⁽¹⁾	14,115	10,006	(4,109)
Charges for services	25,998	26,443	445
Fines and forfeitures	2,419	1,937	(482)
Special assessments	4,622	4,424	(198)
Rental and investment income	3,047	1,868	(1,179)
Miscellaneous	<u>6,269</u>	<u>4,146</u>	<u>(2,123)</u>
Total revenues	\$ 224,967	\$ 214,073	\$ (10,894)
Expenditures			
General government	\$ 14,423	\$ 15,578	\$ (1,155)
Public Safety	170,431	163,837	6,594
Highways and streets	20,015	17,416	2,599
Culture and recreation	41,462	39,413	2,049
Capital Outlay	15,727	8,139	7,588
Debt service: Principal ⁽²⁾	12,309	12,232	77
Debt service: Interest	5,839	5,626	213
Bond issuance costs	<u>180</u>	<u>180</u>	<u>--</u>
Total expenditures	\$ 280,386	\$ 262,421	\$ 17,965
Deficiency of revenue under expenditures	\$ (55,419)	\$ (48,348)	\$ 7,071
Other financing sources (uses)			
Transfers in	\$ 44,790	\$ 44,790	\$ --
Transfers out	(16,908)	(16,747)	161
Proceeds from issuance of long-term debt ⁽³⁾	31,145	31,145	--
Payment to Escrow for Advance Refunding ⁽⁴⁾	(30,940)	(30,940)	--
Capital Lease Proceeds	8,806	5,846	(2,960)
Sales of capital assets	<u>155</u>	<u>181</u>	<u>26</u>
Total other financing sources (uses)	\$ 37,048	\$ 34,275	\$ (2,773)
Net change in fund balance	(18,371)	(14,073)	4,298
Fund balance, beginning	79,651	79,651	--
Fund balance, ending	\$ 61,280	\$ 65,578	4,298

⁽¹⁾ The variance between budgeted and actual revenues resulted because anticipated grants were not received until the following fiscal year.

⁽²⁾ For financial statement reporting, principal of the 2015 Notes is reflected here.

⁽³⁾ \$31,145,000 reflects Proceeds of the 2016 Notes, the proceeds of which were used to refund outstanding 2015 Notes.

⁽⁴⁾ Reflects refunding of the City's 2015 Notes.

Source: City of Riverside.

Fiscal Year 2016-18 Biennial Budget. The adopted Fiscal Year 2016-18 biennial budget included General Fund revenues of \$266.0 million for Fiscal Year 2016-17. The Fiscal Year 2016-17 year-end forecast of General Fund revenue as of December 31, 2016 is \$264.0 million, which is slightly lower than budgeted due in part to lower than anticipated property, sales and utility user tax revenues. The above revenue projection does not include the anticipated \$10 million of revenue from the passage of Measure Z.

If the revenue and expenditure forecast described above and detailed in Table 5 is realized, the General Fund reserve balance would increase to approximately \$38.8 million at the end of Fiscal Year 2016-17. However, City staff continually works to identify new revenue sources and reduce expenditures throughout each fiscal year, both of which could result in a higher General Fund reserve balance at year-end as has been the case in several recent years.

The following table summarizes the Fiscal Year 2016-17 budgeted projections as stated in the 2016-18 biennial adopted budget and the Fiscal Year 2016-17 projected actual results as of December 31, 2016.

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Table 5
CITY OF RIVERSIDE
GENERAL FUND ADOPTED BUDGET (FISCAL YEARS 2016-17 AND 2017-18)
AND PROJECTED ACTUALS (FISCAL YEAR 2016-17)
(Amounts Expressed in Thousands)

	<i>Adopted Budget 2016-17</i>	<i>Projected Actuals 2016-17⁽¹⁾</i>	<i>Adopted Budget 2017-18</i>
Revenues			
Sales & Use Taxes	\$ 66,568	\$ 64,775	\$ 70,141
Property Taxes	56,731	56,014	59,713
Utilities Users Tax	28,577	27,987	29,181
Charges for Services	26,350	27,401	26,922
Licenses and Permits	9,825	9,920	10,500
Property Transfer Tax	2,684	2,208	2,952
Fines and Forfeitures	1,737	1,444	1,745
Franchises	5,590	5,275	5,682
Special Assessments	4,504	4,514	4,494
Transient Occupancy Tax	6,542	6,542	6,869
Intergovernmental Revenues	1,520	1,576	1,525
One-Time Revenues	10,742	10,992	7,641
Transfers In	45,075	44,902	46,143
Total Revenues	\$ 266,445	\$ 263,550	\$ 273,508
Expenditures			
City Attorney	\$ 5,363	\$ 5,363	\$ 5,529
City Clerk	1,636	1,636	1,580
City Council	1,154	1,154	1,185
City Manager	4,746	4,746	4,821
Community Development	15,268	15,268	13,569
Finance	8,107	7,409	8,408
Fire	47,017	47,767	47,954
General Services	4,401	4,401	4,461
Human Resources	2,958	2,958	3,093
Innovation & Technology	11,055	11,055	11,276
Library	6,461	6,461	6,647
Mayor	790	790	817
Museum	3,835	3,835	3,880
Non-Departmental	27,271	27,271	26,846
Parks, Recreation & Community Svcs	17,878	18,478	18,110
Police	94,610	94,610	96,934
Public Works	24,609	23,709	25,090
Negotiated Labor Adjustments ⁽²⁾	52	871	1,432
Net Debt Allocation	19,213	19,213	20,257
Managed Savings	(5,425)	(5,425)	(5,425)
Transfers Out	(24,580)	(24,080)	(25,034)
Total Expenditures	\$ 266,418	\$ 267,489	\$ 271,430
Revenue over/(under) expenditures	27	(3,939)	2,078
Other financing sources (uses)			
Proceeds from issuance of long-term debt ⁽³⁾	\$ --	\$ 31,445	\$ --
Payment to escrow for refunding ⁽⁴⁾	--	(31,145)	--

	<i>Adopted Budget 2016-17</i>	<i>Projected Actuals 2016-17⁽¹⁾</i>	<i>Adopted Budget 2017-18</i>
Other financing sources(uses) cont.			
Measure Z -Transaction & Use Tax ⁽⁵⁾	\$ 10,000	\$ 10,000	\$ 51,557
Measure Z – appropriations ⁽⁵⁾	<u>(450)</u>	<u>(506)</u>	<u>(793)</u>
Total other financing sources (uses)	9,550	9,794	50,764
Net change in fund balance	9,577	5,855	52,842
Fund balance, beginning⁽⁶⁾	65,578	65,578	75,155
Fund balance, ending⁽⁷⁾	\$ 75,155	\$ 71,433	\$ 127,997

⁽¹⁾ As of December 31, 2016, adjusted to include mid-year supplemental appropriations by the City Council since that date.

⁽²⁾ Reflects approved and future anticipated employee negotiations for Fiscal Year 2016-17.

⁽³⁾ Estimated proceeds of Bonds, which will be used to refund the outstanding 2016 Notes. See “REFUNDING PLAN.”

⁽⁴⁾ Reflects refunding of the 2016 Notes.

⁽⁵⁾ Measure Z is a 1.0% Transaction and Use Tax approved by the electorate on November 8, 2016, and expires in 2036. Funds are segregated but available for General Fund obligations. Reflects Measure Z budget adjustments through February 2017.

⁽⁶⁾ 2016-17 Adopted Budget beginning fund balance is the 2015-16 ending balance from the City’s audited financial statements.

⁽⁷⁾ The Adopted Budget ending fund balances above include Measure Z reserves of \$56,250 in 2016-17, and \$29,101,980 in 2017-18.

Source: City of Riverside.

General Fund Reserves

The following chart illustrates the general fund reserves of the City for Fiscal Years 2007-08 through 2016-17, with projected figures for Fiscal Year 2016-17. The City’s policy is to maintain its general fund reserves in an amount equal to 15% of the next fiscal year’s expenditures; moneys in the fund are available for use at the City Council’s discretion.

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

<i>Fiscal Year</i>	<i>(In Thousands) Ending Reserves⁽¹⁾</i>	<i>Percent Change</i>	<i>% of Following Fiscal Year Expenditures</i>	<i>(In Thousands) Measure Z</i>
2007-08	\$44,671	(3.4)%	20.7%	\$ --
2008-09	39,921	(10.6)	20.1	--
2009-10	44,062	10.4	22.6	--
2010-11	40,369	(8.4)	19.1	--
2011-12	40,014	(0.9)	18.1	--
2012-13	39,463	(1.4)	17.7	--
2013-14	38,439	(2.6)	16.0	--
2014-15	40,086	4.3	15.6	--
2015-16	33,250	(17.1)	12.5	--
2016-17	29,311 ⁽²⁾	(11.8)	N/A	9,494 ⁽³⁾

⁽¹⁾ Represents amounts classified as Unassigned in Table 2, and in any year in which the amount shown exceeds the Unassigned balance for such year, the excess in such year is attributable to amounts classified as Nonspendable in Table 2 that the City has budgeted as available for purposes of the General Fund reserve.

⁽²⁾ Projected.

⁽³⁾ Projected. Measure Z is a 1.0% Transaction and Use Tax approved on November 8, 2016 and expires in 2036. Funds are accounted for separately, but are available for General Fund obligations. City Council has allocated approximately \$400,000 from Measure Z for Fiscal Year 2016-17 for fire personnel.

Source: City of Riverside budgets and financial projections.

Taxes and Other Revenue

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

Table 7
CITY OF RIVERSIDE
GENERAL FUND TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)

	<i>Fiscal Year</i>				
	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
Property Taxes ⁽¹⁾	\$ 46,385	\$ 52,904	\$ 51,323	\$ 54,864	\$ 55,545
Sales & Use Tax ⁽²⁾	47,701	50,222	55,096	59,437	60,976
Utility Users Tax	27,319	28,206	28,092	28,076	27,828
Other Taxes ⁽³⁾	<u>7,879</u>	<u>8,662</u>	<u>9,235</u>	<u>10,823</u>	<u>11,823</u>
Total Taxes	\$ 129,285	\$ 139,994	\$ 143,746	\$ 153,200	\$ 156,172

⁽¹⁾ Property Taxes include Property Transfer Tax and Library Operations Tax as well as the property tax received in lieu of vehicle license fees.

⁽²⁾ Sales & Use Tax includes the sales tax in lieu related to Proposition 57 (the “Triple Flip”). Does not reflect any Measure Z amounts, because Measure Z did not become effective until Fiscal Year 2016-17.

⁽³⁾ Other Taxes consists of Transient Occupancy Tax and Franchise Taxes in the amounts of \$6,093,429 and \$5,729,644, respectively. See “–Other Taxes–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.

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

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

Table 8
CITY OF RIVERSIDE
Sales Tax Rates
Effective January 1, 2017

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	<u>0.50</u>
Total	<u>7.75%</u>

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 State Board of Equalization's July 2014 Publication No. 61 entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>. 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 State Board of Equalization. Under the Sales Tax Law, all sales and use taxes collected by the State Board of Equalization under a contract with any local jurisdiction (like the City) are required to be transmitted by the Board of Equalization to such local jurisdiction periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter. According to the State Board of Equalization, 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 State Board of Equalization first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The State Board of Equalization disburses 90% 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 Board of Equalization receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

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 9
CITY OF RIVERSIDE
TAXABLE SALES BY CATEGORY
For Calendar Years 2006 Through 2015
(Dollars in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Apparel Stores	\$168,221	\$167,869	\$154,899	\$152,564	\$161,802	\$168,352	\$175,320	\$178,349	\$188,670	\$203,001
General Merchandise	573,919	530,900	466,096	435,230	432,303	444,125	450,988	463,355	475,147	477,903
Food Stores	170,193	171,998	172,195	170,151	167,259	169,380	181,719	193,368	209,022	217,902
Eating and Drinking Places	360,403	382,582	383,596	364,291	371,419	395,423	422,153	447,841	483,901	533,317
Building Materials	707,483	549,124	374,161	307,894	292,605	349,398	376,011	454,468	514,993	567,790
Auto Dealers and Supplies	1,368,388	1,250,136	949,747	786,012	847,986	965,529	1,118,907	1,280,633	1,461,217	1,548,385
Service Stations	361,971	417,086	424,252	301,654	350,904	419,497	430,322	418,110	413,128	370,257
Other Retail Stores	678,878	626,737	564,633	487,924	501,071	517,583	535,945	550,157	595,305	633,089
All Other Outlets	1,223,321	1,227,944	1,104,611	893,809	977,260	1,072,513	1,008,206	1,154,492	1,312,607	1,461,982
Total	\$5,612,777	\$5,324,376	\$4,594,190	\$3,899,529	\$4,102,609	\$4,501,800	\$4,699,571	\$5,140,773	\$5,653,990	\$6,013,625

Source: City of Riverside Annual Financial Reports.

Measure Z

Measure Z is a 1% transaction and use tax (similar to the sales tax) adopted by the voters in the City 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. *However, this is a projection as Measure Z only went into effect on April 1, 2017.*

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 10
CITY OF RIVERSIDE
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
For Fiscal Years Ended June 30, 2007, Through June 30, 2017
(Dollars in thousands)

Fiscal Year Ended June 30	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value
2007	\$20,672,126	\$1,140,891	\$(5,417,388)	\$16,395,629
2008	23,618,776	1,291,972	(6,960,666)	17,950,082
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

Source: City of Riverside Annual Financial Reports.

Principal Property Taxpayers. Principal property taxpayers for Fiscal Year 2015-16 is set forth in the following table.

**Table 11
CITY OF RIVERSIDE
PRINCIPAL PROPERTY TAXPAYERS
Fiscal Year 2015-16
(Dollars in thousands)**

<i>Property Owner</i>	<i>Type of Business</i>	<i>2016</i>		
		<i>Taxable Assessed Value</i>	<i>Rank</i>	<i>Percentage of Total Taxable Assessed Value</i>
Tyler Mall	Retail Sales	\$199,362	1	0.8%
Riverside Healthcare System	Health Care	146,114	2	0.6
State Street Bank and Trust Co.	Investment Bank	112,074	3	0.4
La Sierra University	Student Housing	106,058	4	0.4
Rohr Inc	Manufacturing	101,518	5	0.4
Corona Pointe Apartments	Multi-family residential rental	98,505	6	0.4
Cole ID	Industrial Storage	95,627	7	0.4
Vestar Riverside Plaza	Retail Sales	84,356	8	0.3
Northrop Drive Apartments	Multi-family residential rental	78,240	9	0.3
Canyon Springs Marketplace Corp	Retail Sales	71,460	10	0.3
Totals		\$1,093,314		4.3%

Source: Riverside County Assessor Fiscal Year 2015-16.

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

**Table 12
CITY OF RIVERSIDE
PROPERTY TAX LEVIES AND COLLECTIONS
For Calendar Years 2007 through 2016
(Dollars in thousands)**

<i>Fiscal Year Ended June 30</i>	<i>Taxes Levied for Fiscal Year</i>	<i>Collected within the Fiscal Year of the Levy</i>		<i>Collection in Subsequent Years</i>	<i>Total Collections to Date</i>	
		<i>Amount</i>	<i>Percentage of Levy</i>		<i>Amount</i>	<i>Percentage of Levy</i>
2007	\$69,246	\$67,046	96.82%	\$2,200	\$69,246	100.00%
2008	83,996	82,345	98.03	1,651	83,996	100.00
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	--	50,023	100.00

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.

Other Taxes

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.

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 expires on June 30, 2022.

Utility Payments and Transfers to General Fund

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Articles XIIC and XIID 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 \$6,429,600 in Fiscal Year 2015-16) and the City's electric utility (in the amount of \$38,359,800 in Fiscal Year 2015-16).

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 2016 Notes are currently the City’s only short-term obligation and are being refunded by the Bonds as described in the forefront of this Official Statement.

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 issued pension obligation bonds (referred to in this Official Statement as 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 (referred to in this Official Statement, as PERS). As of June 30, 2016, the City had \$56,600,000 principal amount of 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 was subsequently refunded, leaving outstanding a single series of bonds (referred to in this Official Statement as the 2005 Bonds). As of June 30, 2016, the City had \$13,255,000 principal amount of 2005 Bonds outstanding.

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 June 30, 2016, the outstanding certificates of participation and lease revenue bonds and their outstanding principal balance were as set forth in the following table:

**Table 13
CITY OF RIVERSIDE
SUMMARY OF LONG-TERM GENERAL FUND COP AND LRB OBLIGATIONS**

	<i>Original Issue</i>	<i>Outstanding Principal⁽¹⁾</i>
2006 Certificates of Participation	\$ 19,945,000	\$ 17,575,000
2008 Certificates of Participation ⁽²⁾	128,300,000	109,300,000
2010 Certificates of Participation	20,660,000	19,815,000 ⁽³⁾
2012 Lease Revenue Bonds	41,240,000	37,245,000
2013 Certificates of Participation	<u>35,235,000</u>	<u>33,950,000</u>
Subtotal	\$ 295,380,000	\$ 217,885,000 ⁽³⁾
Plus Unamortized Premium		<u>2,942,000</u>
Total		\$ 220,827,000 ⁽³⁾

⁽¹⁾ As of June 30, 2016.

⁽²⁾ The City employed an interest rate swap with respect to the 2008 Certificates of Participation. See Note 10 (Derivative Instruments) to the City’s Fiscal Year 2015-16 audited financial statements.

⁽³⁾ The outstanding 2010 Certificates of Participation were fully prepaid on March 30, 2017.

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, 2016, the total amount outstanding was \$20,247,000.

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, 2016, the total amount outstanding was \$2,544,000.

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 will produce 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, 2016, the total amount outstanding was approximately \$40,938,000.

Capital Lease Obligations. The City leases various equipment through capital leasing arrangements. The minimum lease obligations payable by the City as of June 30, 2016 are identified in Note 6 to the City's Fiscal Year 2015-16 audited financial statements. See Appendix B.

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 36 month 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 7.5%, 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 April 17, 2013, the PERS Board adopted staff recommendations to modify both smoothing and amortization policies in response to concerns about future funded levels and increases in employer contribution rates. The changes adopted by the PERS Board modify the smoothing approach used by PERS and shorten smoothing and amortization periods. The PERS staff report states that over time, these methods are designed to improve funding levels and help reduce the overall funding level risk. Under the proposed changes, PERS will no longer use an actuarial value of assets, using instead the market value of assets, and will employ an amortization and smoothing policy that will spread rate increases and decreases over a five-year period and will amortize experience gains and losses over a fixed 30-year period. These changes began impacting employer contribution rates for the City starting with Fiscal Year 2015-16. Further information on this PERS Board action is set forth in Circular Letter #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy changes), dated April 26, 2013.

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, 2015, actuarial valuation report, which sets the contribution rates for fiscal year 2017-18, 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 earns an 0.0% investment return for fiscal year 2014-15 and a 7.5% investment return 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 2017-18. Beginning with Fiscal Year 2017-18 CalPERS will collect 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 it is projected that the employer rates for the City's miscellaneous plan will stay constant from a Normal Cost 12.1% of payroll to 12.1% of payroll and the Unfunded Actuarial Liability (UAL) will increase from \$15,683,043 to \$31,430,316 and that the employer rates for the City's safety plan will stay constant from a Normal Cost of 19.9% to 19.9% and the Unfunded Actuarial Liability (UAL) will increase from \$12,351,650 to \$24,624,338. 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.

In addition to Circular Letters #200-019-13 (Employer Rate Increases Due to Amortization and Smoothing Policy Changes) and #200-013-14 (Employer Rate Impact Due to Changes in Actuarial

Assumptions) and the Funding Risk Mitigation Policy, 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 PEPR (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. If AB 340 is implemented fully, PERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Local government employee associations, including all of the City's represented employees, will have a five-year window to negotiate compliance with the cost-sharing provisions of PEPRA through collective bargaining. Under PEPRA, if no deal is reached by January 1, 2018 which meets the terms set forth in PEPRA, a city, public agency or school district may force employees who entered the pension system prior to January 1, 2013 to pay one half of the normal costs of PERS pension benefits, but not to exceed 8% of pay for miscellaneous workers and 12% for public safety workers. PEPRA will not likely have a material effect on the City's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the City's unfunded actuarial accrued liability and potentially reduce City contribution levels in the long term.

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. As of June 30, 2015, the date of the most recent PERS valuation report, the market value of assets in the Safety Plan was approximately \$707,597,722 and the accrued liability was approximately \$912,387,268. The Safety Plan was approximately 77.6% funded on a market value of assets basis as of June 30, 2015, with an Unfunded Liability of approximately \$204,789,546. As of June 30, 2015, the date of the most recent actuarial valuation report, the market value of assets in the Miscellaneous Plan was approximately \$969,285,454, and the accrued liability was approximately \$1,228,644,007. The Miscellaneous Plan was approximately 78.9% funded on a market value of assets basis as of June 30, 2015, with an Unfunded Liability of approximately \$259,358,553.

The following tables, for the Safety Plan and the Miscellaneous 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, 2011 through June 30, 2015 and the total employer contributions made by the City for Fiscal Year 2013-14 through Fiscal Year 2017-18. The two tables are based on PERS Actuarial Reports for those years:

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Table 14
CITY OF RIVERSIDE
HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

<i>Valuation Date June 30</i>	<i>Accrued Liability</i>	<i>Market Value of Assets (MVA)</i>	<i>Unfunded Liability⁽¹⁾</i>	<i>MVA Funded Status</i>	<i>Affects City Contribution Rate for Fiscal Year</i>	<i>Annual Covered Payroll</i>	<i>City Contribution Amount⁽²⁾</i>	<i>UAL as a Percentage of Payroll</i>
2011	\$ 998,216,259	\$786,080,314	\$110,359,245	78.7%	2013-14	\$108,106,192	\$21,634,175	102.1%
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

⁽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 CalPERS 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, 2011 through June 30, 2015.

Table 15
CITY OF RIVERSIDE
HISTORICAL FUNDING STATUS
(Safety Plan)

<i>Valuation Date June 30</i>	<i>Accrued Liability</i>	<i>Market Value of Assets (MVA)</i>	<i>Unfunded Liability⁽¹⁾</i>	<i>MVA Funded Status</i>	<i>Affects City Contribution Rate for Fiscal Year</i>	<i>Annual Covered Payroll</i>	<i>City Contribution Amount⁽²⁾</i>	<i>UAL as a Percentage of Payroll</i>
2011	\$731,074,004	\$575,005,790	\$ 80,120,090	78.7%	2013-14	\$62,538,051	\$18,378,574	128.1%
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

⁽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 CalPERS 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, 2011 through June 30, 2015.

Trend information from fiscal year 2010-11 through 2013-14 for PERS funding is set forth below. As a result of the implementation of GASB Statement No. 68, this information is no longer reported by PERS.

Table 16
CITY OF RIVERSIDE
MISCELLANEOUS PLAN

<i>Fiscal Year Ending June 30</i>	<i>Actual Pension Cost (APC) (in thousands)</i>	<i>Percentage of APC Contributed⁽¹⁾</i>	<i>Net Pension Obligation (Asset) (in thousands)</i>
2011	\$16,888	92.4%	\$(55,253)
2012	21,661	92.8	(53,694)
2013	21,907	91.5	(51,825)
2014	22,361	90.1	(49,615)

Table 17
CITY OF RIVERSIDE
SAFETY PLAN

<i>Fiscal Year Ending June 30</i>	<i>Actual Pension Cost (APC) (in thousands)</i>	<i>Percentage of APC Contributed⁽¹⁾</i>	<i>Net Pension Obligation (Asset) (in thousands)</i>
2011	\$14,956	86.7%	\$(82,379)
2012	18,542	86.6	(79,890)
2013	18,945	83.9	(76,846)
2014	20,861	82.5	(73,191)

⁽¹⁾ Because of the issuance of pension obligation bonds by the City in 2004 and 2005, accounting rules require that the city amortize the prepayment associated with the lump sum contribution to CalPERS from the bond proceeds over the life of the debt. As a result, the percentage of the APC contributed is less than 100%, with the remainder being accounted for by the amortization of the net pension asset. In each year shown in the table, the City has contributed 100% of the amount required by CalPERS as required by state law.

Source: City's audited annual financial reports for fiscal years ending June 30, 2011 through 2014.

Contribution Rates and Pension Tiers. The following table shows the minimum percentage of salary which the City was responsible for contributing as the employer rate to PERS from Fiscal Year 2013-14 through Fiscal Year 2017-18 to satisfy its retirement funding obligations.

Table 18
CITY OF RIVERSIDE
SCHEDULE OF MINIMUM EMPLOYER CONTRIBUTION RATES

<i>Valuation Date June 30</i>	<i>Affects Contribution Rate for Fiscal Year</i>	<i>Safety Plan⁽¹⁾</i>	<i>Miscellaneous Plan⁽¹⁾</i>
2011	2013-14	26.894%	18.314%
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

⁽¹⁾ Represents a blended rate for all three tiers of employees.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2015.

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 CalPERS 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 19
CITY OF RIVERSIDE
PENSION TIERS FOR CITY EMPLOYEES

<i>Pension Plan</i>	<i>Pension Formula</i>	<i>Benefit Calculation⁽³⁾</i>	<i>Effective Date – Formula and Benefit Calculation</i>	<i>Effective Date – Employees Paying Employee Share of Contribution</i>
Safety – Fire	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	January 1, 2018 ⁽⁴⁾
	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
Safety – Police ⁽¹⁾	Tier 1: 3.0% @ 50	Tier 1: 1 Year	--	January 1, 2018 ⁽⁵⁾
	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
Miscellaneous	Tier 1: 2.7% @ 55	Tier 1: 1 Year	--	January 1, 2018 ⁽⁶⁾
	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.

Retirement Programs and Other Post-Employment Benefits

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. For a description of each employee association

and applicable benefits – see APPENDIX B—“CITY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016—Notes to Basic Financial Statements—Note 16: Other Post-Employment Benefits.”

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 City will be conducting an actuarial evaluation of the Stipend Plan as of June 30, 2015, and may reinstate reporting related to the Stipend Plan in the Comprehensive Annual Financial Report at that time. 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”). 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.

The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries. Therefore, though the liability is reported in the City’s financial statements in compliance with GASB Statement 45, there is no actual related future cash outlay by the City required absent further action by the City Council.

The City’s annual OPEB cost (expense) for the Implied Subsidy Plan is reported based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (“UAAL”) (or funding excess) over a period not to exceed thirty years. The City’s annual OPEB costs as reported in its most recent actuarial valuation as of June 30, 2015 were as follows (amounts in thousands).

Table 20
CITY OF RIVERSIDE⁽¹⁾
RESULTS – IMPLIED SUBSIDY
Discount Rate and Amortization Sensitivity
(Amounts in Thousands)

<i>Valuation Date</i>	<i>June 30, 2013</i>	<i>June 30, 2015</i>
Discount Rate	4.3%	4.0%
Amortization Period	30 Years	30 Years
Funded Status⁽²⁾		
AAL (Accrued Actuarial Liability)	\$47,195	\$40,235
Assets	---	---
UAAL	\$47,195	\$40,235
Annual Required Contribution		
Normal Cost	\$2,629	\$1,975 ⁽³⁾
UAAL Amortization	\$2,431	\$2,101 ⁽³⁾
ARC	\$5,060	\$4,076 ⁽³⁾
ARC as % of payroll	3.2%	2.5%

⁽¹⁾ Based on most recent actuarial valuation performed as of June 30, 2015.

⁽²⁾ 30-year amortization.

⁽³⁾ As of June 30, 2016, as outlined in Note 16 to the City’s fiscal year 2015-16 audited financial statements.

The City’s annual OPEB cost (“AOC”), the contribution, and the net OPEB obligation (“NOO”) for the year ended June 30, 2015 is as follows (dollar amounts in thousands):

Table 21
CITY OF RIVERSIDE
RESULTS – IMPLIED SUBSIDY
Estimated Net OPEB Obligation as of June 30, 2016⁽¹⁾
(Amounts in Thousands)

Net OPEB Liability, Beginning of Year	\$29,433
Annual Required Contribution	4,076
Interest OPEB Obligation	1,177
Amortization of Net OPEB Obligation	(1,537)
Less Contributions Made ⁽²⁾	<u>(977)</u>
Net OPEB Obligation	<u>2,739</u>
Net OPEB Liability, End of Year	\$32,172

⁽¹⁾ Based on the most recent actuarial valuation report completed as of June 30, 2015 as set forth in City’s Fiscal Year 2015-16 audited financial statements.

⁽²⁾ Includes benefit payments.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information normally provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Based on the most recent actuarial valuation performed on June 30, 2015, the actuarial accrued liability for Implied Subsidy Plan benefits was \$40.2 million:

The table below shows the three-year trend information for the Implied Subsidy Plan.

Table 22
CITY OF RIVERSIDE
HISTORICAL IMPLIED SUBSIDY TRENDS
(Amounts in Thousands)

<i>Fiscal Year June 30</i>	<i>Annual OPEB Cost</i>	<i>% of OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
2014	\$4,756	26%	\$(25,892)
2015	5,022	28	(29,433)
2016	3,716	26	(32,172)

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. 74% of full-time employees are covered by these agreements, which have the following expiration dates:

Table 23
CITY OF RIVERSIDE
NEGOTIATED EMPLOYEE AGREEMENTS
(As of March 22, 2017)

<i>Bargaining Unit</i>	<i>Contract Expiration Date</i>	<i>Number of Employees</i>
Service Employees International Union (SEIU) – General	6/30/20	791
Riverside Police Officers Association	12/31/21	269
Riverside Police Officers Association – Supervisory	12/31/21	44
Riverside Police Administrators Association	12/31/21	23
International Brotherhood of Electrical Workers	9/30/21	163
International Brotherhood of Electrical Workers - Supervisory	9/30/21	26
Riverside City Firefighters Association	12/31/21	201
Riverside City Fire Management	12/31/21	10
Service Employees International Union (SEIU) – Refuse	6/30/16 ⁽¹⁾	33

⁽¹⁾ The City is currently in negotiations with this bargaining unit.
Source: City of Riverside.

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

Risk Management

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

Property insurance coverage has a limit of \$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 \$3.5 million per

occurrence. As of July 1, 2016, the City carried commercial insurance in the amount of \$20 million for general and auto liability claims greater than \$3.5 million. There were no claims settled during Fiscal Years 2000 through 2016 above the self-insured amount.

The following tables summarize the working capital and cash balances in the Self-Insurance Fund for Fiscal Years 2011-12 through 2015-16. The decline in the cumulative balance in the self-insurance fund in recent years was due to actual versus budgeted claims. In response, in Fiscal Year 2012-13 the City began contributing \$500,000 per year more than what was anticipated to fund claims for the fiscal year in an effort to begin to increase the cash balance on hand to pre-recession levels over a reasonable period of time. Unfortunately, significant and sustained negative claims experience in that year and after resulted in a continued decline in the balance. In Fiscal Year 2014-15, the \$500,000 contribution was increased to \$2,800,000. This adjustment reversed the trend and resulted in an increase in the cash balance by the end of fiscal year 2014-15 to approximately \$1,000,000. The additional funding contributions have been maintained in the Fiscal Year 2015-16 budget. The projected cash balance at end of Fiscal Year 2015-16 is expected to increase by approximately \$1,000,000. The same methodology has been implemented for the Fiscal Year 2016-18 two-year budget with the intent of a continued increase in cash reserves. Additionally, the City is in the process of implementing a cash reserve policy for the Self-Insurance Funds in order to enhance long-term financial strength and bring stability to the funds. Due to the long-term nature of the majority of the liabilities of these funds, there is no expectation that cash would ever need to equal the total booked liabilities of the funds.

Table 24
CITY OF RIVERSIDE
SELF-INSURANCE FUND
(in thousands)

<i>Fund</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
Self-Insurance Fund Balance ⁽¹⁾	\$ (14,853)	\$ (21,739)	\$ (25,953)	\$ (27,551)	\$ (31,763)
Self-Insurance Fund Cash ⁽²⁾	12,957	10,080	9,516	12,630	13,115

⁽¹⁾ Reflects the consolidated obligations of the Liability Workers Compensation, and Unemployment Liability trust funds, less current resources available to pay those obligations shown as “Self-Insurance Fund Cash” in the table.

⁽²⁾ Reflects the consolidated cash balances for the liability, workers’ compensation, and unemployment insurance trust funds, including interfund advances receivable, which are considered liquid by the City due to their ability to be moved to other funds when cash is needed for other purposes.

Source: City of Riverside.

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 February 21, 2012 by the City Council.

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

The City's pooled investment portfolio as of December 31, 2016, had a market value of \$ 525.9 million. The following table illustrates the investments as of December 31, 2016.

Table 25
CITY OF RIVERSIDE
INVESTMENT PORTFOLIO
(As of December 31, 2016)

<i>Type</i>	<i>Market Value</i>	<i>Cost Basis</i>	<i>% of Portfolio⁽¹⁾</i>
Certificates of Deposit	\$ 13,875,920	\$ 13,889,511	2.63
Local Agency Investment Fund (LAIF)	127,224,277	127,224,277	24.15
Money Market Accounts	34,222,657	34,222,672	6.50
Medium Term Corporate Notes	28,903,270	28,928,712	5.50
U.S. Government Agency	10,371,000	10,372,469	1.97
U.S. Treasury Notes/Bonds	311,312,297	312,132,014	59.24
Cash	<u>77,600</u>	<u>77,600</u>	<u>0.01</u>
Total	<u>\$ 525,987,021</u>	<u>\$ 526,847,255</u>	<u>100.00</u>

⁽¹⁾ Calculated using cost basis.
Source: City of Riverside.

As of December 31, 2016, the average life of the City's investment portfolio was 1.52 years.

Personal Income

The following table is based on personal income, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance.

Between 2012 and 2015, the per capita personal income increased by approximately 11.5% in the City and by approximately 10.3% in the County. Between 2012 and 2015, the per capita personal income increased by approximately 11.2% in the State and by approximately 8.7% in the United States. The table below summarizes the total for the City, the County, the State and the United States for 2012 through 2015.

Table 26
CITY OF RIVERSIDE, RIVERSIDE COUNTY, STATE OF CALIFORNIA AND UNITED STATES
PERSONAL INCOME
(For Calendar Years 2012 Through 2015)

<i>Year</i>	<i>Area</i>	<i>Total Personal Income (in Thousands)</i>	<i>Per Capita Personal Income</i>
2012	City of Riverside	\$5,157,798	\$42,848
	Riverside County	73,158,724	32,263
	California	1,838,567,162	48,312
	United States	13,904,485,000	44,267
2013	City of Riverside	\$5,109,313	\$43,916
	Riverside County	75,223,346	32,765
	California	1,861,956,514	48,471
	United States	14,068,960,000	44,462
2014	City of Riverside	\$5,265,573	\$44,724
	Riverside County	78,852,989	33,867
	California	1,977,923,740	50,988
	United States	14,801,624,000	46,414
2015	City of Riverside	\$5,877,205	\$47,791
	Riverside County	84,025,987	35,589
	California	2,103,669,473	53,741
	United States	15,463,981,000	48,112

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Education

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

Employment

The City is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 6.6% in 2015, down from the year-ago estimate of 8.1%. This compares with an unadjusted unemployment rate of 6.2% for California and 5.3% for the nation during the same period. The unemployment rate was 6.7% in Riverside County, and 6.5% 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 27
RIVERSIDE-SAN BERNARDINO PRIMARY MSA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)
(For Calendar Years 2011 Through 2015)

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Civilian Labor Force ⁽¹⁾	1,867,000	1,882,200	1,897,700	1,927,600	1,961,800
Employment	1,623,800	1,665,100	1,711,000	1,771,700	1,832,300
Unemployment	243,200	217,100	186,700	155,900	129,500
Unemployment Rate	13.0%	11.5%	9.8%	8.1%	6.6%
<u>Wage and Salary Employment:⁽²⁾</u>					
Agriculture	14,900	15,000	14,500	14,400	15,100
Mining and Logging	1,000	1,200	1,200	1,300	1,300
Construction	59,100	62,600	70,000	77,600	85,200
Manufacturing	85,100	86,700	87,300	91,300	95,600
Wholesale Trade	49,200	52,200	56,400	48,900	61,700
Retail Trade	158,500	162,400	164,800	169,400	173,500
Transportation, Warehousing and Utilities	67,900	73,000	78,400	86,600	97,300
Information	12,200	11,700	11,500	11,300	11,300
Finance and Insurance	24,900	25,400	25,700	26,000	26,100
Real Estate and Rental and Leasing	14,600	14,900	15,600	16,300	17,100
Professional and Business Services	126,000	127,500	132,400	139,300	144,400
Educational and Health Services	165,400	173,600	187,600	194,800	205,000
Leisure and Hospitality	124,000	129,400	135,900	144,800	151,500
Other Services	39,100	40,100	41,100	43,000	44,000
Federal Government	21,300	20,600	20,300	20,200	20,300
State Government	29,100	28,200	27,800	28,200	28,700
Local Government	177,100	175,800	177,100	180,400	184,400
Total All Industries	1,169,400	1,200,200	1,247,800	1,303,700	1,362,400

⁽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 28
CITY OF RIVERSIDE
LARGEST EMPLOYERS
(As of June 30, 2016)

<i>Employer</i>	<i>Number of Employees</i>	<i>% of Total City-wide Employment</i>
County of Riverside	11,956	8.0%
University of California	8,306	5.5
Kaiser	4,500	3.0
Riverside Unified School District	4,000	2.7
City of Riverside	2,507	1.7
Riverside Community Hospital	2,400	1.6
Riverside County Office of Education	1,765	1.2
Alvord Unified School District	1,445	1.0
Parkview Community Hospital	1,350	0.9
Riverside Community College District	<u>1,061</u>	<u>0.7</u>
Total	39,290	26.2%

Source: City of Riverside (as presented in the City's 2016 Comprehensive Annual Financial Report).

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

Table 29
COUNTY OF RIVERSIDE
LARGEST EMPLOYERS
(As of March 1, 2017)

<i>Employer Name</i>	<i>Location</i>	<i>Industry</i>
Amazon Fulfillment Center	Moreno Valley	Distribution Centers (Wholesale)
Boston Scientific Corp	Temecula	Physicians & Surgeons Equip & Supplies-Wholesale
Corrections Department	Norco	Government Offices-State
Desert Regional Medical Center	Palm Springs	Hospitals
Eisenhower Medical Center	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Center	Hemet	Hospitals
Hotel At Fantasy Springs	Indio	Casinos
Inland Valley Medical Center	Wildomar	Hospitals
J W Marriott-Desert Springs Resort	Palm Desert	Hotels & Motels
La Quinta Golf Course	La Quinta	Golf Courses
La Quinta Resort & Resort	La Quinta	Resorts
Morongo Casino Resort & Spa	Cabazon	Casinos
Morongo Tribal Gaming Ent	Banning	Business Management Consultants
Pechanga Resort-Casino Showroom	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside University Health	Moreno Valley	Hospitals
Robertson's Ready Mix	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 Department	March Arb	Military Bases

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2017 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 30
CITY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2011 Through 2015
(Valuation in Thousands of Dollars)

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
<u>Permit Valuation</u>					
New Single-family	\$ 8,311	\$ 15,590	\$ 50,863	\$ 61,311	\$ 53,858
New Multi-family	26,764	24,644	19,861	9,418	41,207
Res. Alterations/Additions	<u>8,298</u>	<u>7,565</u>	<u>8,710</u>	<u>10,291</u>	<u>11,870</u>
Total Residential	\$43,372	\$ 47,800	\$ 79,434	\$ 81,020	\$ 106,935
New Commercial/Industrial	\$30,952	\$ 31,720	\$ 41,505	\$ 14,206	\$ 19,856
New Other	5,703	63,098	11,677	2,914	11,334
Com. Alterations/Additions	<u>56,555</u>	<u>50,458</u>	<u>74,249</u>	<u>45,548</u>	<u>51,812</u>
Total Nonresidential	\$93,210	\$145,276	\$127,433	\$ 62,668	\$ 83,002
<u>New Dwelling Units</u>					
Single Family	43	62	200	144	223
Multiple Family	<u>236</u>	<u>216</u>	<u>219</u>	<u>155</u>	<u>411</u>
TOTAL	279	278	419	299	634

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
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX E

BOOK ENTRY PROVISIONS

The information concerning DTC set forth herein has been supplied by DTC, and the City assumes no responsibility for the accuracy thereof.

Unless a successor securities depository is designated pursuant to the Trust Agreement, DTC will act as Securities Depository for the Bonds. The Bonds 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 Bond will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. 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. THE CITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting Rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest with respect to the Bonds 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 on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Trustee, 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.

THE TRUSTEE AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING AN OWNER OF BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE BONDS UNDER THE TRUST AGREEMENT; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN).

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Trust Agreement.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Trust Agreement and payment of interest to each Owner who owns of record \$1,000,000 or more in aggregate principal amount of Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated _____, 2017, is executed and delivered by the City of Riverside (the “City”) in connection with the issuance by the City of its \$_____ City of Riverside Taxable Pension Obligation Refunding Bonds, 2017 Series A (the “Bonds”). The Bonds are being issued pursuant to the Trust Agreement, dated as of June 1, 2004, by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), as previously amended and supplemented and as amended and supplemented by an Eleventh Supplemental Trust Agreement, dated as of May 1, 2017 (collectively, the “Trust Agreement”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders of the Bonds and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, 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” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is nine months after the end of the City’s fiscal year (currently March 31 based on the City’s fiscal year end of June 30).

“Dissemination Agent” shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Holders” shall mean, while the Bonds are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the Owner of any Bond for Federal income tax purposes.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“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 City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2018, with the report for the 2016-17 fiscal year, provide to the Repository, in an electronic format as prescribed by the Repository, an Annual Report that is consistent with the requirements of

Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) to the Repository, in an electronic format as prescribed by the Repository, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

SECTION 4. Content of Annual Reports. Each Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the preceding fiscal year, substantially similar to that provided in the corresponding tables in Appendix A to the Official Statement:

(i) Tables 3 and 7, containing information concerning the actual revenues, expenditures and beginning and ending fund balances relating to the General Fund of the City for the most recent completed Fiscal Year, and showing tax revenue collections by source;

(ii) Table 5, containing only the General Fund adopted budget information (and not projected actual information);

(iii) Table 14, 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, as of the close of the most recent completed Fiscal Year; and

(iv) Tables 14 through 18, containing information on the City's funding status and contribution rates with respect to its PERS retirement plans.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City 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 in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.
9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the City. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City.

(b) Pursuant to the provisions of this Section 5, the City 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. non-payment related defaults.
2. modifications to rights of Bondholders.

3. bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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.
7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the City shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the City's determination of materiality pursuant to Section 5(c).

SECTION 6 Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(d).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5 it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Bonds.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which 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 obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

CITY OF RIVERSIDE

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Riverside, California
Name of Issue: Taxable Pension Obligation Refunding Bonds, 2017 Series A
Date of Issuance: _____, 2017

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 Certificated, executed and delivered by the City in connection with the issuance of the Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF RIVERSIDE

By: _____
Its: _____