



CITY OF
RIVERSIDE



POPULAR ANNUAL

FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2018

RIVERSIDE, CALIFORNIA



Dear Reader,

The City of Riverside is pleased to present our Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2018. Our PAFR provides an overview of the City's financial position in a manner that is easy to understand. The information in this report is based on the audited results presented in the City's Comprehensive Annual Financial Report (CAFR). This report also includes information about the City's Measure Z Fund activity and outstanding debt organizational structure.

It is important to note, this PAFR is unaudited and is presented on a non-GAAP basis*. This means that the presentation of financial data in this report differs from the GAAP basis presentation in the City's CAFR. The differences are as follows: the use of prescribed accounting methods and financial statement formats; the presentation of segregated funds; and the disclosure of all material financial and non-financial matters in notes to the financial statements.

We hope that you find this report helpful and encourage you to access the City's website (www.RiversideCA.gov/Finance) or contact the Finance Department at (951) 826-5660 for more detailed information about the City's finances.

Sincerely,

Edward Enriquez
Interim Chief Financial Officer/Treasurer

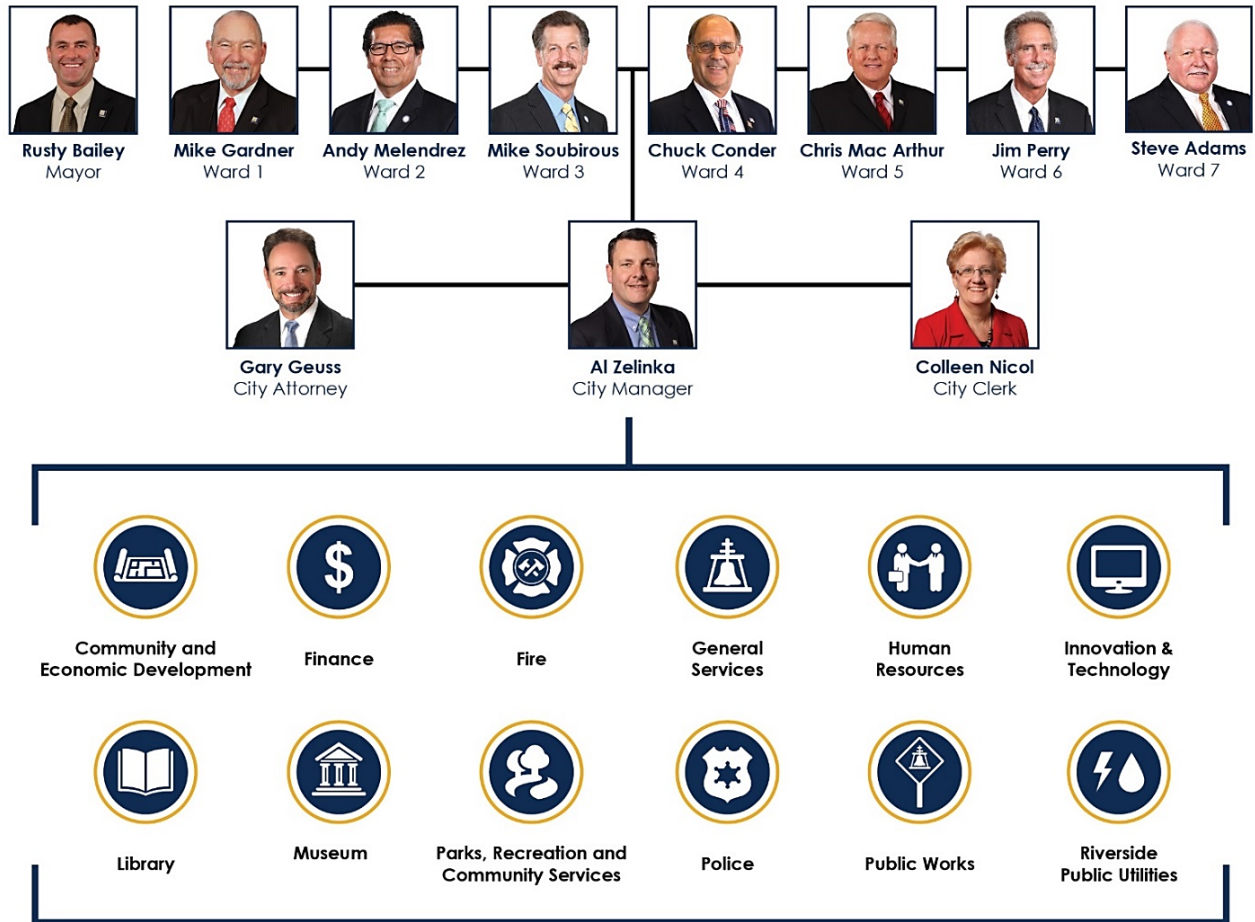
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* Generally Accepted Accounting Principles (GAAP) is a combination of authoritative standards and the commonly accepted way of recording and reporting accounting information. To review the audited GAAP-based, full disclosure financial statements, please refer to the City's CAFR, which is available on the City's website at www.RiversideCA.gov/Finance/CAFR

ABOUT THE CITY AND ITS LEADERSHIP

The City of Riverside operates under the council-manager form of government. Under this organizational structure, the City Council appoints a City Manager to act as the Chief Operating Officer. The City Council sets policy direction and the City Manager implements those policies. The Mayor is elected at-large, while Council members are elected by voters in each of seven separate wards. The Mayor shall be the presiding officer at all meetings of the City Council and shall have a voice in all its proceedings but shall not vote except to break a City Council tie-vote. The Mayor shall be the official head of the City for all ceremonial purposes.



The City of Riverside, incorporated on October 11, 1883, is in the western portion of Riverside County, about 60 mile east of Los Angeles. The City currently occupies a land area of 81.5 square miles.

The City is a part of Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.2 million, is larger than 24 states. The population of the City is 325,860 which places it as the 12th largest in California.



12th
largest city in
California

59th largest city
in the **United States**



CITY DEMOGRAPHICS AND KEY STATISTICS

CITY DEMOGRAPHICS

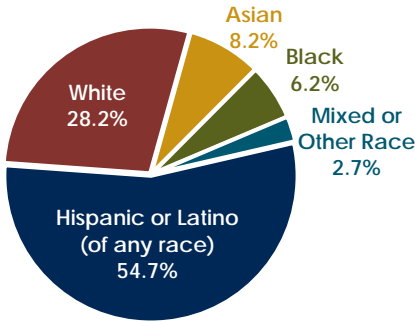


\$405,000

Median Sale Price in Riverside

5.3% Increase from Prior Year

Source: California Association of Realtors June 2018



Average Household Size: 3.6*

Unemployment Rate: 4.4%

Source: June 2018 Labor Force Data
California Employment Development Department



31.4% of the Population 25 years & over have a college degree*

(Associates, Bachelor's, Graduate/Professional)



Median Age: 30.9*

* Source: United States Census Bureau, 2017 American Community Survey 1-Year Estimates

**Source: California State Department of Finance, January 2018 Population Estimates

2018 Population 325,860**



Average Household Income: \$83,928*

CITY KEY STATISTICS



Police



3 Police Stations &
4 Police Substations



2 Helicopters



558 Police Personnel
(Sworn & Non-Sworn)



8,423 Arrests



Fire



14 Fire Stations
1 Training Facility



245 Fire Personnel



6,519 Fire Inspections



38,501 Calls Answered



Culture & Recreation



46,904 Facility Rentals



8 Library Branches



11 Community Centers



54,025 Recreation Classes



2,988 Acres of Parks



46 Playgrounds &
44 Softball/Baseball Diamonds



Public Works



30,479 Streetlights



872.24
Streets (miles)



384
Signalized Intersections



17.37
Street Resurfacing
(miles)

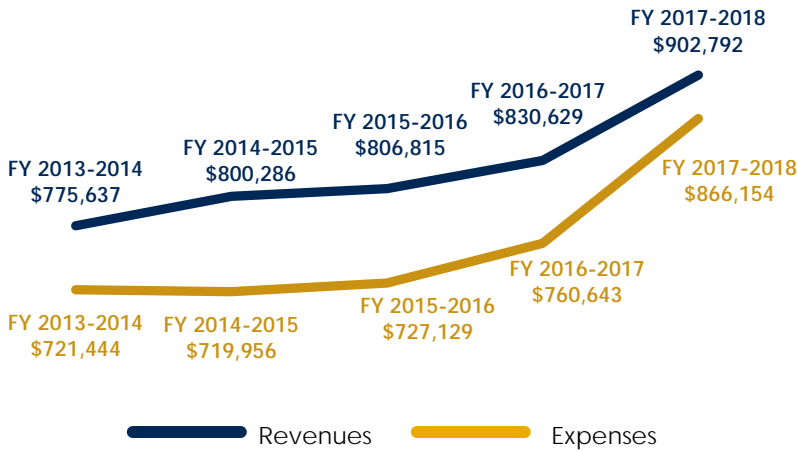
WHAT'S NEW: FINANCIAL HIGHLIGHTS

Overall, revenues and expenses have been trending upward. For the year ended June 30, 2018, revenues exceeded expenses by more than \$36 million. This had a positive impact on the City's overall financial position.

\$289 Million
General Fund
FY 2017-18
Final Budget*

\$269 Million
General Fund
FY 2018-19
Original Budget*

FIVE-YEAR REVENUES VS EXPENSES – CITYWIDE
(In thousands of dollars)



Long-Term Financial Planning

To promote responsible long-term financial planning, the City has transitioned to a two-year budget cycle that is developed within the context of a five-year financial plan.

In June 2018, the City's second Biennial Budget and Five-Year Financial Plan was approved by City Council.

*excludes Measure Z spending



2,503.8 Full-Time Equivalent City employees provided services to the community



1 General Fund Reserve Goal of 20% of expenditures reaffirmed by City Council

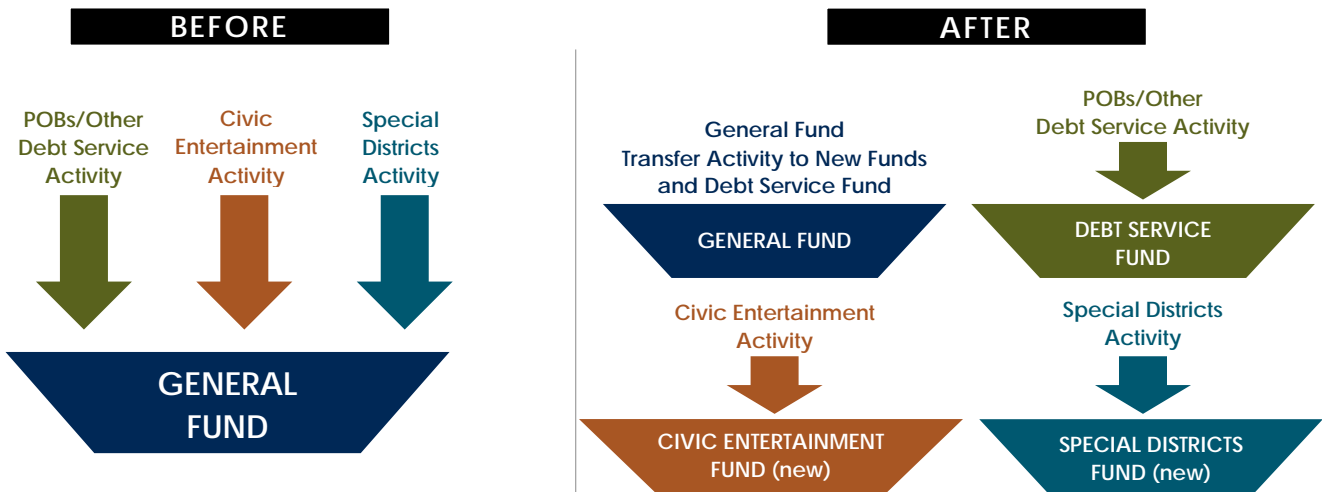


3 New Financial Policies adopted by City Council:

- Long-Term Financial Planning
- Multi-year Capital Planning
- Prioritization of Capital Improvement Projects

General Fund Restructuring

As part of the City's Mid-Cycle Budget Update in May 2017, staff analyzed General Fund activity and determined that restructuring the fund would improve the transparency related to the reporting of Pension Obligation Bonds (POBs) and other debt service, Civic Entertainment, and Special Districts activity currently report in the General Fund. Below is an overview of the changes completed as of the end of the fiscal year. The City will continue efforts to restructure the General Fund.



THE CITY'S FINANCIAL POSITION

The Statement of Net Position financial statement presents information about all of the City's assets, liabilities, deferred outflows (e.g., prepaid items), and deferred inflows (e.g., advance collections). The City's net financial position is the balance of all assets and deferred outflows, less all liabilities and deferred inflows. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. For the fiscal year ended June 30, 2018, the Citywide net position improved by over \$35 million.

STATEMENT OF NET POSITION – CITYWIDE

(In thousands of dollars)

| City Assets – What We Own | 2017 | 2018 |
|--|--------------------|--------------------|
| Current Assets consisting mainly of cash and amounts owed to the City | \$977,246 | \$982,484 |
| Net Capital Assets consisting primarily of buildings, equipment, and vehicles | 3,190,285 | 3,220,574 |
| TOTAL CITY ASSETS | \$4,167,531 | \$4,203,058 |
| Deferred Outflows of Resources, positive effect on Net Position | 281,799 | 224,124 |
| Total City Assets and Deferred Outflows | \$4,449,330 | \$4,427,182 |
| City Liabilities – What We Owe | 2017 | 2018 |
| Current Liabilities consisting of all amounts the City owes, except for debt | \$203,455 | \$179,889 |
| Non-Current Liabilities consisting of long-term debt owed, including pension obligations | 2,246,920 | 2,279,386 |
| TOTAL CITY LIABILITIES | \$2,450,375 | \$2,459,275 |
| Deferred Inflows of Resources, negative effect on Net Position | 112,309 | 46,241 |
| Total City Liabilities and Deferred Inflows | \$2,562,684 | \$2,505,516 |
| CITY NET FINANCIAL POSITION | \$1,886,646 | \$1,921,666 |



Fairmont Park Photo Courtesy Mayra Espinoza – 1st Place winner Capture Riverside Photo Contest Fall 2017

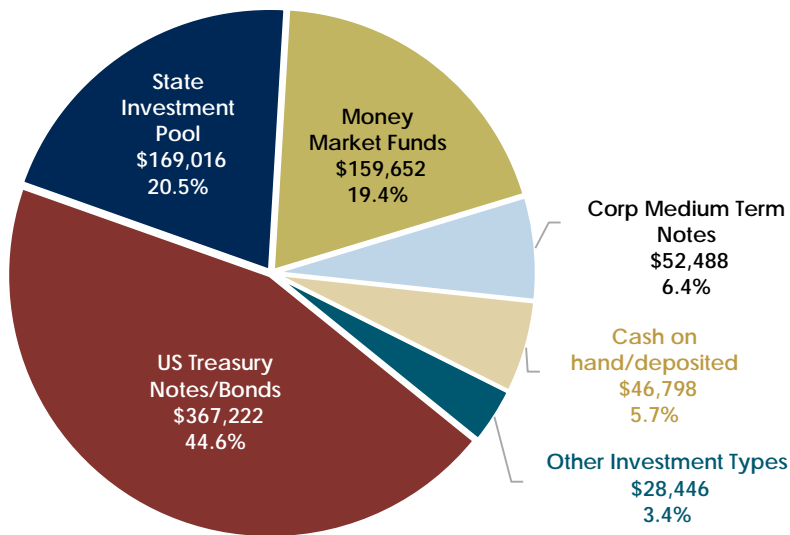
THE CITY'S ASSETS AND INVESTMENTS

INVESTMENT MANAGEMENT AND FUNDS ALLOCATION

The prioritized objective of the City's investment program is to preserve principal, ensure enough liquidity, and generate a market rate of return. The City's investments comply with California Government Code Section 53601 guidelines for permissible investment types and limits. In addition, all investments comply with the City Council's adopted investment policy which mitigates the City's risk. The chart below reflects the types of investments held by the City or its Fiscal Agent as of June 30, 2018.

INVESTMENT TYPE • \$823,622

(In thousands of dollars)



1.135 %
June 2017

1.722 %
June 2018

Average Yield to Maturity

Yield to maturity is the total return of investment anticipated on a bond if the bond is held until it matures. This figure is expressed as an annual rate. Based on information prepared by the City's investment consultant Public Trust Advisors at year-end, the City's average yield to maturity continues to trend in a positive direction.

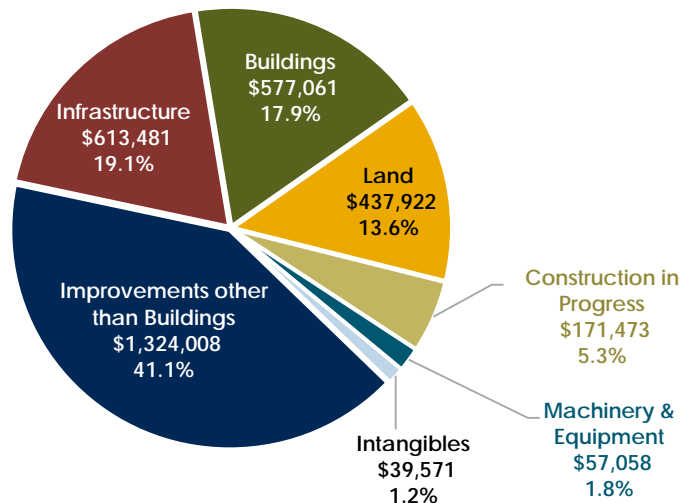
CAPITAL ASSETS, NET OF DEPRECIATION

\$3,220,574

(In thousands of dollars)

Major capital improvements included projects for road (\$13 million), sewer mains and tertiary treatment plant (\$16 million), water utility upgrades (\$23 million), and electric utility upgrades (\$42 million).

Construction in progress was primarily related to the Riverside Transmission Reliability Project (RTRP) and upgrades to the Utilities' Spring Substation.

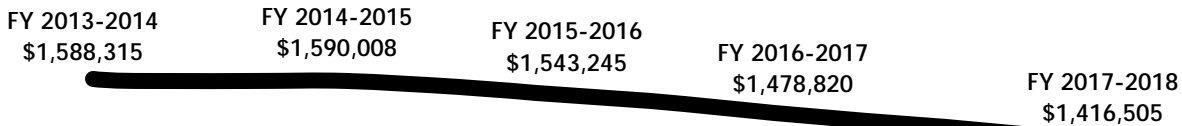


To review more comprehensive information about the City's funds in the audited GAAP-based, full disclosure financial statements, please refer to the City's CAFR which is available on the City's website at www.RiversideCA.gov/Finance/CAFR

WHAT THE CITY OWES

As of June 30, 2018, the City had outstanding long-term bond debt totaling \$1.4 billion. A five-year history of the long-term debt for governmental and business-type activities shows the City has been reducing debt levels over time.

Long-Term Bond Debt Outstanding (In thousands of dollars)



The City issues bonds to support spending for construction, capital asset purchases/improvements and unfunded pension liability. Total outstanding long-term bond debt was \$1.42 billion, a \$62 million decrease from the previous fiscal year.

Water, Electric, and Sewer Revenue Bonds
\$1.14 billion

Issued to acquire, purchase, construct, or improve major capital facilities. The revenue generated by the facility or activity supporting the facility is pledged as security for the repayment of debt.



Certificates of Participation
\$150.8 million

Used as a lease-purchase financing mechanism for public buildings such as the Convention Center.

Pension Obligation Bonds
\$79.2 million

Used to pay some or all the pension plan's unfunded pension liability. The City's net pension liability as of June 30, 2018 was \$627.8 million, a portion of which is funded with Pension Obligation Bonds.



Lease Revenue Bonds
\$36.2 million

Used to finance public improvements such as City Hall and Park improvements.

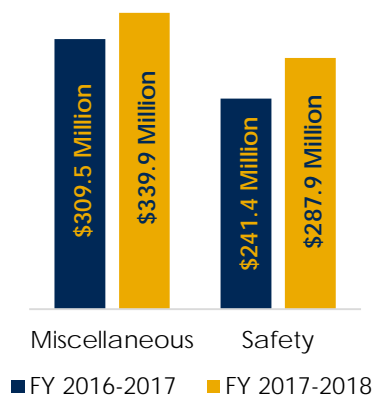
General Obligation Bonds
\$10.4 million

Issued for the construction or acquisition of major capital assets. The security pledged for the bonds is the general taxing power of the government



Net Pension Liability

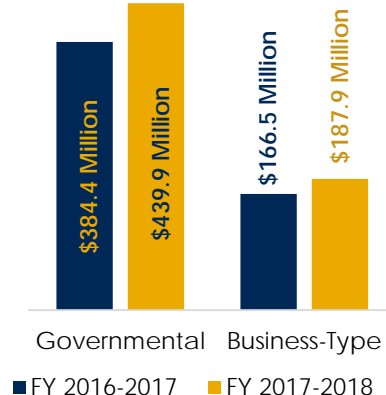
Miscellaneous vs Safety Employees



The largest impact to the City's long-term financial stability relates to the increase in pension costs from CalPERS. At the time of the fiscal years 2018-19 and 2019-20 budget development, the economic outlook for the City was stable. However, there are significant challenges in the next five years that the City will continue to offset with operational efficiencies. For more information about how the City is handling the CalPERS challenge, please visit:

Net Pension Liability by Fund Type

Governmental vs Business-Type Activities



RiversideCa.gov/CityManager/CalPERSChallenge

STATEMENT OF ACTIVITIES

The Statement of Activities presents the City's revenues and expenses in a format that reflects the financial burden for each of the City's functions. All changes are reported as soon as the underlying event for the change occurs, regardless of the timing of the related cash flow.

For the fiscal year ended June 30, 2018, the City's governmental and business activities resulted in an increase of net position totaling more than \$36.6 million. The table below provides an overview of the effect of the City's functions on its net financial position.

STATEMENT OF ACTIVITIES – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

(In thousands of dollars)

| Program Revenues | 2017 | 2018 |
|--|--------------------|--------------------|
| Charges for services | \$575,281 | \$582,281 |
| Operating grants and contributions | 23,125 | 25,922 |
| Capital grants and contributions | 31,768 | 44,996 |
| Total Program Revenues | \$630,174 | \$653,199 |
| General Revenues | 2017 | 2018 |
| Sales Tax | \$75,883 | \$120,338* |
| Property Tax | 59,526 | 63,515 |
| Utility Users Tax | 27,958 | 27,498 |
| Franchise Tax | 4,814 | 4,972 |
| Transient Occupancy Tax | 6,622 | 6,793 |
| Intergovernmental, unrestricted | 145 | 172 |
| Investment Income | 8,795 | 9,126 |
| Miscellaneous | 16,712 | 17,179 |
| Total General Revenues | \$200,455 | \$249,593 |
| Total Program and General Revenues | \$830,629 | \$902,792 |
| Program Expenses | 2017 | 2018 |
| General Government | \$27,921 | \$27,708 |
| Public Safety | 169,395 | 225,930 |
| Highways and Streets | 43,337 | 47,230 |
| Culture and Recreation | 52,513 | 42,170 |
| Interest on Long-Term Debt | 16,028 | 12,414 |
| Electric | 317,335 | 333,061 |
| Water | 62,189 | 68,281 |
| Sewer | 38,305 | 54,136 |
| Civic Entertainment | - | 19,995 |
| Refuse | 21,953 | 22,082 |
| Other Business-Type Activities | 11,667 | 13,147 |
| Total Program Expenses | \$760,643 | \$866,154 |
| INCREASE IN NET POSITION | \$69,986 | \$36,638 |
| Net Position | | |
| Net Position, Beginning | \$1,816,660 | \$1,886,646 |
| Less prior period adjustment for new accounting standard** | - | (1,618) |
| Add increase in net position | 69,986 | 36,638 |
| Net Position, Ending | \$1,886,646 | \$1,921,666 |

* Includes a full year of Measure Z revenue

** The Government Accounting Standards Board (GASB) added a new standard for reporting Other Postemployment Benefits (OPEB). A prior period adjustment was made to reflect the new standard applied to previous fiscal year.

CITY VISION, ACTIVITIES AND SPENDING

The City of Riverside is committed to providing high quality municipal services to ensure a safe, inclusive, and livable community. "Seizing Our Destiny" is Riverside's vision for the future.

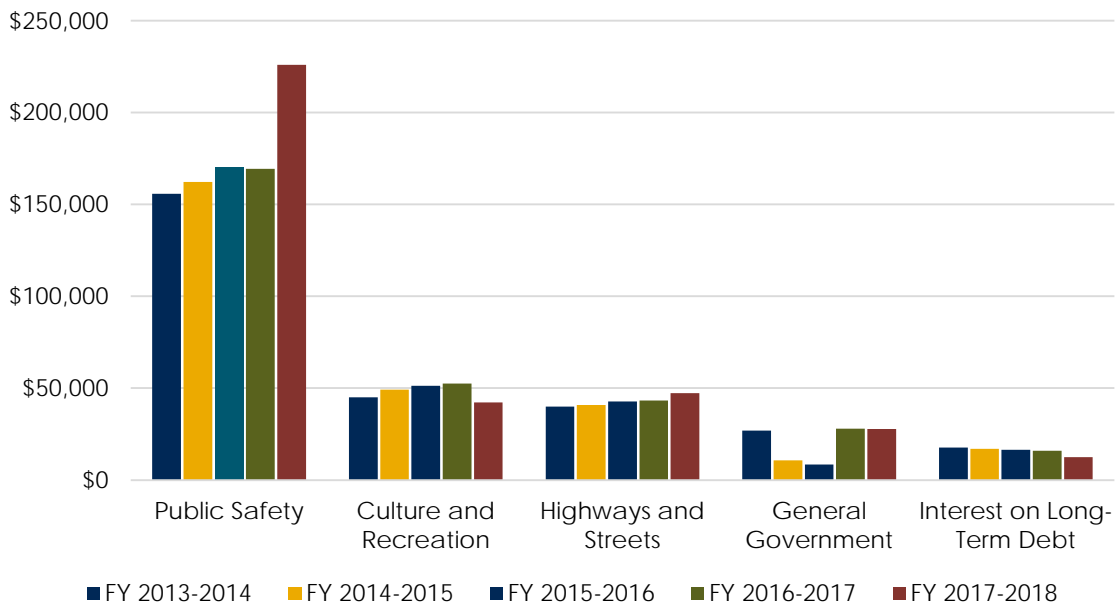
The City provides a full range of services which include general government, public safety, highway and street maintenance, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation.



SPENDING: GOVERNMENTAL ACTIVITIES

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

FIVE-YEAR SPENDING HISTORY – GOVERNMENTAL ACTIVITIES
(In thousands of dollars)



Public Safety expenditures reflect the costs associated with providing police and fire services to residents and visitors. The increase in Public safety spending for 2018 was primarily related to Measure Z initiatives.

Culture and Recreation expenditures enrich the quality of life in Riverside through recreational and cultural activities as well as support the educational and informational needs of the community. The decrease in spending in 2018 was due to the transfer of civic entertainment activity (e.g., The Fox and Convention Center) to the Civic Entertainment Fund.

Highways and Streets expenditures are related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

General Government expenditures are for the administration offices, including City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, General Services, and Innovation Technology.

Interest on Long-Term Debt expenditures are for the interest expense associated with debt financing.

GOVERNMENTAL ACTIVITY: FINANCIAL HIGHLIGHTS

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be recorded in another fund. A five-year history of the fund balance for the General Fund is below.



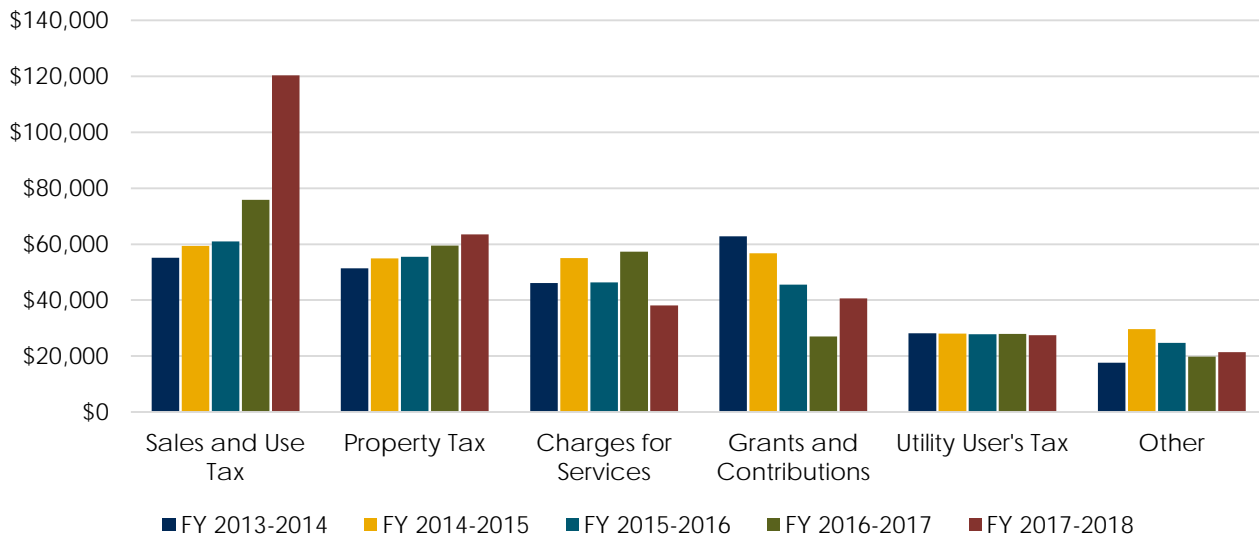
FUND BALANCE – GENERAL FUND (In thousands of dollars)

| FY 2013-2014 | FY 2014-2015 | FY 2015-2016 | FY 2016-2017 | FY 2017-2018 |
|--------------|--------------|--------------|--------------|--------------|
| \$78,860 | \$79,651 | \$65,578 | \$83,070 | \$89,624* |

* Reflects a \$23 million prior period adjustment to allocate POBs to the appropriate funds to reflect its proportional share of the obligations.

Functions of the City can be separated into two categories, those that are principally supported by taxes and intergovernmental revenues (governmental activities) and those that are intended to recover all or a significant portion of its costs through user fees and charges (business-type activities).

FIVE-YEAR REVENUE HISTORY – GOVERNMENTAL ACTIVITIES (In thousands of dollars)



Sales and Use Tax – consumable tax placed on retail sales, leases or rentals of most goods, and any taxable services as mandated. The first full year of Measure Z revenue is included in this category which resulted in a significant increase in the Sales and Use Tax revenue for 2018.

Property Tax – legally enforceable liens on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10.

Charges for Services – revenue from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the service. The \$19 million decrease in this category is primarily attributed to Civic Entertainment Fund activity reporting in its own non-governmental fund.

Grants and Contributions (operating and capital) – revenue arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Utility User's Tax - 6.5% usage tax on telephone, electricity, gas, water, and cable. The tax is collected by the utility company as part of its regular billing procedure and then remitted to the City.

Other - includes transit occupancy tax, franchise fees and investment income.

MEASURE Z REVENUE AND SPENDING

In May 2017, the City began receiving revenue for the Measure Z additional one-cent transaction and use tax authorized by voters during the November 2016 election. To date, the City has collected more than \$68 million in Measure Z revenue and used \$57 million of this revenue for planned expenditures as recommended by members of the community serving on the City’s Budget Engagement Commission and as approved by City Council. Unspent revenue will be used for approved purposes in future fiscal years.

MEASURE Z REVENUE AND SPENDING (In thousands of dollars)

| ACTUALS - | FY 2016-2017 | FY 2017-2018 |
|---|--------------|-----------------|
| Measure Z Revenue Collected | \$12,606 | \$56,208 |
| Add: Measure Z Capital Lease Proceeds (Fire Vehicles) | - | 10,935 |
| Less: Measure Z Expenditures | 9,965 | 47,070 |
| UNSPENT MEASURE Z REVENUE | | \$2,641 |
| | | \$20,073 |



Public Safety
\$19.8 Million
*Police/Fire Personnel,
Aircraft & Vehicles*

**Fiscal Discipline/
Responsibility**
\$19.2 Million
*General Fund & Self-
Insurance Reserves,
POB Debt Payoff*



**FISCAL YEAR 2017-2018
SPENDING
\$47.1 Million**

Quality of Life
\$0.3 Million
*Streets, Tree Trimming,
Ward Action Team*

Technology
\$0.1 Million
*City Technology
Needs*



Facility Capital Needs
\$2.0 Million
*Main Library Construction, Eastside
Library, Annual Deferred Maintenance*

Critical Operating Needs
\$5.6 Million
*Homeless Services, Operations
Funding Gap, General Plan Update*



To review the most current Measure Z information, please visit: riversideca.gov/transparency/budget-finance/

BUSINESS-TYPE ACTIVITIES: FINANCIAL HIGHLIGHTS

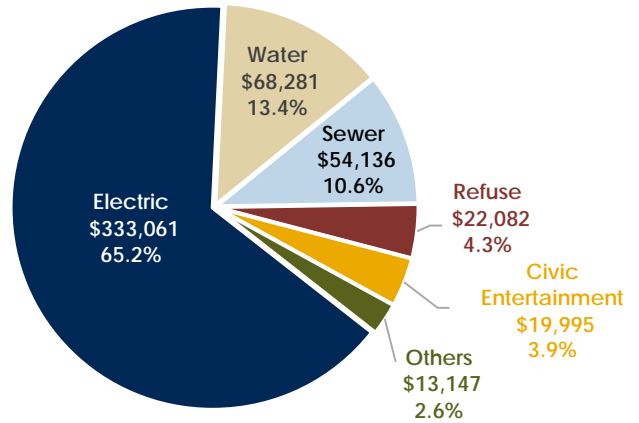
EXPENSES: BUSINESS-TYPE ACTIVITIES

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

2018 SPENDING – BUSINESS-TYPE ACTIVITIES

(In thousands of dollars)

Electric is the largest business-type function in the City with \$333.1 million in spending during Fiscal Year 2017-2018. The Civic Entertainment function, which had almost \$20 million in spending for the fiscal year, was previously reported within the General Fund. This was the first fiscal year this function’s activity was reported separately from General Fund spending, in a non-governmental fund.



The Electric Fund accounts for the activities of the City’s electric distribution operations. A five-year history of the fund balance for this fund is below.



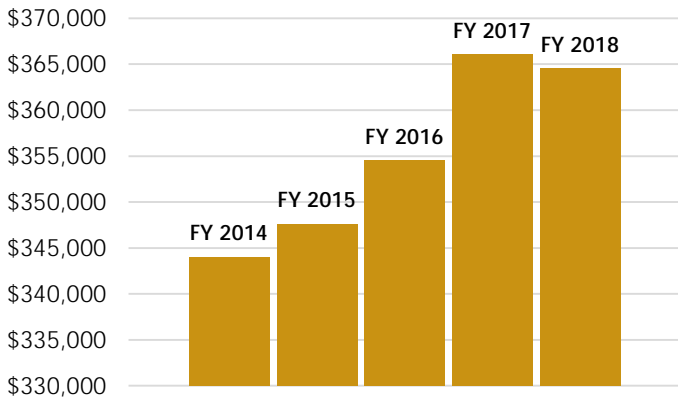
FUND BALANCE – ELECTRIC FUND

(In thousands of dollars)



CHARGES FOR SERVICE - ELECTRIC

(In thousands of dollars)



7,455 Average usage (kWh*) per residential customer

\$15.91 average price (\$/kWh) per residential customer



109,619 Active Electric Meters - includes Residential, Commercial, and Industrial

2,195 millions of Kilowatt-hours (kWh) sales



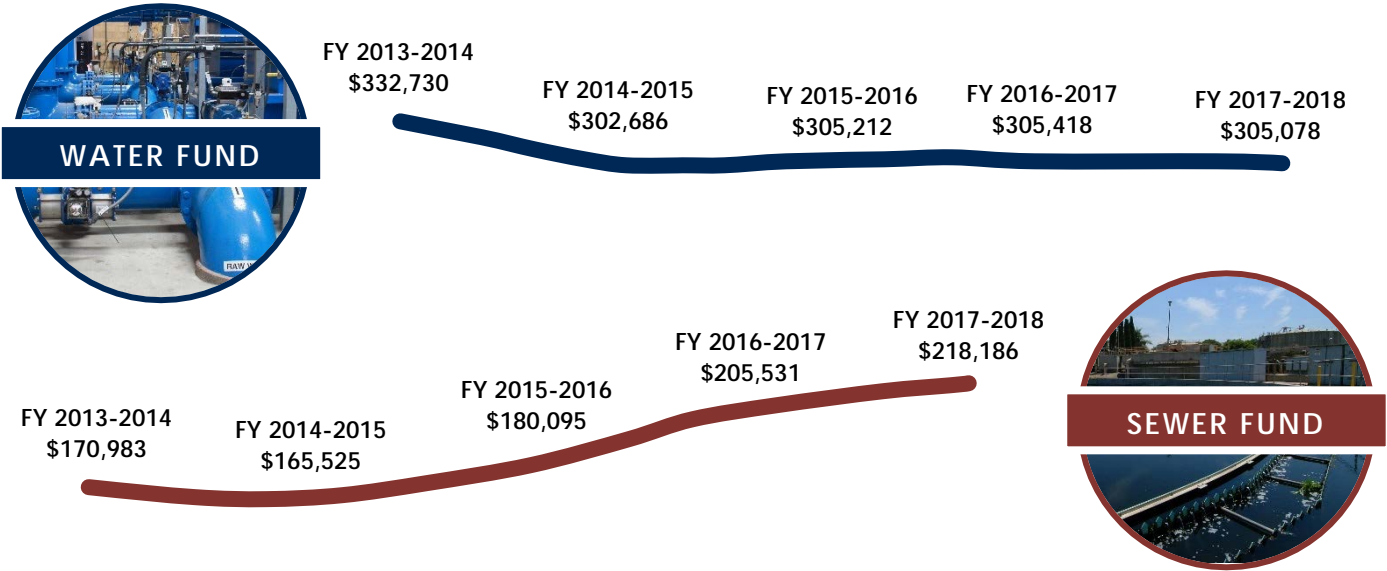
489 employee positions approved to provide Electric – related services

*kWh = kilowatt hours

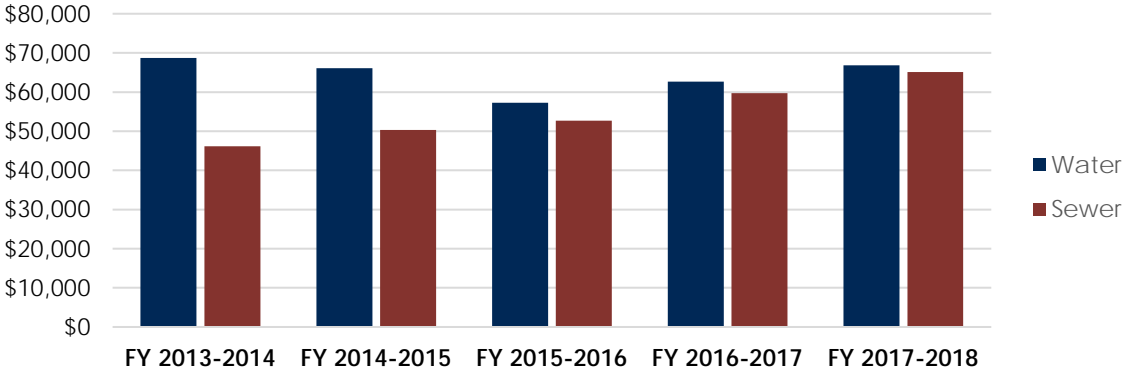
BUSINESS-TYPE ACTIVITY: FINANCIAL HIGHLIGHTS (CONTINUED)

The Water Fund accounts for the activities of the City’s water distribution operations and the Sewer Fund accounts for the activities of the City’s sewer systems. A five-year history of the fund balance for these funds is below.

FUND BALANCE – WATER AND SEWER FUNDS (In thousands of dollars)



CHARGES FOR SERVICE - WATER AND SEWER (In thousands of dollars)



195,228 gallons
average per residential customer

\$2.39 average price
(\$/CCF*) per residential customer

20.6 billion
gallons in water sales

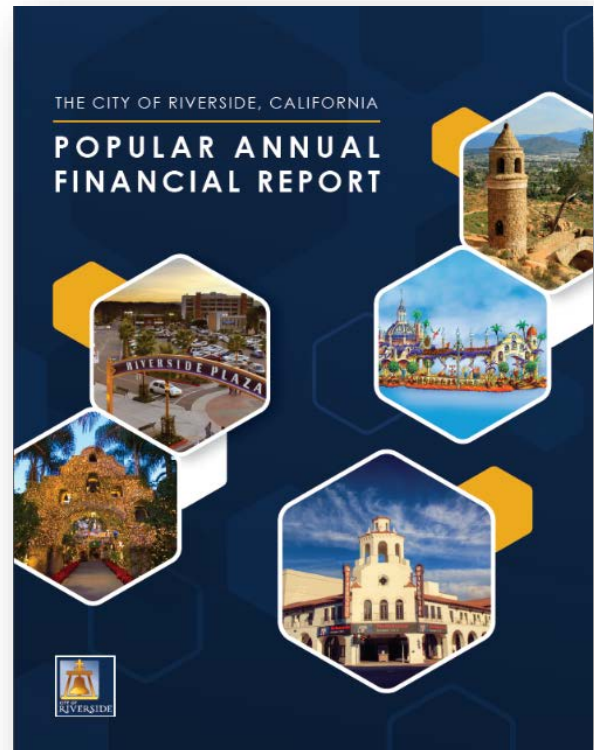
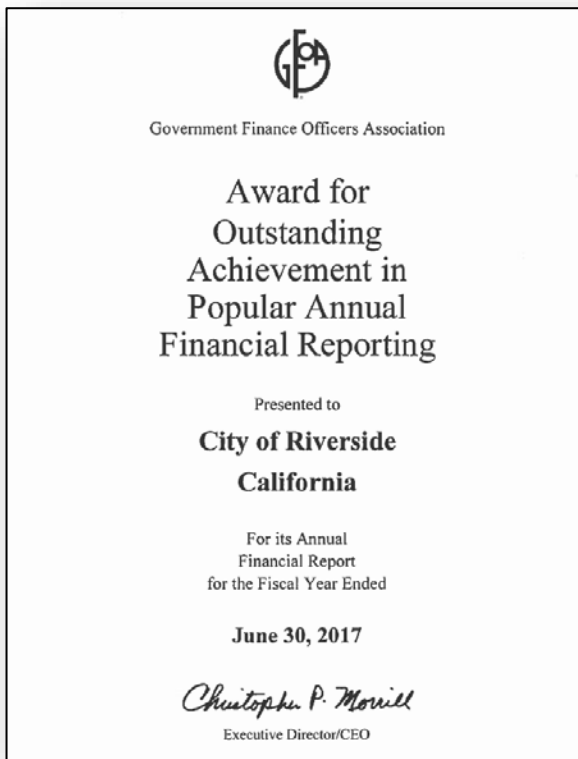


17,551
New Connections

26.16
Average Daily
Sewage Treatment
(millions of gallons)

*CCF = Centum Cubic Feet = 748 gallons

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) PAFR AWARD



Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Report to the City of Riverside for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. The Award for Outstanding achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Riverside received the Popular Award for the first time for the fiscal year ended June 30, 2017. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA to determine its eligibility for another award.



City of Riverside, City Hall
3900 Main Street
Riverside, CA 92522

ExploreRiverside.com
City of Arts & Innovation