

THE CITY OF RIVERSIDE, CALIFORNIA

# POPULAR ANNUAL FINANCIAL REPORT





## VISION STATEMENT

The City of Riverside is committed to providing high quality municipal services to ensure a safe, inclusive, and livable community.



Dear Reader:

In an effort to provide the Riverside community with transparent financial information, I am pleased to submit the City of Riverside's first ever Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2017.

This report provides an overview of the City's financial position, including sources of revenues and expenditures, based on audited results presented in the Comprehensive Annual Financial Report (CAFR). Also included is information on the City's economic outlook and outstanding debt organizational structure.

I hope that you find this publication helpful. We encourage you to access the City's website, [www.RiversideCA.gov/Finance](http://www.RiversideCA.gov/Finance), for more detailed information on the City's finances or contact the Finance Department at (951) 826-5660.

Sincerely,  
Adam Raymond  
Chief Financial Officer/City Treasurer

Generally accepted accounting principles (GAAP) is a combination of authoritative standards and the commonly accepted way of recording and reporting accounting information.

This PAFR is unaudited and is presented on a non-GAAP basis. The differences between the GAAP basis presentation in the CAFR and the non-GAAP presentation in the PAFR 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. Individuals who desire to review the audited GAAP-based, full disclosure financial statements should refer to the City's CAFR, which is available on the City's website at [www.RiversideCA.gov/Finance/CAFR](http://www.RiversideCA.gov/Finance/CAFR)

# ABOUT RIVERSIDE

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

The City is located in Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.2 million, is larger than 24 states. The City leads the Inland Southern California in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 326,792 which places it as the 12<sup>th</sup> largest in Southern California.



## RIVERSIDE GOVERNMENT

The City of Riverside operates under a 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, which exists for any cause. The Mayor shall be the official head of the City for all ceremonial purposes.

## CITY LEADERSHIP



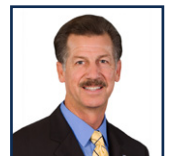
**Rusty Bailey**  
Mayor



**Mike Gardner**  
Ward 1



**Andy Melendrez**  
Ward 2



**Mike Soubirous**  
Ward 3



**Chuck Conder**  
Ward 4



**Chris Mac Arthur**  
Ward 5



**Jim Perry**  
Ward 6



**Steve Adams**  
Ward 7



**Gary Geuss**  
City Attorney



**John Russo**  
City Manager



**Colleen Nicol**  
City Clerk



Finance



Community and  
Economic Development



Fire



General  
Services



Library



Museum &  
Cultural Affairs



Parks, Recreation and  
Community Services



Police



Human  
Resources



Innovation &  
Technology



Public Works



Riverside  
Public Utilities



# STATEMENT OF NET POSITION



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

By far the largest portion of the City's net position of 96% reflects its investment in capital assets (i.e. land, buildings, machinery, equipment and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

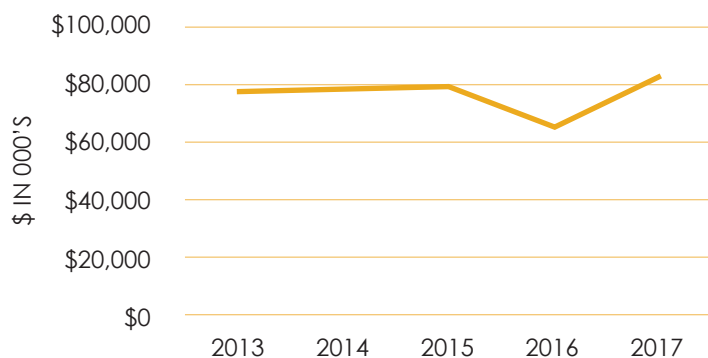
## CITY'S ASSETS AND LIABILITIES

\$ IN 000'S

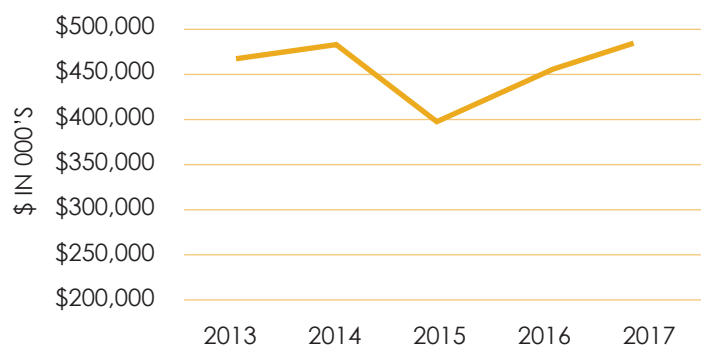
Our Assets - What We Have	2016	2017
Current Assets consisting mainly of cash and amounts owed to the City	\$1,010,875	\$977,246
Net Capital Assets consisting primarily of buildings, equipment, and vehicles	3,155,636	3,190,285
<b>Total Assets of the City</b>	<b>\$4,166,511</b>	<b>\$4,167,531</b>
<b>Deferred Outflows of Resources - Positive effect on net position, similar to assets</b>	<b>230,153</b>	<b>281,799</b>
<b>Our Liabilities - What We Owe</b>		
Current Liabilities consisting of all the amounts the City owes, except for debt	239,155	203,455
Non-Current Liabilities consisting of long-term debt owed, including pension obligations	2,189,078	2,246,920
<b>Total Liabilities of the City</b>	<b>\$2,428,233</b>	<b>\$2,450,375</b>
<b>Deferred Inflows of Resources - Negative effect on net position, similar to liabilities</b>	<b>151,771</b>	<b>112,309</b>
<b>Total Net Position of the City</b>	<b>\$1,816,660</b>	<b>\$1,886,646</b>

# FUND BALANCE – FOUR MAJOR FUNDS

## GENERAL FUND



## ELECTRIC FUND



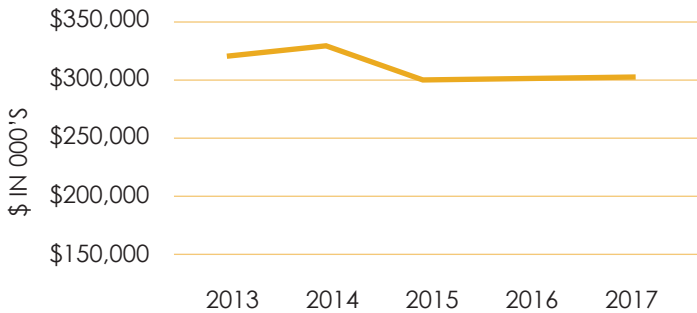
## ELECTRIC FUND FACTS

	2013	2014	2015	2016	2017
Average annual kWh per residential customer	7,547	7,239	7,335	7,528	7,519
Average price (cents/kWh) per residential customer	\$16.27	\$16.00	\$16.05	\$16.12	\$16.12
Debt service coverage ratio <sup>1</sup>	2.73	2.16	2.39	2.99	2.96
Operating income as a percentage of operating revenues	24.0%	19.5%	18.0%	20.2%	20.2%
Employees	460	463	465	465	472

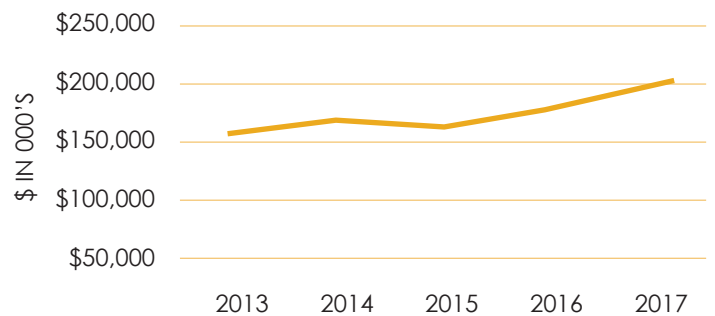
<sup>1</sup> Debt service coverage ratio measures the cash flow available to pay current debt obligations. Typically, a ratio greater than 1 means the utility has sufficient income to pay its current debt obligations.

# FUND BALANCE – FOUR MAJOR FUNDS

## WATER FUND



## SEWER FUND



## WATER FUND FACTS

	2013	2014	2015	2016	2017
Average annual CCF per residential customer	291	296	262	223	240
Average price (\$/CCF) per residential customer	\$2.36	\$2.33	\$2.35	\$2.44	\$2.46
Debt service coverage ratio	2.16	2.56	2.22	1.93	2.04
Employees	181	182	181	181	174

1 CCF = 748 Gallons

## SEWER FUND FACTS

	2013	2014	2015	2016	2017
Total reclaimed water produced (gal)	75,330,301	67,026,008	52,309,072	40,148,817	61,756,208
Total biosolids production (wet tons)	34,675.91	33,928.33	40,613.28	39,137.04	41,696.62



# STATEMENT OF ACTIVITIES

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

## GOVERNMENTAL ACTIVITIES

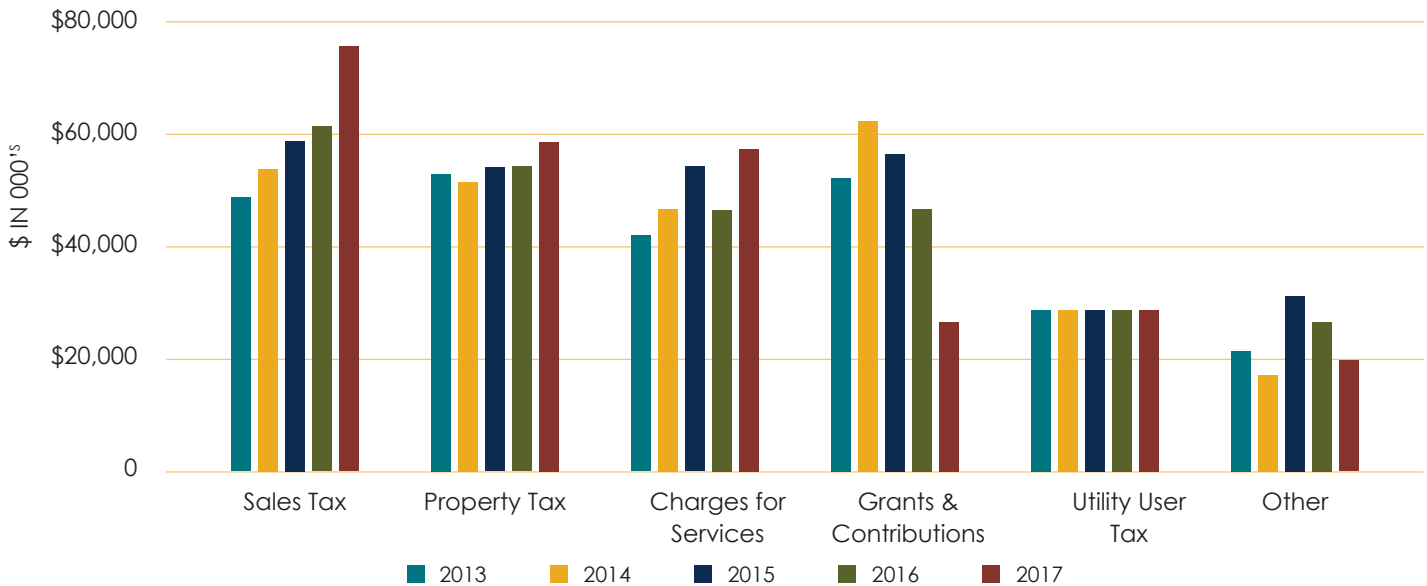
\$ IN 000'S

Program Revenues:	2016	2017
Charges for services	\$46,354	\$57,340
Operating grants and contributions	16,321	19,374
Capital grants and contributions	31,216	7,617
<b>Total program revenues</b>	<b>\$93,891</b>	<b>\$84,331</b>
General Revenues:	2016	2017
Sales taxes	\$60,976	\$75,883
Property taxes	55,545	59,526
Utility users taxes	27,828	27,958
Franchise taxes	5,730	4,814
Transient occupancy taxes	6,093	6,622
Intergovernmental, unrestricted	477	145
Investment income	729	6,145
Miscellaneous	11,708	2,050
<b>Total general revenues</b>	<b>\$169,086</b>	<b>\$183,143</b>
Program Expenses:	2016	2017
General government	\$24,483	\$45,110
Public safety	161,284	160,665
Highways and streets	38,836	38,585
Culture and recreation	47,762	48,806
Interest on long-term debt	16,387	16,028
<b>Total program expenses</b>	<b>\$288,752</b>	<b>\$309,194</b>
Transfers	41,216	45,716
Change in Net Position	15,441	3,996
Net position - beginning	825,679	841,120
<b>Net position - ending</b>	<b>\$841,120</b>	<b>\$845,116</b>

# WHERE THE MONEY COMES FROM

## GOVERNMENTAL ACTIVITIES REVENUES

**Governmental Activities** - Functions principally supported by taxes and intergovernmental revenues



**Sales and Use Tax** – consumable tax placed on retail sales, leases or rentals of most goods, and any taxable services in the state required. Use tax is used in relation to the sales tax and is applied when merchandise is purchased from outside of state lines for use or consumption.

**Property Tax** - are a legal enforceable lien 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** – revenues that arise 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.

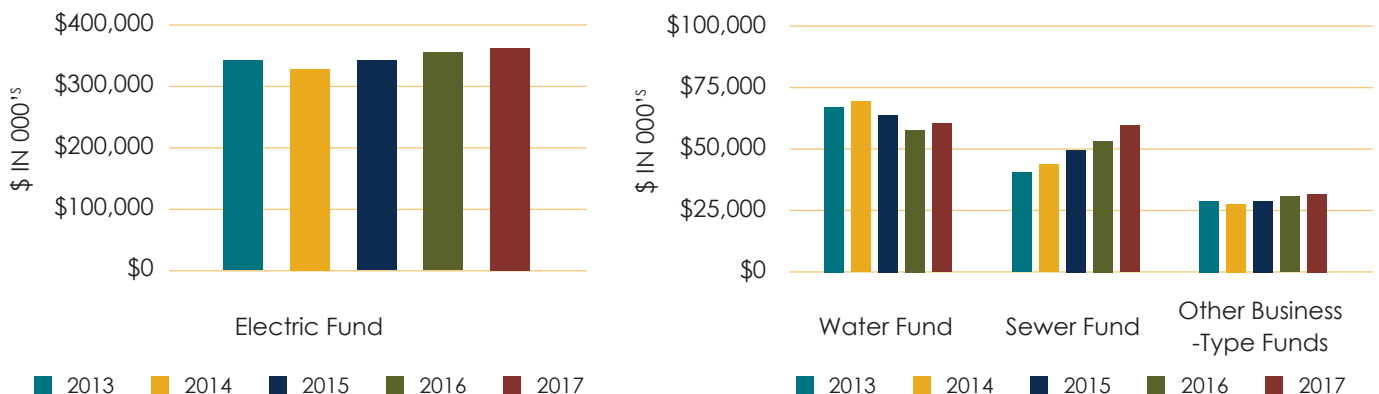
**Grants and Contributions (operating and capital)** – revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

**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** – Other consists of transit occupancy tax, franchise fees and investment income.

## BUSINESS-TYPE ACTIVITIES REVENUES CHARGES FOR SERVICES

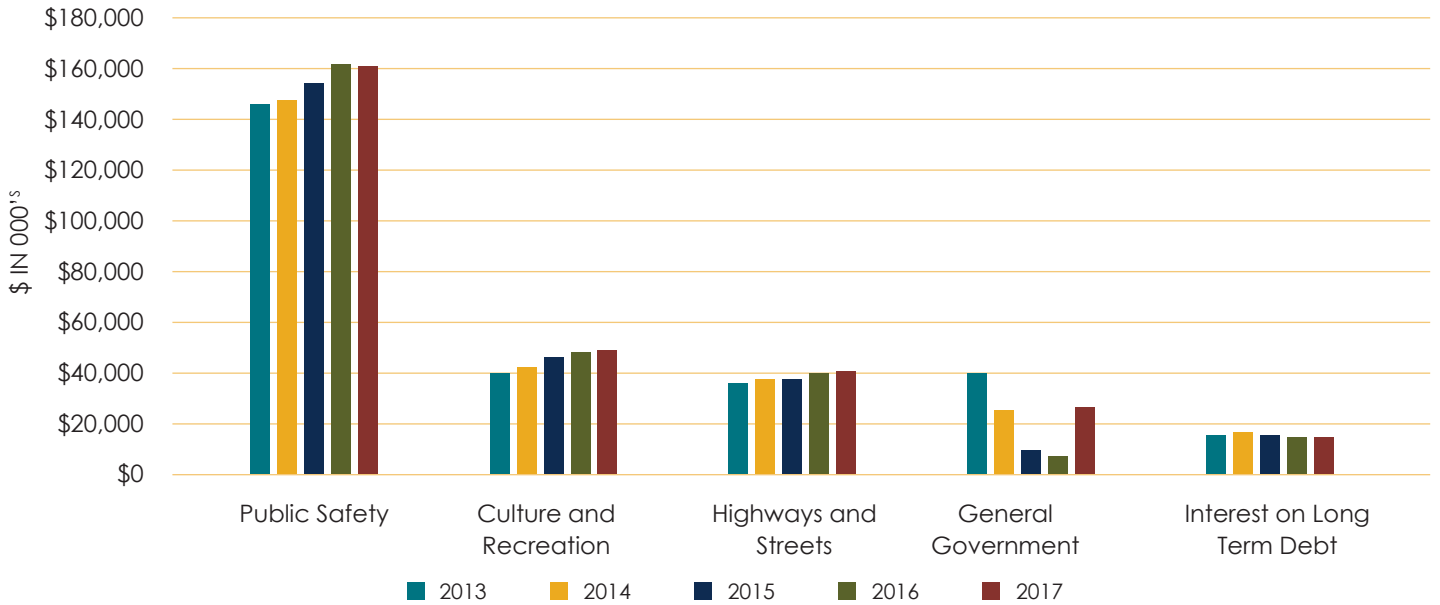
**Business-Type Activities** - Functions intended to recover all (or in large part) costs through user fees and charges





# WHERE THE MONEY GOES

## GOVERNMENTAL ACTIVITIES EXPENSES



**Public Safety** expenditures reflect the costs associated with providing police and fire services to residents and visitors.

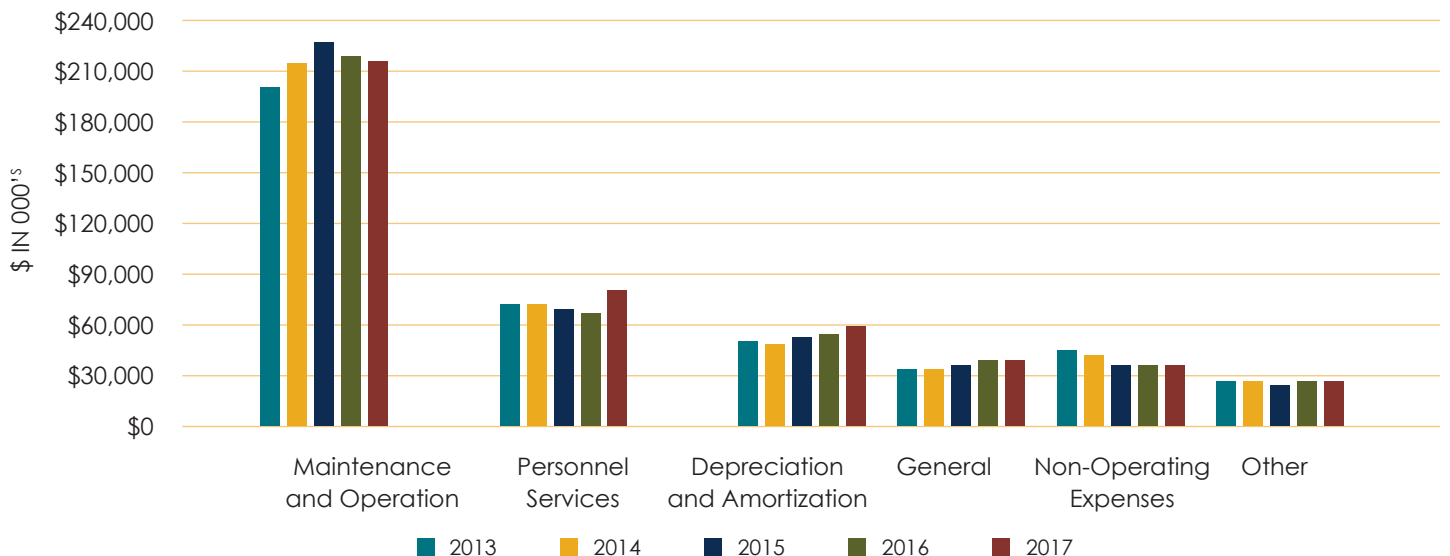
**Culture and Recreation** expenditures are those incurred by the City to enrich the quality of life in Riverside through recreational and cultural activities, as well as support the educational and informational needs of residents and visitors.

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

**General Government** expenditures are those incurred for the administration offices, including the City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, General Services, and Information Services.

**Interest on Long Term Debt** is the interest expense associated with debt financing

## BUSINESS-TYPE ACTIVITIES EXPENSES



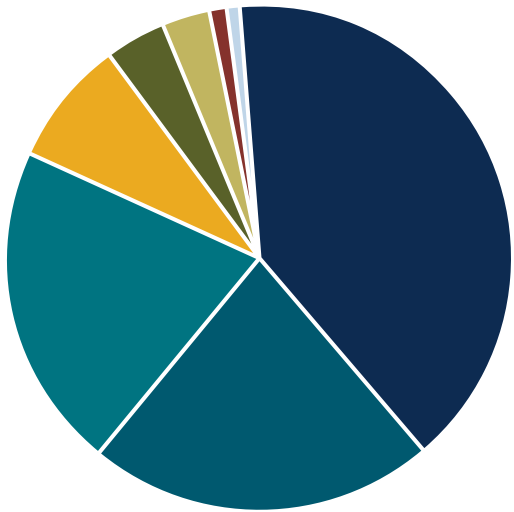
# WHAT THE CITY OWNS

## INVESTMENT MANAGEMENT AND FUNDS ALLOCATION

The prioritized objectives of the City's investment program are to preserve principal, ensure sufficient liquidity, and generate a market rate of return.

All of the City's investments comply with California Government Code Section 53601 as to the types of investments allowed and the limits of each type. In addition, all investments comply with the City Council's adopted Investment Policy which mitigates the City's risk.

### INVESTMENT TYPE • \$817,067 \$ IN 000'S



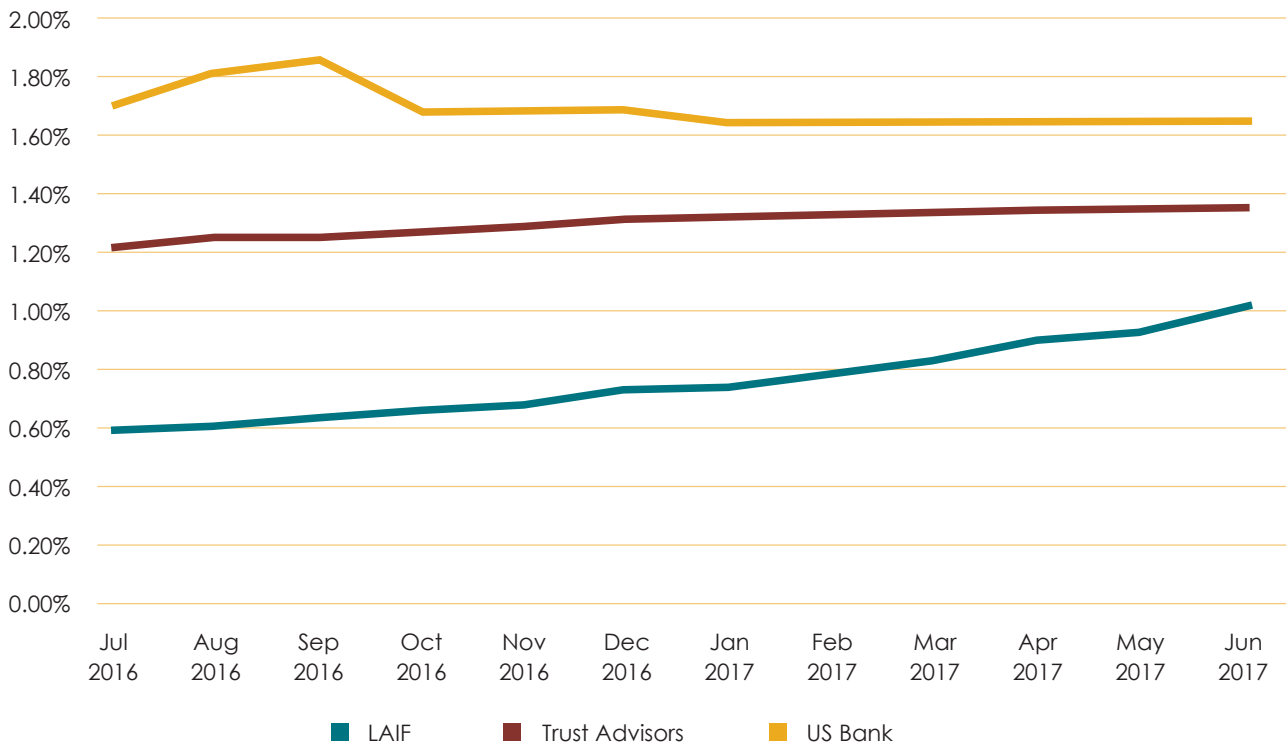
	<b>\$323,772</b>
■	U.S. Treasury Notes/Bonds
	<b>\$178,308</b>
■	State Investment Pool
	<b>\$170,548</b>
■	Money Market Funds
	<b>\$65,913</b>
■	Cash on Hand
	<b>\$28,712</b>
■	Corp. Medium Term Notes
	<b>\$25,621</b>
■	Federal Agency Securities
	<b>\$11,189</b>
■	Negotiable Certificates of Deposit
	<b>\$10,761</b>
■	Investment Contracts
	<b>\$2,243</b>
■	Commercial Paper

### INVESTMENTS PORTFOLIO \$ IN 000'S

Investments	Amount	Investment Type	Amount
Governmental Activities	\$143,426	U.S. Treasury Notes/Bonds	\$323,772
Business-Type Activities	617,728	State Investment Pool	178,308
Fiduciary Funds	55,913	Money Market Funds	170,548
<b>Total</b>	<b>\$817,067</b>	Cash on Hand	65,913
		Corp. Medium Term Notes	28,712
		Federal Agency Securities	25,621
		Negotiable Certificates of Deposit	11,189
		Investment Contracts	10,761
		Commercial Paper	2,243
		<b>Total</b>	<b>\$817,067</b>

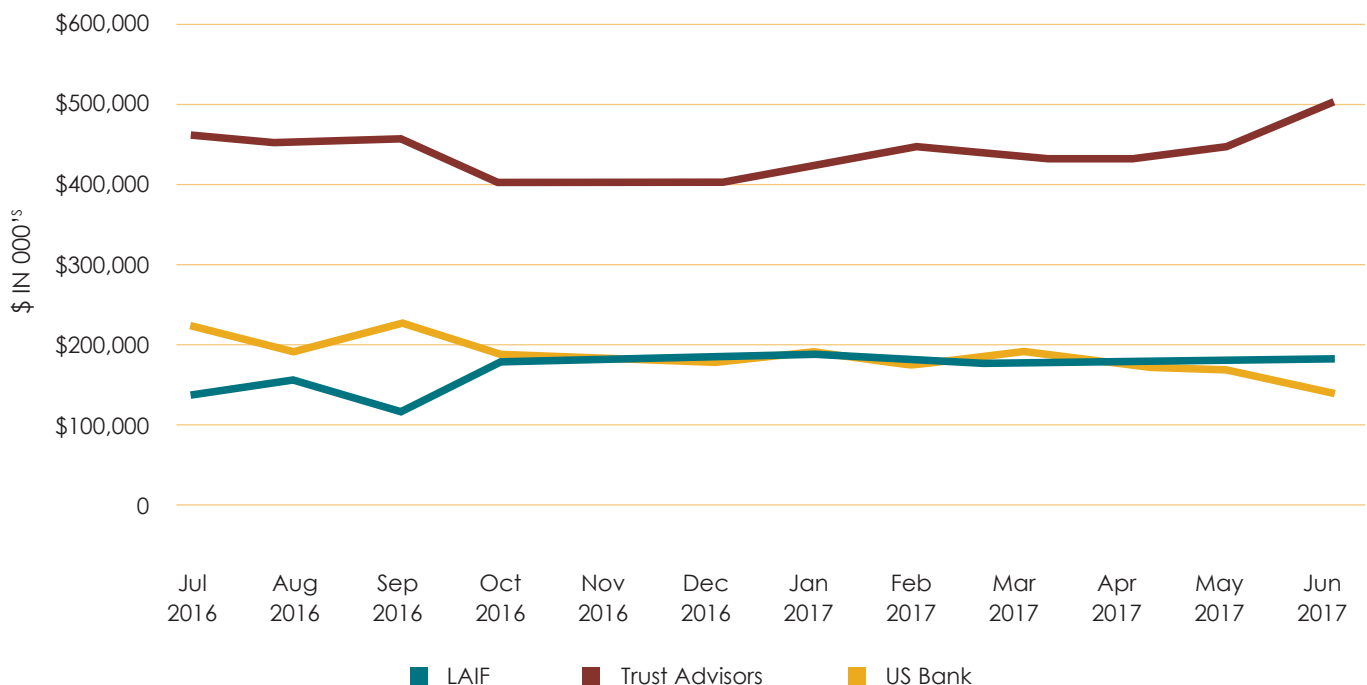
# WHAT THE CITY OWNS

## AVERAGE YIELD TO MATURITY TREND



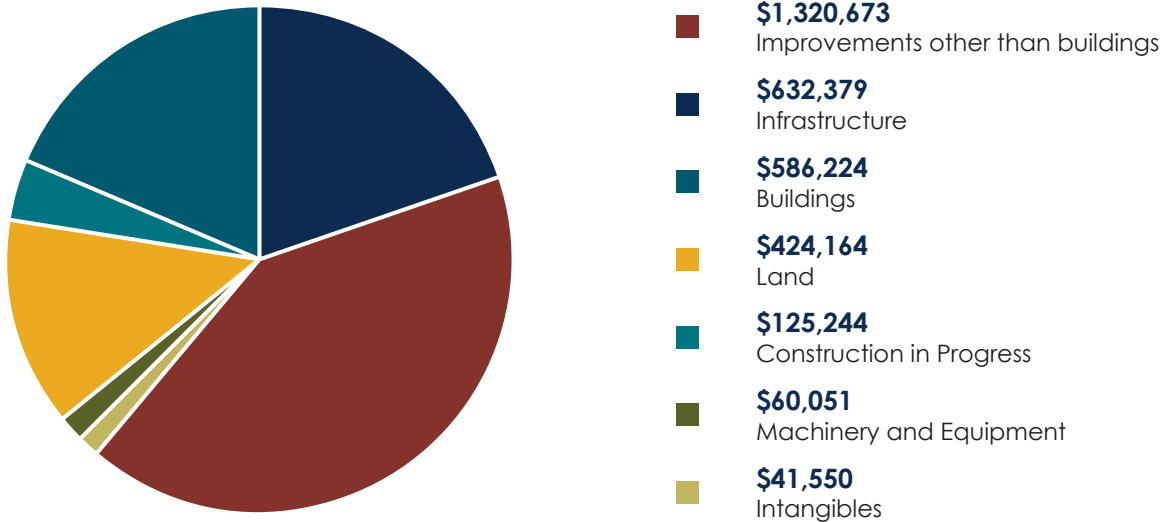
**Yield to Maturity** - The total return anticipated on a bond if the bond is held until it matures. It is expressed as an annual rate.

## TOTAL PORTFOLIO BALANCE TREND



## WHAT THE CITY OWNS

**CAPITAL ASSETS, NET • \$3,190,285**  
\$ IN 000'S

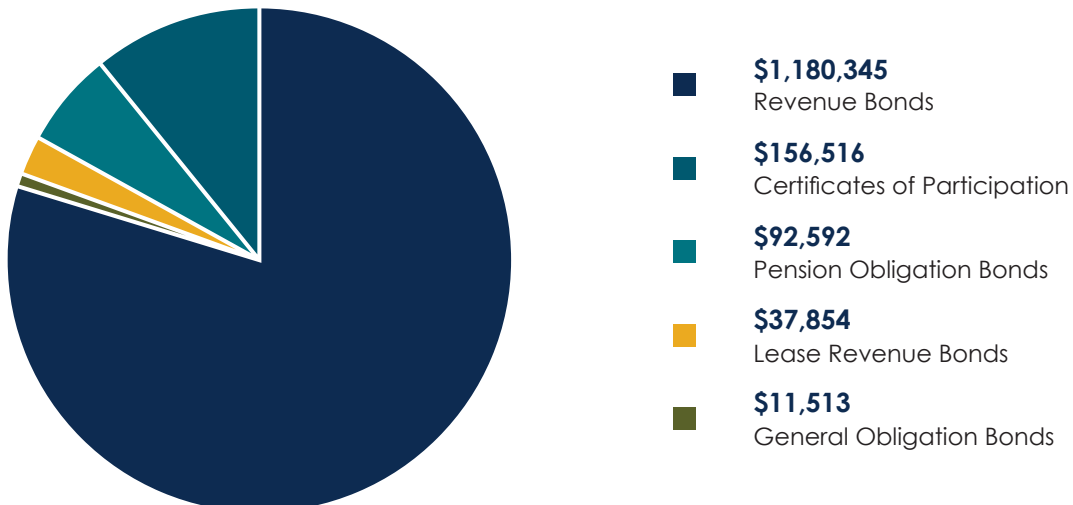


Major capital improvement projects completed during fiscal year 2016-2017:

- Design and construction of a tertiary treatment plant valued at \$291 million.
- Electric Utility capital improvements primarily related to improvements to the Electric system valued at \$39 million.
- New and replacement sewer mains throughout the City valued at \$35.8 million.
- Water Utility upgrades primarily related to system expansion and improvements valued at \$12 million.
- Various street projects throughout the City valued at \$14.7 million.

## WHAT THE CITY OWES

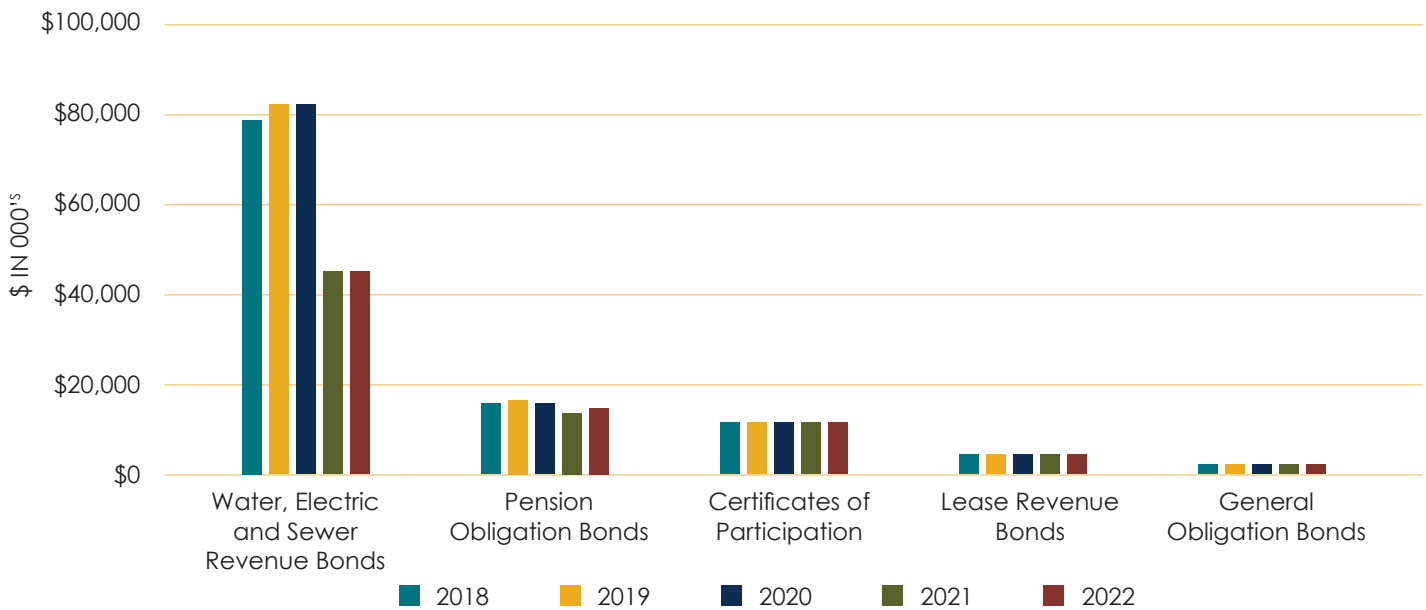
**OUTSTANDING LONG-TERM BOND DEBT • \$1,478,820**  
\$ IN 000'S





# WHAT THE CITY OWES

## DEBT SERVICE PAYMENTS 5 YEAR FORECAST



**Water, Electric, and Sewer Revenue Bonds** are issued to acquire, purchase, construct, or improve major capital facilities. The revenue generated by the facility or the activity supporting the facility is pledged as security for the repayment of the debt.

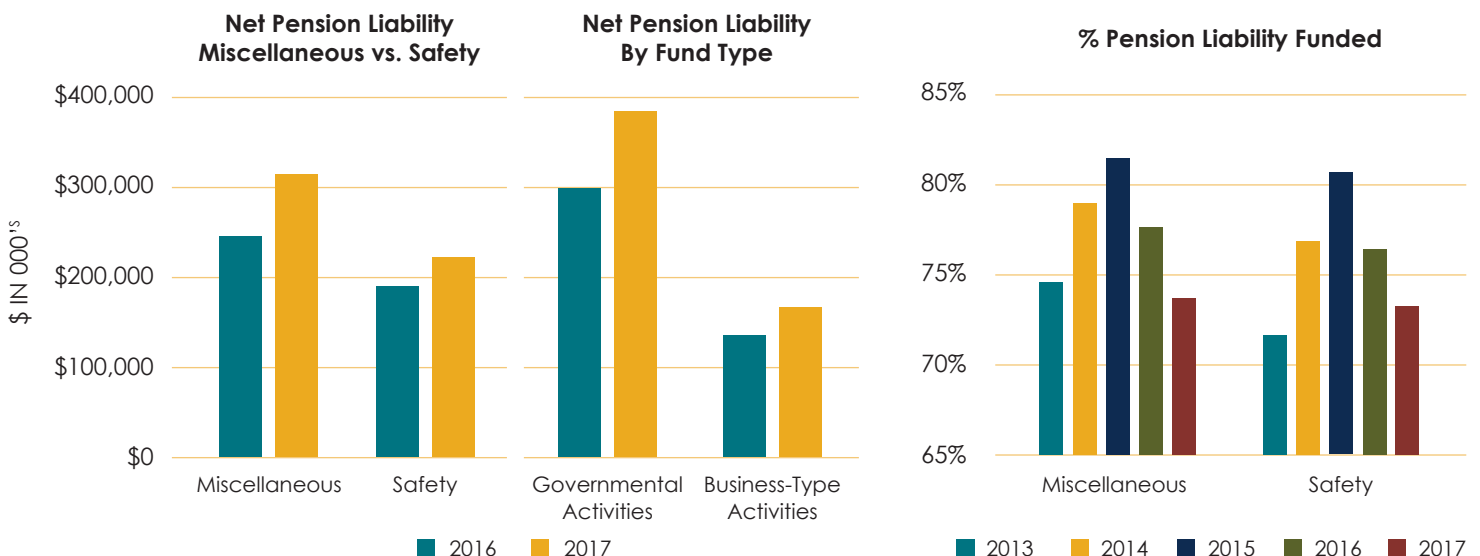
**Pension Obligation Bonds** are financing instruments typically used to pay some or all of the pension plan's unfunded pension liability.

**Certificates of Participation** are a widely used type of lease-purchase financing mechanism. Used for public buildings such as the Convention Center and Fox Theater.

**Lease Revenue Bonds** are used to finance public improvements such as City Hall and Park improvements.

**General Obligation Bonds** are issued for the construction or acquisition of major capital assets. The security pledged for the bonds is the general taxing power of the government.

## PENSION OBLIGATION



# KEY STATISTICS

## Police

	2016	2017
Stations	3	3
Substations	4	5
Helicopters	3	3

## Fire

Number of calls answered	35,905	36,150
Inspections	6,636	6,482
Stations	14	14
Training facilities	1	1

## Public Works

Street (miles)	872.22	872.01
Street resurfacing (miles)	39.01	27.09
Streetlights	30,427	30,467
Signalized intersections	381	382

## Culture and Recreation

Number of recreation classes	53,907	53,308
Number of facility rentals	47,772	48,097
Parks acreage	2,983	2,983
Community centers	11	11
Playgrounds	46	46
Swimming pools	7	7
Softball & baseball diamonds	54	54
Library branches	8	8
Museum exhibit-fixed & special	11	11

## Water

Number of accounts	65,094	65,428
Annual consumption (ccf)	22,529,463	25,340,729
Fire hydrants	7,908	7,952

## Electric

Number of accounts	108,776	109,274
Annual consumption (kwh)	2,170	2,197
Miles of overhead distribution system	513	513
Miles of underground system	817	826

## Sewer

New connections	17,669	17,654
Sanitary sewers (miles)	829	827
Average daily sewage treatment	26.35	27.19

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# GFOA AWARDS

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The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Riverside for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

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



Government Finance  
Officers Association

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## Certificate of Achievement for Excellence in Financial Reporting

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Presented to  
**City of Riverside California**

For its Comprehensive Annual  
Financial Report for the Fiscal  
Year Ended

**June 30, 2016**

Executive Director/CEO