City of Riverside

Financial Health Indicators

5-YEAR TREND AND COMPARABLE CITIES

FISCAL YEARS 2018-2022

INFORMATION OBTAINED FROM AUDITED CITY ANNUAL COMPREHENSIVE FINANCIAL REPORTS (ACFR)

FINANCIAL POSITION
Can the City Pay its Bills Now?

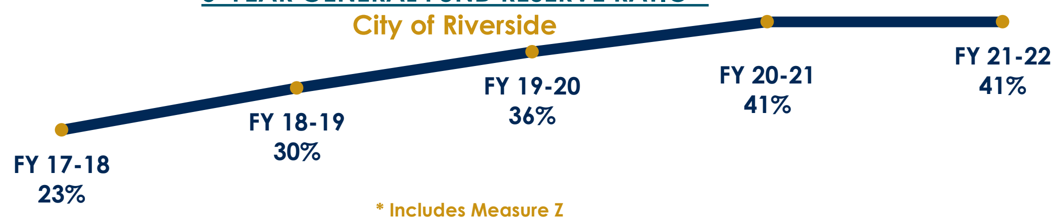
A city has a strong financial position if it has sufficient cash and other liquid resources available. Without those resources, it will have to borrow money, delay payments, or liquidate some of its other assets, all of which carry significant financial costs.

FINANCIAL HEALTH INDICATOR #1 – GENERAL FUND RESERVE RATIO

A declining fund balance reserve can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating fund balance reserves as well as how rapidly it is deteriorating. A **higher ratio** suggests larger reserves available to address unexpected resource needs in the long run.

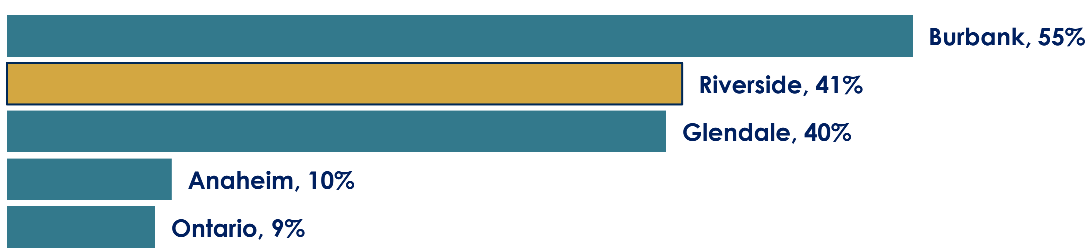
5-YEAR GENERAL FUND RESERVE RATIO *

City of Riverside



* Includes Measure Z

FY 21-22 GENERAL FUND RESERVE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #1 – INSIGHT

This ratio includes Measure Z funds and looks at committed general fund reserves and available unassigned fund balance divided by annual general fund revenues, which is a different formula that is used by the City to calculate General Fund only year-end reserves. The City has been in an upward and positive trend for the past four fiscal years and leveled off in FY 21-22. The City's General Fund reserves remained flat at 41% in FY 20-21 and FY 21-22 primarily due to increased General Fund tax revenues and a corresponding increase in unassigned fund balance, maintaining the 41% ratio. The City has a strong general fund reserve ratio when compared to the other cities.

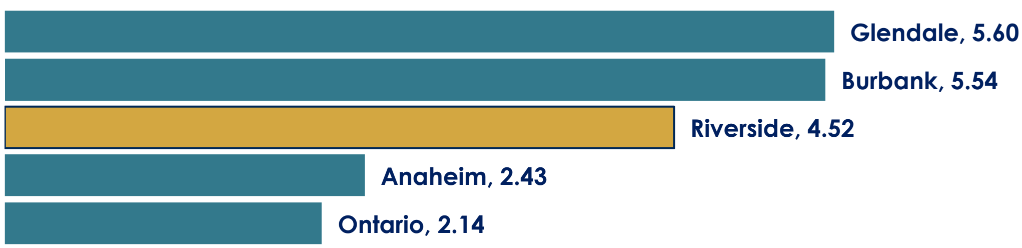
FINANCIAL HEALTH INDICATOR #2 – GENERAL FUND LIQUIDITY RATIO

A negative ratio may indicate a city does not have sufficient cash available to meet its current obligations as they come due. This indicator is important in identifying a trend of deteriorating cash as well as how rapidly it is deteriorating. A **higher ratio** suggests a greater capacity for paying off short-term obligations.

5-YEAR GENERAL FUND LIQUIDITY RATIO *

City of Riverside

FY 21-22 GENERAL FUND LIQUIDITY RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #2 – INSIGHT

This financial health indicator includes Measure Z. Over the past five years, the City has been showing a positive and upward trend in the liquidity ratio. This indicates that the City is able to pay its bills as payments are due by measuring readily available cash, such as unrestricted cash and investments, compared to the total liability obligations, such as payables and accrued payroll. There is an assumption that Measure Z, which is General Fund tax dollars, would be used in the event the City's main General Fund is unable to meet its obligations without the additional financial support from Measure Z. While having readily available cash for paying off short-term obligations sounds responsible, having a high cash ratio may indicate an organization is inefficient in the utilization of cash or not maximizing the potential benefit of low-cost loans. The past few years the City has experienced significant increases in general city revenues resulting in an improved liquidity position. As such, the City's ratio comparative to its peers indicates a strong general fund liquidity ratio as well as efficiently using city resources.

FINANCIAL PERFORMANCE
Can the City's Revenues Cover its Expenses?

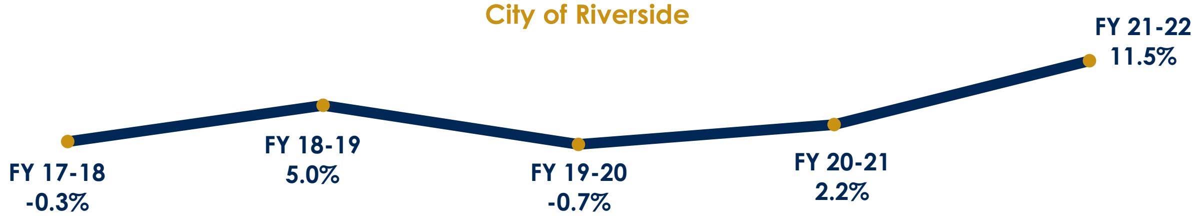
A city does not only need to pay bills now, but it needs to make sure that the money it brings in regularly is sufficient to cover its annual expenses. Missing this mark can negatively affect service levels and the City's credit rating which is important for current loan covenants and any future potential debt financing.

FINANCIAL HEALTH INDICATOR #3 – GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

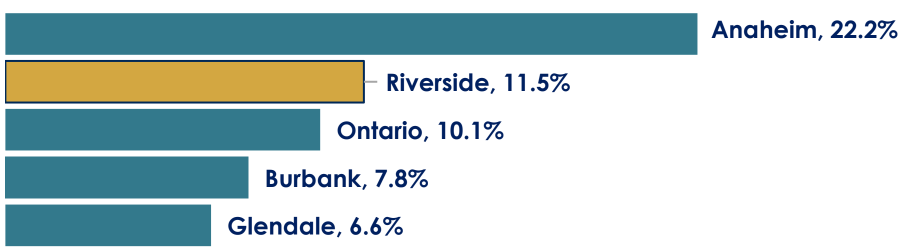
Revenues from programs ideally should cover the expenses that are incurred for those programs, otherwise reserves may need to be used to meet the needs. A **higher ratio** suggests that annual costs are adequately funded; an increasing ratio indicates an improving financial condition.

5-YEAR GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

City of Riverside



FY 21-22 GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #3 – INSIGHT

This ratio measures the change in net position compared to the total General Government net position. When revenues exceed expenses and assets exceed liabilities, an increase in the ratio will be seen. The City showed a growth in net position in FY 18-19, FY 20-21, and FY 21-22. In FY 18-19, sales taxes were higher than previous fiscal year by $10.3 million and public safety expenditures were lower by $14.8 million than previous fiscal year. The increase in FY 20-21 was primarily due to higher sales taxes than previous fiscal year by $21.7 million, receipt of $5.8 million in CARES Act funding for public safety, as well as the City's tightened spending plan and suspended recruitment for various vacancies throughout all City departments. The FY 21-22 increase was primarlily due to increase in sales tax of $23.6 million, an increase of property taxes of $7.8 million, and a reduction of salaries and benefits of $48 million which was due to an actuarial accounting treatment. The actuarial accounting treatment caused the elimination of the prior year net pension liability and generation of a net pension asset. A government agency should try to strike a balance between growth of financial reserves and spending resources to maintain a healthy community. The City's FY 21-22 ratio indicates that resources are not spent faster than they are earned, maintaining fiscal responsibility, but also that funds are not overly accumulated and are being used to better the community.

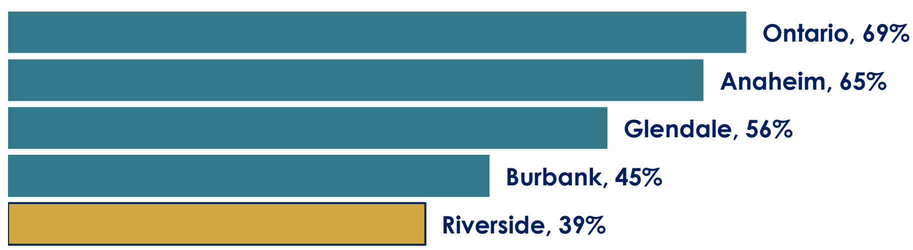
FINANCIAL HEALTH INDICATOR #4 – GENERAL GOVERNMENT OPERATING MARGIN RATIO

A city charges for services and may receive grants and aid from other governments (e.g., Federal and State). A **higher ratio** suggests basic government services are more self-sufficient through charges, fees, and grants and less reliant on general tax dollars to fund program expenditures.

5-YEAR GENERAL GOVERNMENT OPERATING MARGIN RATIO

City of Riverside

FY 21-22 GENERAL GOVERNMENT OPERATING MARGIN RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #4 – INSIGHT

This ratio illustrates how much of the City's expenditures were funded by charges, fees, and grants (39%) rather than general tax dollars (61%) to fund program expenditures. The ratio growth in FY 21-22 can be attributed to lower expenditures as compared to FY 20-21, while revenues increased a nominal 2.5%. The other cities appear to fund their operations more heavily by charges, fees, and grants than the City of Riverside. This could be attributed to the level of cost recovery implemented by each City. The City of Riverside has not implemented a citywide update of its fees and charges since 2016 and therefore likely has a lower cost recovery rate than the other cities. With a comprehensive user fees and charges study anticipated next year we would anticipate this ratio ultimately trending higher.

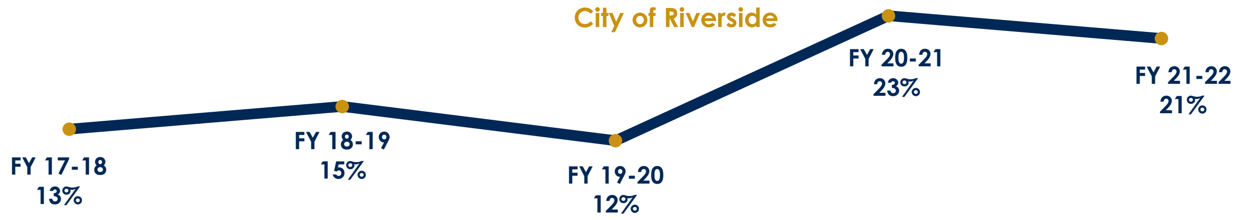
FINANCIAL PERFORMANCE (Cont.)
Can the City's Revenues Cover its Expenses?

FINANCIAL HEALTH INDICATOR #5 – GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO

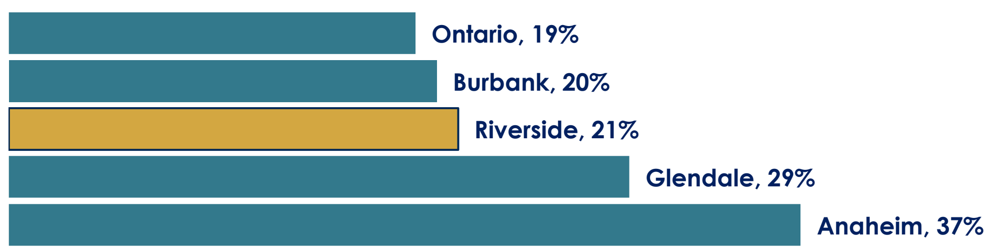
Revenues from grants are used to support some City functions. Other functions, such as public safety, are mainly funded by general tax dollars. This ratio illustrates the extent to which general government revenues were supported by grants. A **lower ratio** suggests that the City is not heavily reliant on grants and is more reliant on general tax dollars and charges for services.

5-YEAR GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO

City of Riverside



FY 21-22 GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #5 – INSIGHT

This ratio explains how much of our revenues are from grants (21%) compared to general tax dollars and charges for services (79%). The City of Riverside experienced a sharp increase from 12% in FY 19-20 to 23% in FY 20-21 which was primarily due to the $28 million in CARES Act grant revenue received and expended and $6.8 million in other COVID-19 related grants. If we exclude the CARES Act grant and the other COVID-19 related grants, the FY 20-21 ratio would be 16%. The 21% ratio in FY 21-22 remained historically high due to the Emergency Rental Assistance Program of $19.3 million and American Rescue Plan Act (ARPA) funds recognized of $2.7 million but slightly lower than FY 20-21 as prior year grant revenue eclipsed current year grant revenue. If we had excluded the Rental Assistance Program and ARPA funds from FY 21-22, the ratio would be 16%. With a new emphasis on grant opportunities with the addition of a grant's program administrator, the City should see improvements in this indictor in the coming years.

LONG-TERM SOLVENCY
Can the City Pay its Bills in the Future?

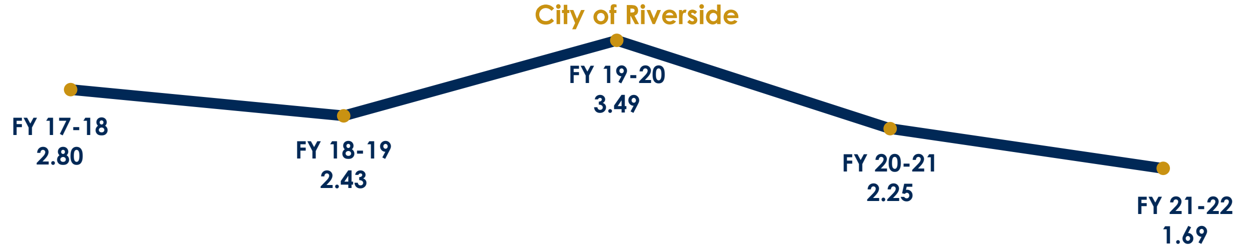
A city will have bills in the future, and its current financial condition will influence its ability to pay them. For the long-term future, a city needs to ensure that its revenue sources can cover long-term spending needs and provide services to a growing and changing population.

FINANCIAL HEALTH INDICATOR #6 – GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO

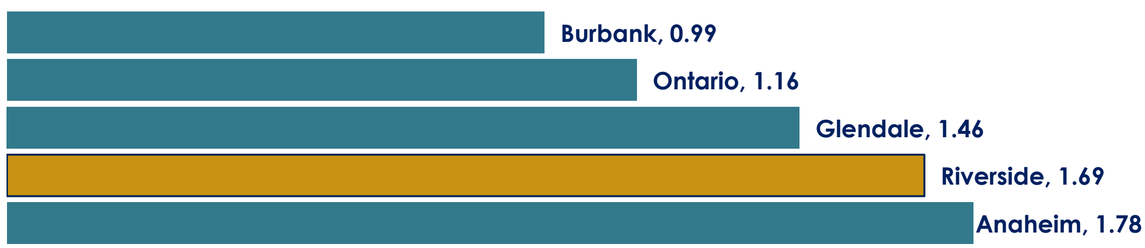
This ratio demonstrates a City's ability to pay a larger portion of its debts with annual revenues. A **lower ratio** indicates a stronger financial condition.

5-YEAR GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO

City of Riverside



FY 21-22 GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #6 – INSIGHT

The City has both short-term and long-term obligations that must be paid in the future. The fewer number of years of annual revenue needed to pay the City's obligation, the stronger the City's financial condition. The City had a spike of 3.49 in FY 19-20 and then lowered to 2.25 in FY 20-21 and decreased again to 1.69 in FY 21-22. The increase in FY 19-20 was primarily due to the pension obligation bonds and pension liability shown in the same fiscal year due to an actuarial accounting treatment; had we excluded this abnormality, the ratio for FY 19-20 would be closer to 2.54. The reason for the decrease in FY 21-22 was primarily due to an actuarial accounting treatment which eliminated the City's net pension liability and generated a net pension asset, which reduced the overall liability of the City.

Additionally, with the issuance of the pension obligation bond in FY19-20, the City converted an unfunded pension liability to a fixed debt obligation. By replacing the unfunded liability with bonded debt the City was able to reduce interest expense significantly over the life of the obligation. As such, the City does not have a strong general government near-term solvency ratio when compared to the other cities, which is mainly attributed to the City's outstanding debt; however, this ratio should be considered in relation to the other ratios within this document. The City of Riverside does have higher outstanding debt than most of the comparative cities, but the overall debt, including pension and OPEB liabilities, per resident is comparatively lower than most of the cities as indicated in financial health indicator #7.

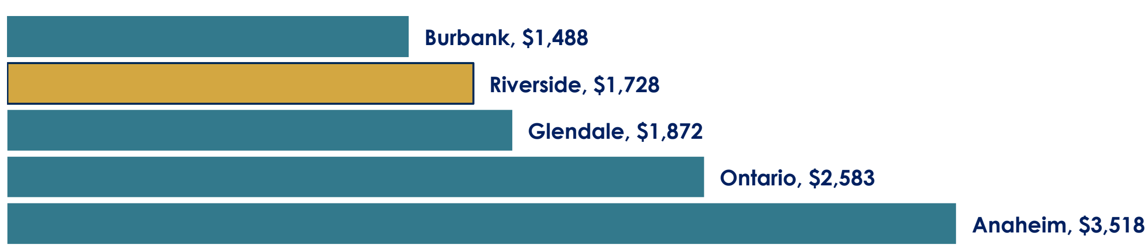
LONG-TERM SOLVENCY (Cont.)
Can the City Pay its Bills in the Future?

FINANCIAL HEALTH INDICATOR #7 – GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO

Lower debts, pension liability, and other post-employment benfits (OPEB) per capita result in a smaller debt burden on taxpayers. A **lower ratio** indicates a stronger financial condition.

5-YEAR GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO
City of Riverside

FY 21-22 GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO– COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #7 – INSIGHT

The increase in FY 19-20 was primarily due to the issuance of the pension obligation bonds and pension liability shown in the same fiscal year due to an actuarial accounting treatment; had we excluded this abnormality, the ratio for FY 19-20 would be closer to $2,178. The reason for the decrease in FY 21-22 was primarily due to an actuarial accounting treatment which eliminated the City's net pension liability and generated a net pension asset, which reduced the overall liability of the City.

In FY 21-22, the ratio for the City of Anaheim was much higher than the City of Riverside and the other comparable cities. The City of Anaheim had $1.2 billion in total debt ($666M bonded debt, with no Pension Obligation Bonds (POBs); $408M pension liability, $81M in OPEB, $4M in lease liability, and $41M in other debt). In comparison, the City of Riverside had $549M in total debt ($498M bonded debt, with $338M in POBs; $28M in OPEB, $1M in lease liability, $22M in other debt, and no pension liability). In summary, when we include all debt, pension liability, and OPEB, the City of Riverside has the second lowest debt per resident compared to the other cities.

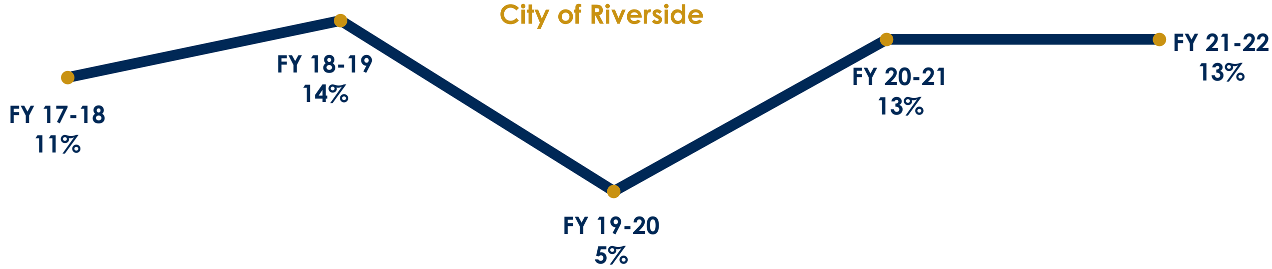
LONG-TERM SOLVENCY (Cont.)
Can the City Pay its Bills in the Future?

FINANCIAL HEALTH INDICATOR #8 – GOVERNMENTAL FUNDS COVERAGE RATIO

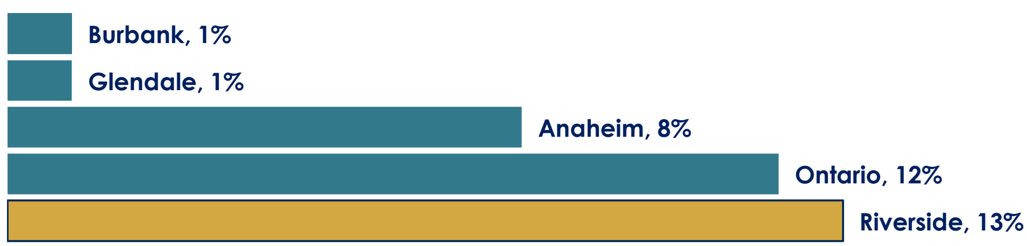
A city has principal and interest payments on debts. The lower the amount of these payments compared to all the other expenditures it has, the stronger its financial condition. A **lower ratio** indicates a stronger financial condition.

5-YEAR GOVERNMENTAL FUNDS COVERAGE RATIO

City of Riverside



FY 21-22 GOVERNMENTAL FUNDS COVERAGE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #8 – INSIGHT

This ratio explains the percentage of principal and interest payments made in comparison to the total non-capital governmental fund expenditures. In FY 19-20, a new pension obligation bond was issued which increased the expenditures. If we exclude the FY 19-20 abnormality, even in FY 18-19 where the City refinanced a bond, our ratios for all five years would be in the 11-13% range.

The City of Riverside has a higher ratio than the comparative cities, implying the City has higher principal and interest payments and more overall long-term debt. The City did have more long-term debt than the comparative cities, primarily as a result of the issuance of a $432 million pension obligation bond in FY19-20 of which $325 million was related to general government funds. Ontario, being the closest in range, had $229 million in outstanding pension obligation bonds, and also recorded a large principal payment to pay off existing debt which significantly increased their ratio to 12% compared to 3% in prior year.

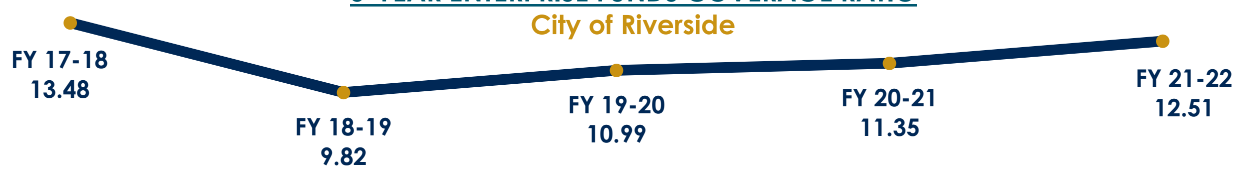
The CalPERS Unfunded Accrued Liability (UAL) is not recorded as debt in the Annual Comprehensive Financial Report; when POBs are issued to pay down the UAL, the liability is classifed as debt and is included in this indicator's calculation. Therefore, cities that have not issued POBs may have a lower ratio than cities that have issued POBs. The City of Riverside had $520 million of long-term debt allocated to its general government as of June 30, 2022 and of this amount, $338 million was for the 2004, 2017 and 2020 pension obligation bonds, and the remaining $182 million of the City's general government debt was for various citywide improvement projects and capital leases. The City of Riverisde does show the highest ratio, indicating a weaker financial condition at first glance; however, this is primarily due to the conversion of an unfunded liability to a pension bond in order to achieve long term interest savings.

LONG-TERM SOLVENCY (Cont.)
Can the City Pay its Bills in the Future?

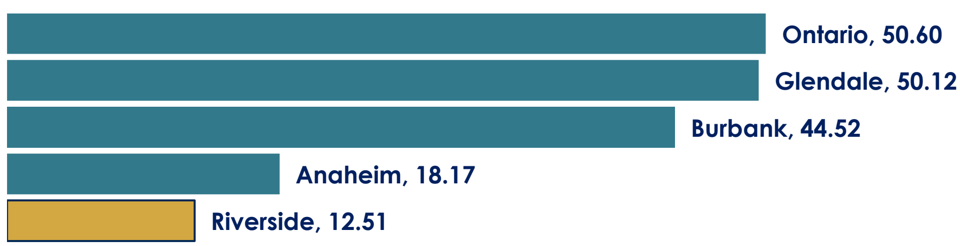
FINANCIAL HEALTH INDICATOR #9 – ENTERPRISE FUNDS COVERAGE RATIO

Just like a city's governmental services need to pay their debts (e.g., bonds) in the long-term, a city's enterprise funds need to do so as well. The City's Enterpise Funds include Electric, Water, Sewer, Airport, Refuse Transportation, Public Parking, and Civic Entertainment Funds. A **higher ratio** indicates a stronger financial condition.

5-YEAR ENTERPRISE FUNDS COVERAGE RATIO
City of Riverside



FY 21-22 ENTERPRISE FUNDS COVERAGE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #9 – INSIGHT

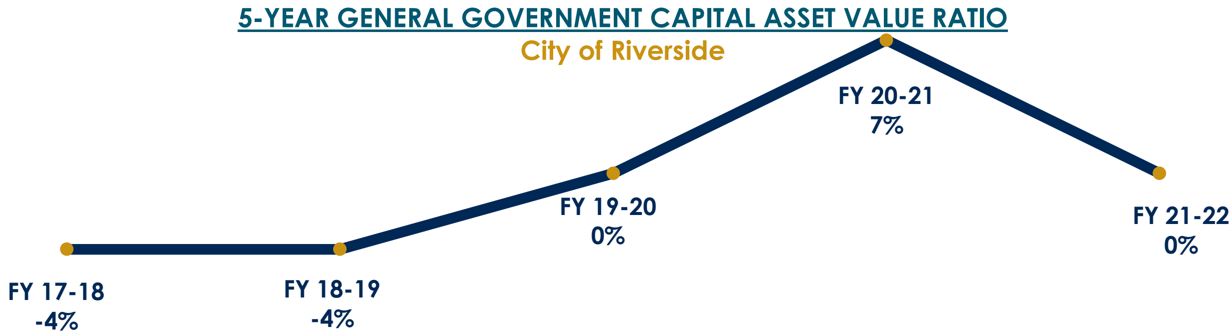
This ratio represents the interest payments made in comparison to total Enterprise Funds revenues. The City's Enterprise Funds were showing a downward trend in FY 18-19. The decrease in FY 18-19 was primarily due to the debt restructuring and redistribution of the 2008 Riverside Renaissance Certificate of Participation ($30.8M) and the 2012A Lease Revenue Bonds ($8.2M), in order to properly reflect enterprise and non-enterprise funds' proportional share. The ratio began increasing in FY 19-20 as long-term debt was paid down, resulting in lower interest payments, as well as gradually increasing revenues.

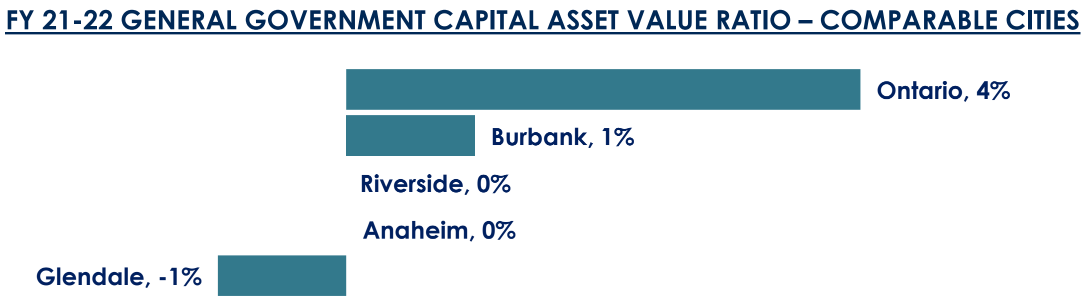
The City's Enterprise Funds Coverage Ratio appears to be low in relation to the comparative cities primarily due to the City's significant investments in capital assets for the Electric, Water, and Sewer Funds with major capital assets funded through debt issuance.

LONG-TERM SOLVENCY (Cont.)
Can the City Pay its Bills in the Future?

FINANCIAL HEALTH INDICATOR #10 – GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO

Capital assets include land, buildings, vehicles, and public infrastructure. Most of the City's capital assets decrease in value over time due to depreciation. A declining ratio means that the overall value of a city's assets decreased over the year indicating some assets may need to be renovated or replaced. A **higher ratio** indicates a stronger financial condition.





FINANCIAL HEALTH INDICATOR #10 – INSIGHT

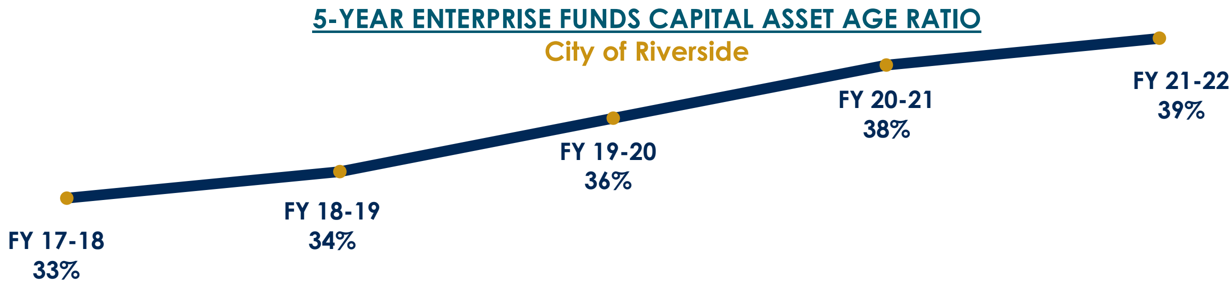
The City showed an increase in FY 20-21 due to a prior period adjustment of $80.3 million for land and infrastructure additions from a change in calculation of street mileage from a system upgrade which maintans street mileage; had we excluded this abnormality, the ratio for FY 20-21 would be closer to 1%. The increase in FY 19-20 and FY 20-21 is also attributed to the completion of the Main Library.

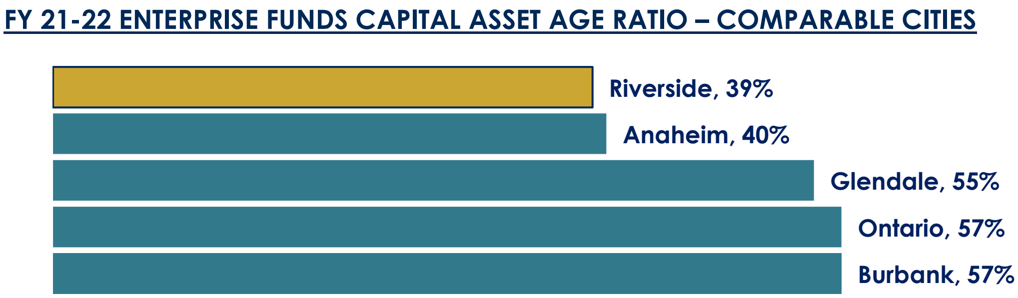
The City of Riverside's ratio appears to be average in relation to the comparative cities. This indicates that the City of Riverside's capital assets are being replaced at a slower pace as they are aging.

LONG-TERM SOLVENCY (Cont.)
Can the City Pay its Bills in the Future?

FINANCIAL HEALTH INDICATOR #11 – ENTERPRISE FUNDS CAPITAL ASSETS AGE RATIO

Depreciable capital assets include buildings, vehicles, and public infrastructure. Assets are depreciated over their useful life as they age, and their value is reduced. A **lower ratio** indicates Enterprise Funds capital assets are newer and may not require as much replacement and/or maintenance costs compared to older capital assets.





FINANCIAL HEALTH INDICATOR #11 – INSIGHT

This ratio explains the percentage of Enterprise Fund capital assets that have been depreciated. The City's Enterprise Funds capital assets have aged over the past five years which is evidenced by the annual increase in the ratio, but appear to be in better condition when compared to the other cities; however, Enterprise Funds and their assets vary from one city to another.

While the ratio is lower comparative to its peers, the increasing trend in this ratio shows the capital assets are progressively aging and could require additional maintenance or replacement costs in the future.

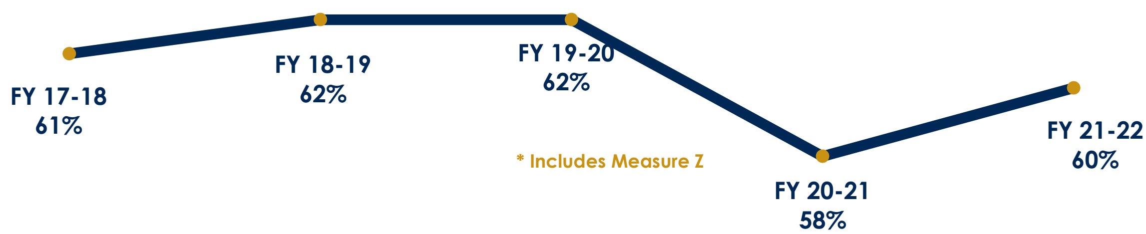
RESOURCE ALLOCATION

The following indicator is for informational purposes only to provide a better understanding of how the City is allocating its resources.

INDICATOR #12 – GENERAL FUND PUBLIC SAFETY COSTS RATIO

This ratio compares the total costs of the General Fund public safety, which includes police and fire, to total General Fund expenditures and transfers out. A **higher ratio** indicates more funds are dedicated to public safety.

5-YEAR GENERAL FUND PUBLIC SAFETY COSTS RATIO *
City of Riverside



FY 21-22 GENERAL FUND PUBLIC SAFETY COSTS RATIO – COMPARABLE CITIES

INDICATOR #12 – INSIGHT

The public safety costs ratio remained relatively steady from FY 17-18 to FY 19-20. The decrease in FY 20-21 was primarily related to the reduction in the required CalPERS Unfunded Accrued Liability (UAL) payments. The reduced UAL payments were primarily due to the issuance of the pension obligation bonds in FY 19-20, lowering the overall CalPERS pension liability and reducing the required CalPERS UAL payments. FY 21-22 saw the ratio increase mainly from vehicle replacement costs of $3.7 million, increasing overall public safety expenditures.

GLOSSARY

General Government: Includes all Citywide activity, including any debt and fixed assets. Excludes Enterprise Funds and Fiduciary Funds such as the Successor Agency and Custodial Funds.

Governmental Funds: Includes all Citywide activity, excluding any debt and fixed assets. Excludes Enterprise Funds, Fiduciary Funds, and Internal Service Funds such as Self-Insurance Trust Funds, Central Stores, and Central Garage Funds.

Enterprise Funds: Includes activity, including any debt and fixed assets, associated with Electric, Water, Sewer, Airport, Refuse, Transportation, Public Parking, and Civic Entertainment Funds.