# City of Riverside

# Financial Health Indicators

## 5-YEAR TREND AND COMPARABLE CITIES

## FISCAL YEARS 2020-2024

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

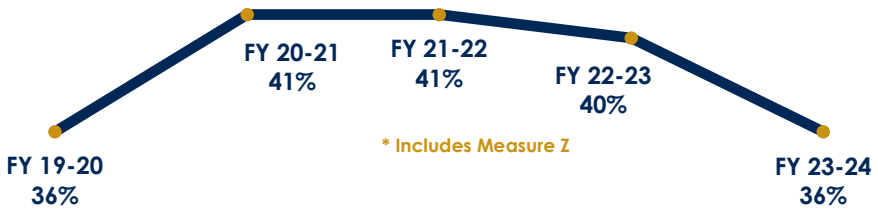
# FINANCIAL POSITION
## Can the City Pay its Bills Now?

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.

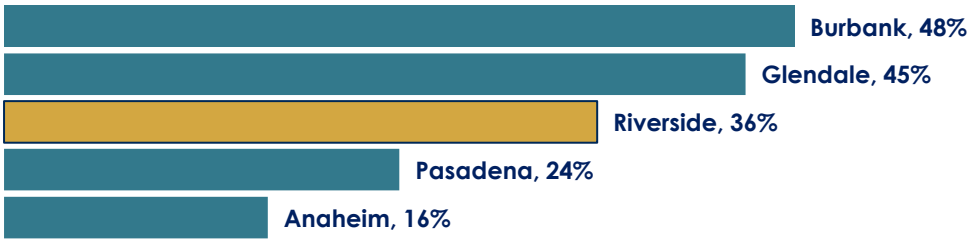
### FINANCIAL HEALTH INDICATOR #1 – GENERAL FUND RESERVE RATIO

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 are available to address unexpected resource needs in the long run.

**5-YEAR GENERAL FUND RESERVE RATIO ***
**City of Riverside**




**FY 23-24 GENERAL FUND RESERVE RATIO – COMPARABLE CITIES**




** The chart only includes Riverside's 20% policy reserves and assigned reserves to ensure comparability across cities. It does not reflect Riverside's other committed reserves, such as technology, infrastructure, and Section 115 Trust reserves, which have been strategically set aside for future needs.*

### FINANCIAL HEALTH INDICATOR #1 – INSIGHT

This ratio reflects the General Fund, including Measure Z, and examines committed reserves and available unassigned fund balance as a percentage of annual revenues. This calculation differs from the City's internal formula used to calculate year-end reserves for the General Fund alone.

Despite a decline in the FY 23-24 ratio, overall General Fund revenues increased, and the City's General Fund ended the year with a total net fund balance increase of $34.5 million. A significant portion of the fund balance increase was allocated to fund balance committed reserves not included in the ratio calculation, such as technology reserves and Section 115 Trust reserves set aside to better plan for the future. The decrease in unassigned fund balance was primarily due to contributions to the Section 115 Trust committed reserves to offset future CALPERS pension obligations.

Despite the exclusion of strategically committed reserves, he City's General Fund reserve ratio is comparable to other cities. The Government Finance Officers Association (GFOA) recommends maintaining reserves of no less than two months of regular General Fund operating revenues or expenditures, which comes to roughly 16.67%. The City maintains policy reserves equal to 20% of the following fiscal year's budgeted expenditures.

# FINANCIAL POSITION (Cont.)
## Can the City Pay its Bills Now?

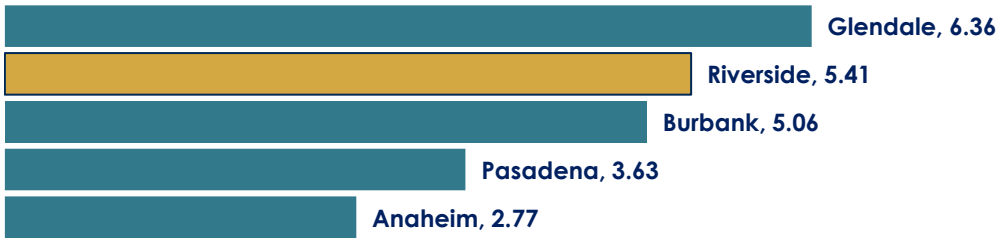
### FINANCIAL HEALTH INDICATOR #2 – GENERAL FUND LIQUIDITY RATIO

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

* Includes Measure Z

**FY 23-24 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 become due by measuring readily available cash, such as unrestricted cash and investments, compared to 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 cash readily available for paying off short-term obligations is responsible, a very high cash ratio may indicate an organization is inefficient in the utilization of cash or not maximizing the potential benefit of low-cost loans. Over the past few years, the City has experienced significant increases in general city revenues, resulting in an improved liquidity position. Consequently, the City's ratio, comparative to its peers, reflects strong General Fund liquidity and efficient use of city resources.

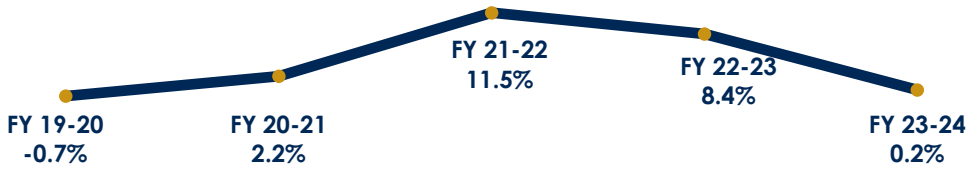
# FINANCIAL PERFORMANCE
## Can the City's Revenues Cover its Expenses?

A city not only needs to pay its bills promptly but also ensure that the revenue it brings in regularly is adequate to cover its annual expenses. Missing this mark can adversely affect service levels and the City's credit rating, which is important for existing loan covenants and any future potential debt financing.

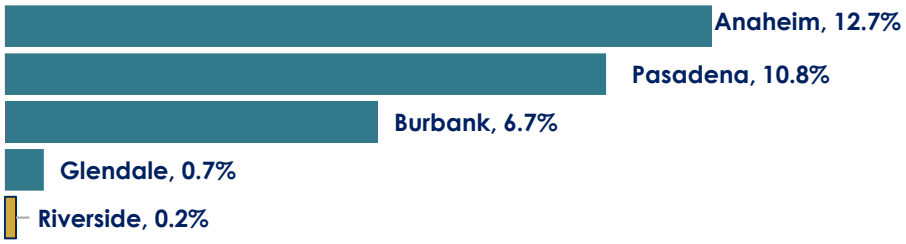
### FINANCIAL HEALTH INDICATOR #3 – GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

Ideally, revenues from the City's programs should cover the expenses incurred for those programs; otherwise, reserves may be required to cover the excess costs. A **higher ratio** suggests that annual costs are adequately funded, and an increasing ratio indicates an improving financial condition.

**5-YEAR GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO**
**City of Riverside**




**FY 23-24 GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO – COMPARABLE CITIES**




### FINANCIAL HEALTH INDICATOR #3 – INSIGHT

This ratio shows how the General Government's net position changes in relation to the City's total net position. It goes up when revenues are higher than expenses and assets are greater than liabilities. In FY 21–22, the ratio increased primarily due to higher sales tax ($23.6 million), higher property tax revenue ($7.8 million), and a $48 million decrease in salary and benefit costs. This decline was primarily due to CalPERS high investment earnings that converted a pension liability into a pension asset. In FY 22–23, the ratio decreased as expenses rose by $57.6 million, largely due to higher salary and benefit costs caused by changes in CalPERS actuarial assumptions and lower investment earnings, which reinstated a net pension liability. The ratio fell again in FY 23–24 as Governmental Activities expenses increased by $119.2 million. General Government expenses went up by $74 million, including a $10.8 million increase in claims liabilities, and a $6.8 million rise in the pension liability. Additionally, $37.9 million was recorded for a potential litigation liability related to an ongoing lawsuit challenging the legality of transfers made from the Water Fund to the General Fund. Public Safety costs also rose by $35.9 million, driven by a $17.4 million increase in pension liabilities due to low CalPERS investment returns and $11.9 million in higher personnel costs as more jobs were filled.

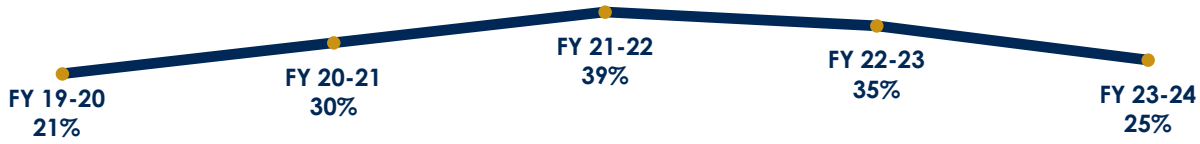
A government agency should try to strike a balance between the growth of financial reserves and spending resources to maintain a healthy community. The City's FY 23-24 ratio indicates that resources are not being spent faster than they are earned, thus maintaining fiscal responsibility. Additionally, it suggests that funds are not overly accumulated but are being used to benefit the community.

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

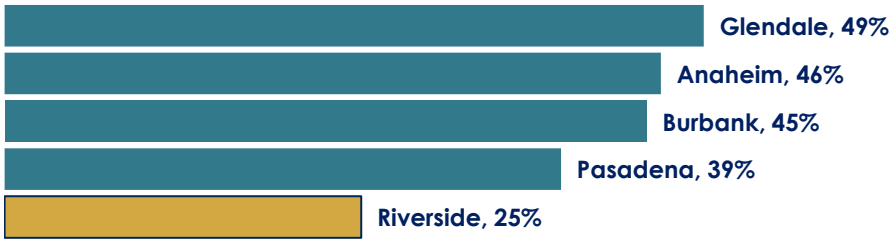
### FINANCIAL HEALTH INDICATOR #4 – GENERAL GOVERNMENT OPERATING MARGIN RATIO

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

**5-YEAR GENERAL GOVERNMENT OPERATING MARGIN RATIO**
**City of Riverside**




**FY 23-24 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 rather than general tax dollars to fund program expenditures. The FY 23-24 decline is attributed to a 30% increase in expenditures compared to FY 22-23, while program revenues decreased by 6%.

FY 23-24 expenditures rose largely due to higher salaries and benefits resulting from an actuarial accounting treatment triggered by lower CalPERS investment returns, increasing in the net pension liability. An additional $37.9 million was recorded for a potential litigation liability related to an ongoing lawsuit challenging the legality of transfers made from the Water Fund to the General Fund. The revenue decline primarily reflects reduced grant activity related to funds received from the American Rescue Plan Act (ARPA) during the prior fiscal year.

The other cities appear to fund a larger share of their operations through charges, fees, and grants compared to the City of Riverside. The City of Riverside recently completed a user fees and charges study and updated non-developer fees in June 2024. In April 2025, updated developer fees will be presented to City Council for adoption. This ratio is expected to trend higher in the future as revenues become more closely aligned with the service costs.

The table below illustrates in further detail the ratio of expenditures funded by charges, fees, and grants:

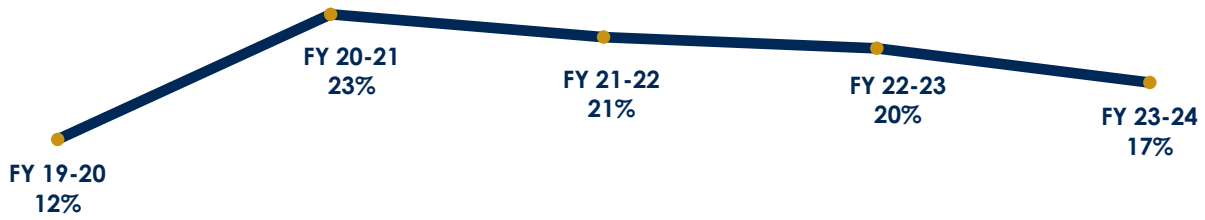
| City | Charges for Services | Operating Grants | Capital Grants | Total Ratio |
|---|---|---|---|---|
| Glendale | 21% | 24% | 4% | 49% |
| Anaheim | 17% | 25% | 4% | 46% |
| Burbank | 28% | 17% | 0% | 45% |
| Pasadena | 19% | 16% | 4% | 39% |
| Riverside | 9% | 10% | 6% | 25% |

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

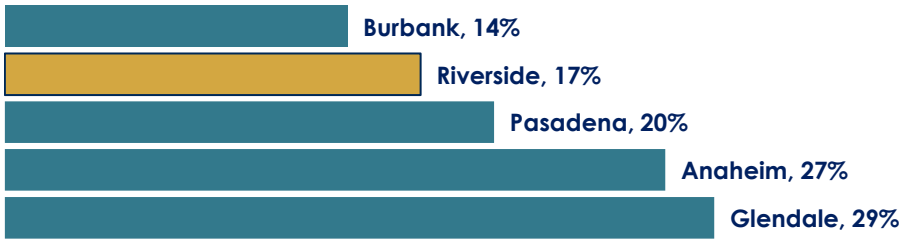
### FINANCIAL HEALTH INDICATOR #5 – GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO

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 during the fiscal year. 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 23-24 GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO – COMPARABLE CITIES**




### FINANCIAL HEALTH INDICATOR #5 – INSIGHT

This ratio explains the proportion of revenues from grants (17%) compared to general tax dollars and charges for services (83%). Approved grant amounts are recognized over the life of the grant as funds are spent, rather than in the year the grant is approved. The City of Riverside experienced a sharp increase from 12% in FY 19-20 to 23% in FY 20-21 and similarly high ratios for the following two fiscal years. This is primarily due to COVID-19 related grants, such as the CARES Act, American Rescue Plan Act (ARPA), and Emergency Rental Assistance Program. These COVID-19 grant activities declined in FY 23-24. The following table illustrates the normalized ratio in the absence of these major COVID-19 grant funds.

| Fiscal Year | Exclusion | Normalized Ratio |
|---|---|---|
| FY 20-21 | $28.0M CARES Act grant, $6.8M COVID-19 related grants | 16% |
| FY 21-22 | $19.3M Emergency Rental Assistance Program, $2.7M ARPA funds recognized | 16% |
| FY 22-23 | $26.7 million in ARPA funds recognized | 15% |
| FY 23-24 | $12.6 million in ARPA funds recognized | 15% |

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

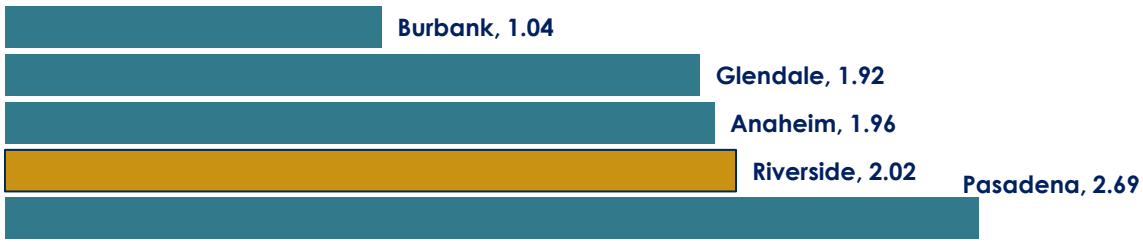
A city will have bills in the future, and its current financial condition will influence its ability to pay them. For the long-term future, a city needs to ensure that its revenue sources can cover long-term spending needs and provide services to a growing and changing population.

### 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 23-24 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 obligations, the stronger the City's financial condition. The City's ratio appeared high at 3.49 in FY 19-20, primarily due to an actuarial accounting treatment that recorded the pension obligation bonds and pension liability in the same fiscal year. Had this abnormality been excluded, the ratio for FY 19-20 would have been 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. In FY 22-23, the net pension asset returned to a net pension liability primarily due to a decrease in CalPERS investment returns. In FY 23-24, the ratio increased slightly, primarily due to an increase of $17.4 million in pension liabilities resulting from a lower CalPERS investment return than expected, which impacted most CalPERS agencies.

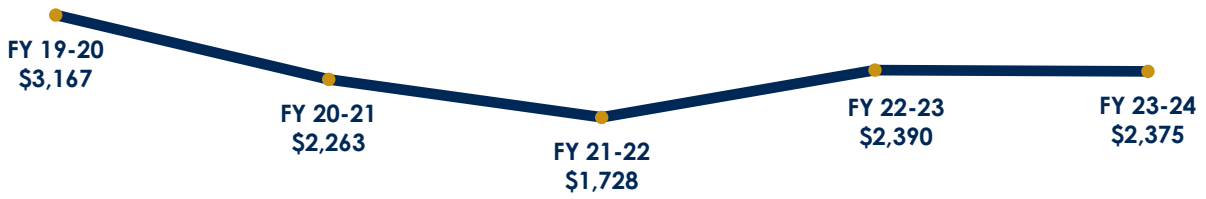
Additionally, with the issuance of the pension obligation bond in FY 19-20, the City converted an unfunded pension liability to a fixed debt obligation. By replacing the unfunded liability with bonded debt, the City was able to significantly reduce interest expense over the life of the obligation. Consequently, the City does not exhibit a strong general government near-term solvency ratio 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. Although the City of Riverside has higher outstanding debt than most of the comparative cities, overall debt, including pension and other post-employment benefits (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?

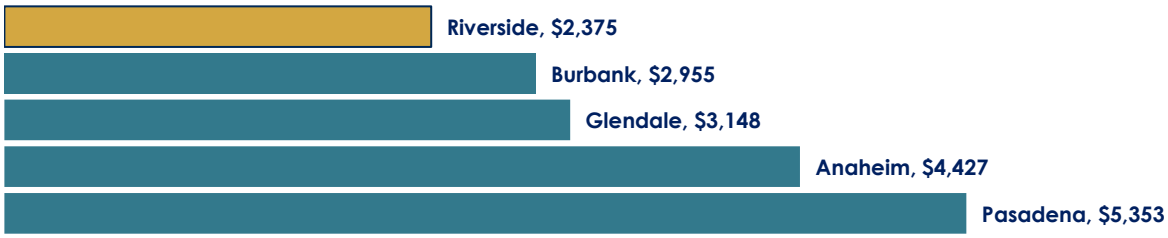
**FINANCIAL HEALTH INDICATOR #7 – GENERAL GOVERNMENT DEBT, PENSION LIABILITY, & OPEB BURDEN PER RESIDENT RATIO**

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 23-24 GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO**




**FINANCIAL HEALTH INDICATOR #7 – INSIGHT**

The relativaly high ratio in FY 19-20 was primarily due to the issuance of pension obligation bonds and the inclusion of the pension liability shown in the same fiscal year, as a result of an actuarial accounting treatment. Had this abnormality been excluded, the ratio for FY 19-20 would be $2,178. The reason for the decrease in FY 21-22 was primarily due to an acturial accounting treatment that eliminated the City's net pension liability and generated a net pension asset, thus reducing the overall liability of the City. The increase in FY 22-23 was due to the return of a net pension liability primarily caused by CalPERS' decreased investment returns. FY 23-24 remained consistent with the prior year.

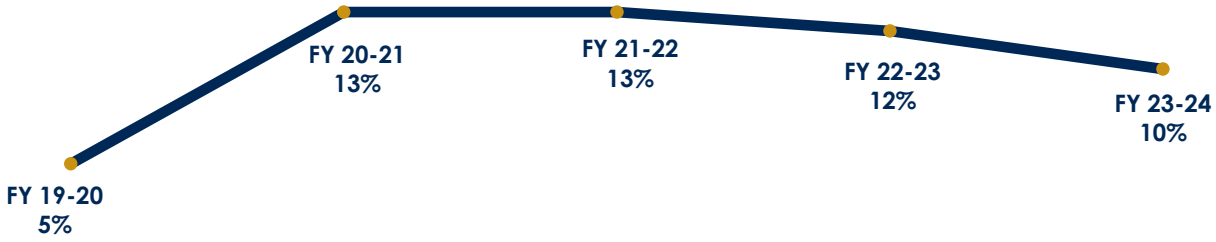
When all debt, pension liability, and OPEB are included, the City of Riverside has the lowest debt per resident compared to the other cities.

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

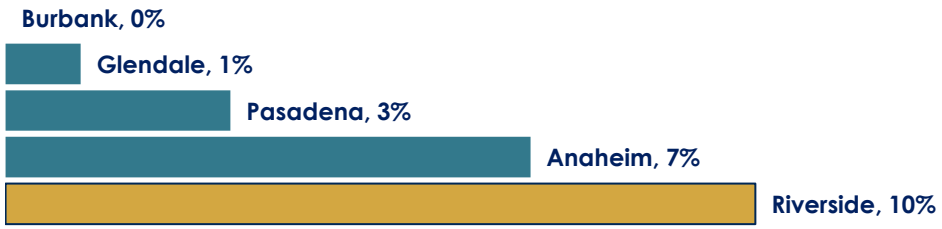
**FINANCIAL HEALTH INDICATOR #8 – GOVERNMENTAL FUNDS COVERAGE RATIO**

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

**5-YEAR GOVERNMENTAL FUNDS COVERAGE RATIO**
**City of Riverside**




**FY 23-24 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 expenditures in future fiscal years.

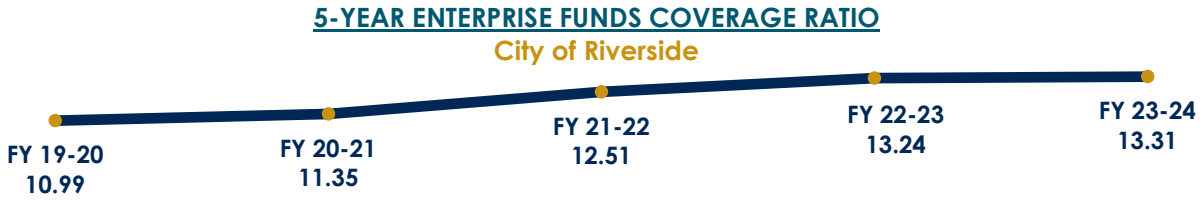
The City of Riverside has a higher ratio than the comparative cities, indicating that the City has higher principal and interest payments and more overall long-term debt. This is primarily due to the issuance of a $432 million pension obligation bond in FY19-20, of which $325 million was related to governmental funds.

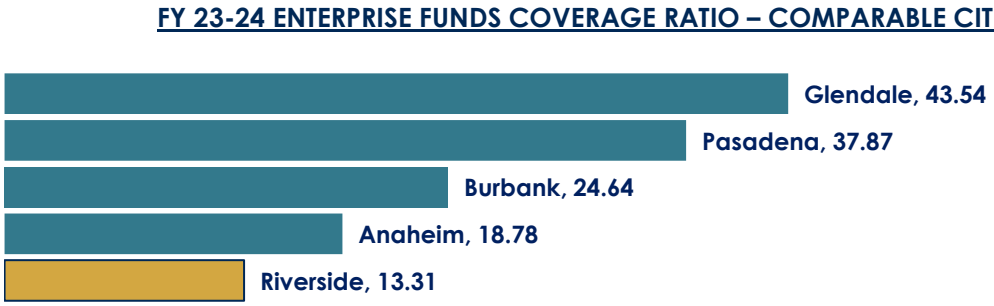
The CalPERS Unfunded Accrued Liability (UAL) is not recorded as debt in the Annual Comprehensive Financial Report. When POBs are issued to pay down the UAL, the liability is classifed as debt and the interest and principal payments are included in calculation of this indicator. Therefore, cities that have not issued POBs may have a lower ratio than cities that have issued POBs. As of June 30, 2024, the City of Riverside had $468 million of long-term debt allocated to its general government. Of this amount, $314 million relates to the 2017 and 2020 pension obligation bonds, while the remaining $154 million of the City's general government debt supports various citywide improvement projects and capital leases. Although the City of Riverside shows the highest ratio – suggesting a weaker financial condition at first glance – 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 as a city's governmental services need to pay their debts (e.g., bonds) in the long term, its enterprise funds need to do so as well. The City's Enterpise Funds include Electric, Water, Sewer, Airport, Refuse, Special Transportation, Public Parking, and Civic Entertainment Funds. A **higher ratio** indicates a stronger financial condition.




### FINANCIAL HEALTH INDICATOR #9 – INSIGHT

This ratio represents the interest payments made in comparison to total Enterprise Fund revenues. The ratio has been increasing since FY 19-20 as long-term debt has been paid down, resulting in lower interest payments, as well as gradually increasing revenues.

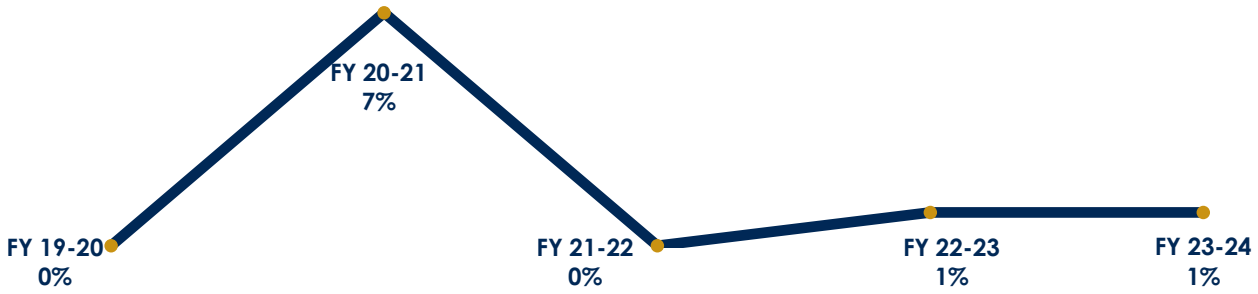
The City's Enterprise Funds Coverage Ratio appears to be low in relation to the comparative cities primarily due to the City's significant investments in capital assets for the Electric, Water, and Sewer Funds, with major capital assets funded through debt issuance.

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

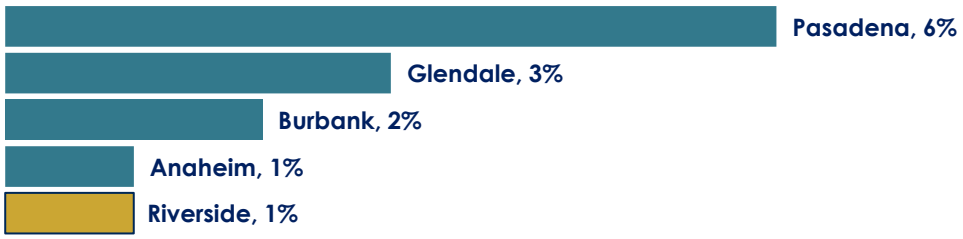
### FINANCIAL HEALTH INDICATOR #10 – GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO

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.

**5-YEAR GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO**
**City of Riverside**




**FY 23-24 GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO – COMPARABLE CITIES**




### FINANCIAL HEALTH INDICATOR #10 – INSIGHT

The City' ratio increased in FY 20-21 due to a prior period adjustment of $80.3 million for land and infrastructure additions, stemming from a system upgrade that improved the calculation of street mileage. Excluding this one-time adjustment, the ratio for FY 20-21 would have been 1%. The increase in FY 20-21 also reflects the completion of the Main Library. The ratio of 1% in FYs 22-23 and 23-24 indicates that the replacement of the City's general government capital assets slightly outpaced the depreciation of older capital assets.

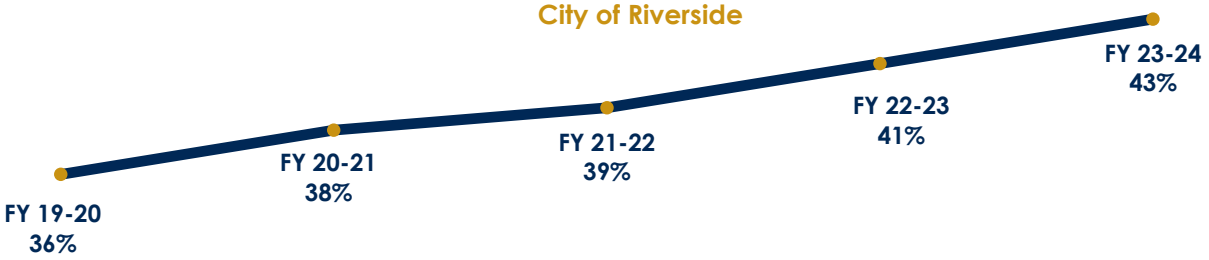
The City of Riverside's ratio is generally in line with the comparative cities, indicating that the City's capital assets are being replaced around the same rate as they are aging.

# 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. These assets are depreciated over their useful life as they age, resulting in a reduction in their value. 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.

**5-YEAR ENTERPRISE FUNDS CAPITAL ASSETS AGE RATIO**
City of Riverside




**FY 23-24 ENTERPRISE FUNDS CAPITAL ASSETS AGE RATIO – COMPARABLE CITIES**

**FINANCIAL HEALTH INDICATOR #11 – INSIGHT**

This ratio indicates 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, as evidenced by the annual increase in the ratio. However, they appear to be in better condition when compared to the other cities; nevertheless, Enterprise Funds and their assets vary from one city to another.

While the City's ratio is lower comparated to its peers, the increasing trend in this ratio shows that 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.

**INFORMATIONAL INDICATOR – GENERAL FUND PUBLIC SAFETY COSTS RATIO**

This ratio compares the total costs of 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 23-24 GENERAL FUND PUBLIC SAFETY COSTS RATIO – COMPARABLE CITIES**

**INFORMATIONAL INDICATOR – INSIGHT**

The public safety costs ratio decreased in FY 20-21 due to a reduction in the required CalPERS Unfunded Accrued Liability (UAL) payments. These reduced UAL payments were primarily due to the issuance of pension obligation bonds in FY 19-20, which lowered the overall CalPERS pension liability and reduced the required CalPERS UAL payments. In FY 21-22, the ratio increased mainly due to vehicle replacement costs of $3.7 million, increasing overall public safety expenditures. FY 22-23 had a decline of 8% compared to the previous fiscal year, mainly due to the overall General Fund expenditures outpacing the Public Safety expenditures for the fiscal year. The overall General Fund expenditure increases were primarily due to the implementation of a new accounting pronouncement (GASB 96 Subscription-Based IT Arrangements), automotive purchases, and Measure Z transfers for capital projects. The increase in FY 23-24 is due to a rise in pension costs, as well as additional personnel costs as vacant positions were filled. A reduction in General Fund FY 23-24 transfers to other funds compared to prior year also contributed, making Public Safety's proportionate share of expenditures higher.

In FY 23-24, Public Safety costs increased by 7% compared to the prior fiscal year, whereas overall General Fund expenditures decreased by 4%.

# 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, Special Transportation, Public Parking, and Civic Entertainment Funds.