



# City of Riverside

## Financial Health Indicators

**5-YEAR TREND AND COMPARABLE CITIES**

**FISCAL YEARS 2019-2023**

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

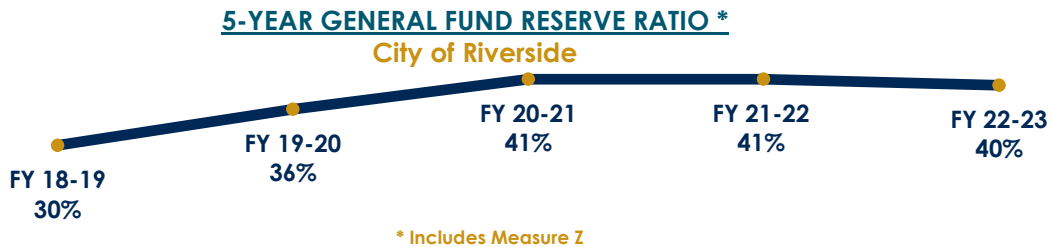
# FINANCIAL POSITION

## Can the City Pay its Bills Now?

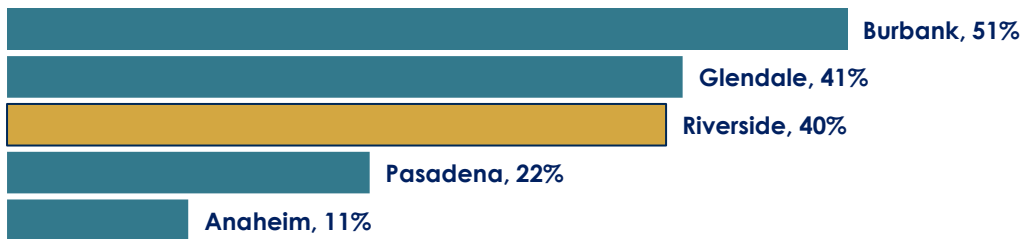
A city has a strong financial position if it has sufficient cash and other liquid resources available. Without those resources, it will have to borrow money, delay payments, or liquidate some of its other assets, all of which carry significant financial costs.

### 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.



### FY 22-23 GENERAL FUND RESERVE RATIO – COMPARABLE CITIES



### FINANCIAL HEALTH INDICATOR #1 – INSIGHT

This ratio includes Measure Z funds and examines committed general fund reserves and available unassigned fund balance divided by annual general fund revenues. This formula differs from the formula used by the City to calculate year-end reserves for the General Fund alone.

The City experienced an upward and positive trend from FY 18-19 to FY 20-21, leveled off in FY 21-22, and displayed a 1% decline in FY 22-23. Despite a slight decline in FY 22-23, overall general fund revenues and unassigned fund balance increased. The City has a strong general fund reserve ratio when compared to the other cities.

# FINANCIAL POSITION (Cont.)

## Can the City Pay its Bills Now?

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

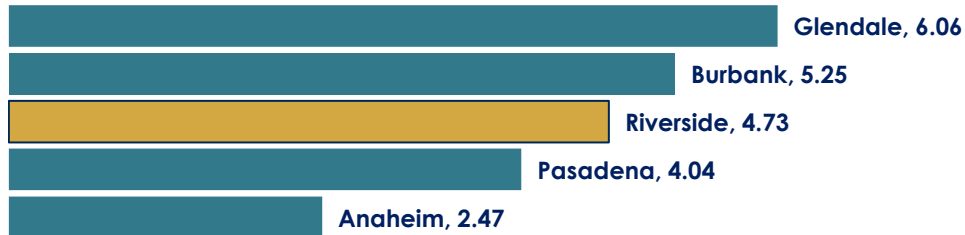
A negative ratio may indicate a city does not have sufficient cash available to meet its current obligations as they come due. This indicator is important in identifying a trend of deteriorating cash as well as how rapidly it is deteriorating. A **higher ratio** suggests a greater capacity for paying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

#### 5-YEAR GENERAL FUND LIQUIDITY RATIO \*

City of Riverside



#### FY 22-23 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 cash readily available for paying off short-term obligations sounds responsible, 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. 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 indicates a strong general fund liquidity ratio as well as efficient use of city resources.

# FINANCIAL PERFORMANCE

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

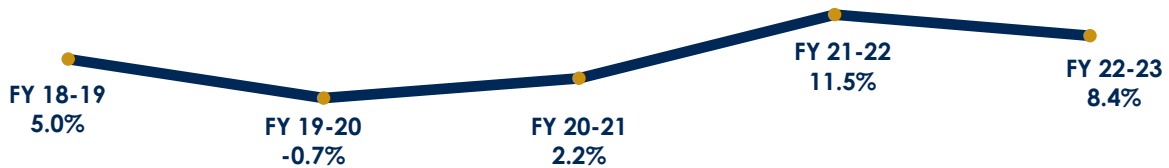
A city not only needs to pay its bills promptly, but also ensure that the revenue it brings in regularly is adequate to cover its annual expenses. Missing this mark can adversely affect service levels and the City's credit rating, which is important for existing loan covenants and any future potential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

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

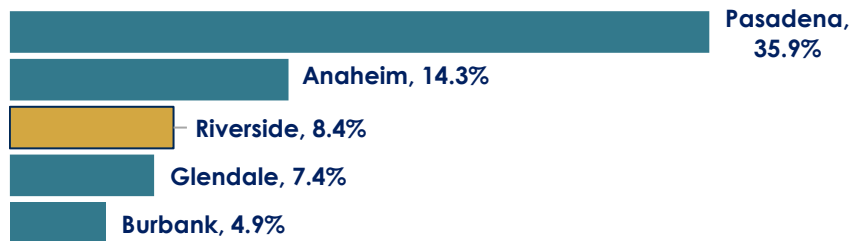
Ideally, revenues from the City's programs should cover the expenses incurred for those programs; otherwise, reserves may be required to cover the excess costs. A **higher ratio** suggests that annual costs are adequately funded, and an increasing ratio indicates an improving financial condition.

#### 5-YEAR GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

City of Riverside



#### FY 22-23 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 FY 21-22 increase was primarily attributable to an increase in sales tax of \$23.6 million; an increase in property tax of \$7.8 million; and a reduction in salaries and benefits of \$48 million, which was due to an actuarial accounting treatment of the CalPERS pension liability and generation of a net pension asset. The decrease in FY 22-23 was due to increased expenses of \$57.6 compared to the prior fiscal year. This was primarily due to an increase in salaries and benefits resulting from an actuarial accounting treatment which resulted in the return of a net pension liability from decreased CalPERS investment returns. However, the increased expenses were partially offset by a total revenue increase of \$41.0 million, primarily attributable to increased sales tax of \$3.8 million, property tax of \$5 million, investment income of \$16.4 million, and miscellaneous income of \$6.5 million. The \$6.5 miscellaneous income resulted from the dissolution of the March Joint Powers Authority and an insurance reimbursement for a fire incident at a vacant City-owned building.

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 22-23 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?

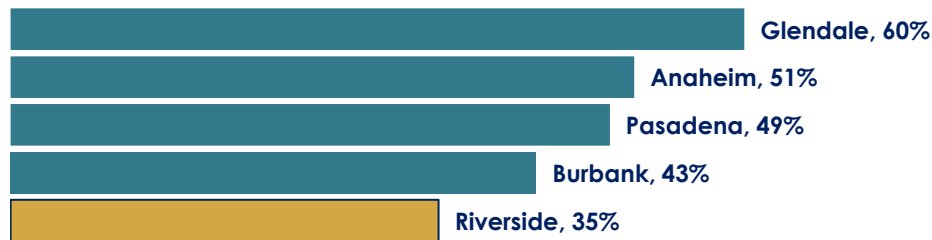
### FINANCIAL HEALTH INDICATOR #4 – GENERAL GOVERNMENT OPERATING MARGIN RATIO

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 22-23 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 (35%) rather than general tax dollars (65%) to fund program expenditures. The ratio decline in FY 22-23 can be attributed to a 17% increase in expenditures compared to FY 21-22, while revenues increased by 5%.

The increase in expenditures in FY 22-23 is primarily due to an increase in salaries and benefits resulting from an actuarial accounting treatment and the return of a net pension liability from decreased CalPERS investment returns. The primary reason for the revenue increase was recognized ARPA grant funding.

The other cities appear to fund their operations more heavily by charges, fees, and grants than the City of Riverside. This difference 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 likely has a lower cost recovery rate compared to the other cities. With a comprehensive user fees and charges study anticipated to be completed in June 2024, we anticipate this ratio ultimately trending higher.

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%	34%	5%	60%
Anaheim	17%	28%	6%	51%
Pasadena	18%	26%	5%	49%
Burbank	26%	17%	0%	43%
Riverside	11%	15%	9%	35%

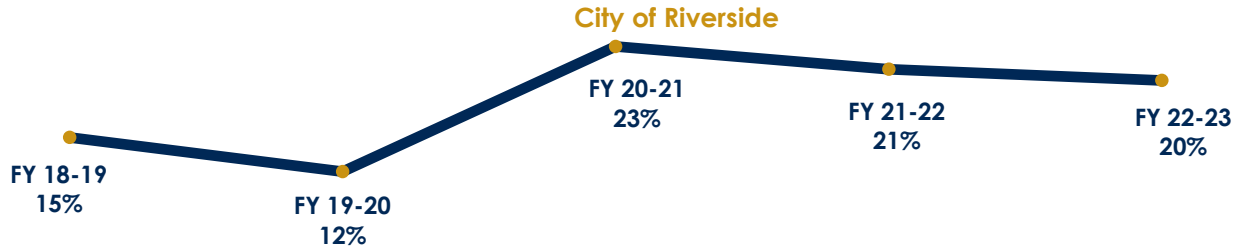
# FINANCIAL PERFORMANCE (Cont.)

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

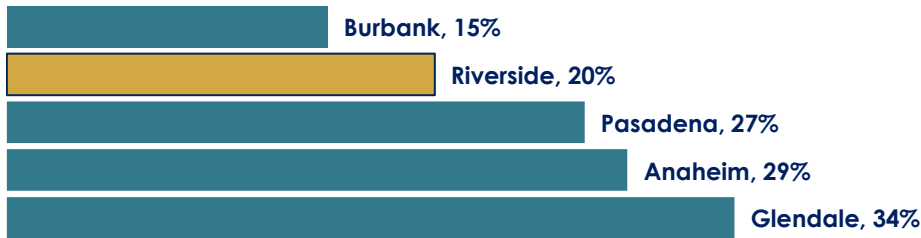
### FINANCIAL HEALTH INDICATOR #5 – GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO

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



#### FY 22-23 GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO – COMPARABLE CITIES



### FINANCIAL HEALTH INDICATOR #5 – INSIGHT

This ratio explains the proportion of revenues from grants (20%) compared to general tax dollars and charges for services (80%). Approved grant amounts are recognized over the life of the grant as funds are spent and not in the year when the grant was 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. 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%

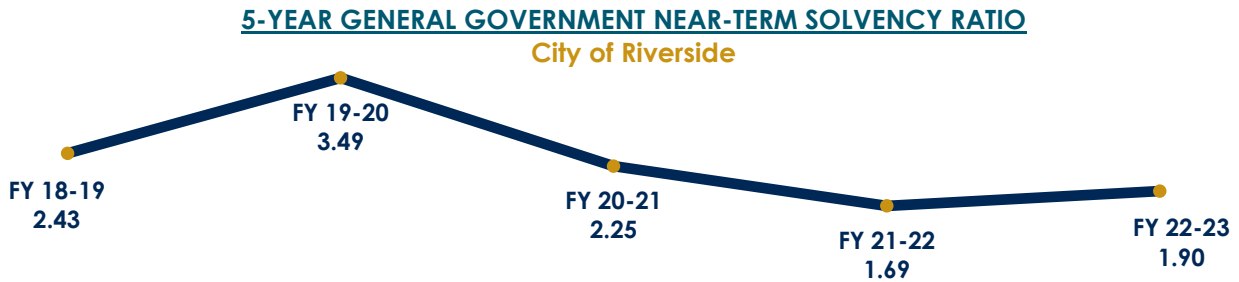
# LONG-TERM SOLVENCY

## Can the City Pay its Bills in the Future?

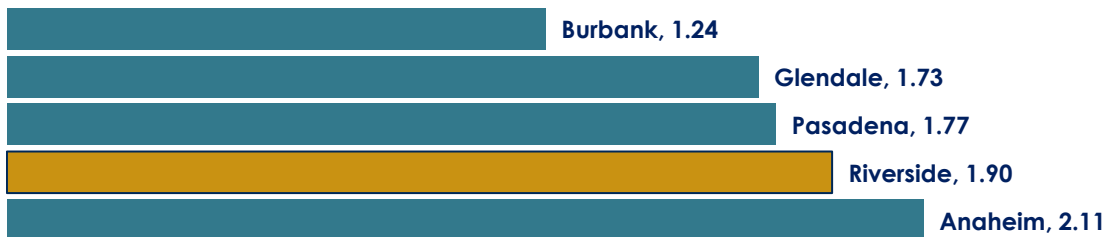
A city will have bills in the future, and its current financial condition will influence its ability to pay them. For the long-term future, a city needs to ensure that its revenue sources can cover long-term spending needs and provide services to a growing and changing population.

### 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.



### FY 22-23 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 spiked to 3.49 in FY 19-20, then decreased to 1.69 in FY 21-22, and increased slightly to 1.90 in FY 22-23. 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 this abnormality been excluded, the ratio for FY 19-20 would be 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.

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. 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

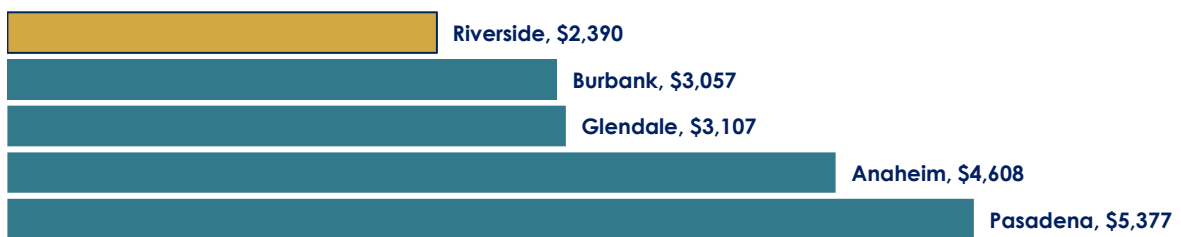
Lower debts, pension liability, and other post-employment benefits (OPEB) per capita result in a smaller debt burden on taxpayers. A **lower ratio** indicates a stronger financial condition.

#### 5-YEAR GENERAL GOVERNMENT DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO

##### City of Riverside



### FY 22-23 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 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 actuarial 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.

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

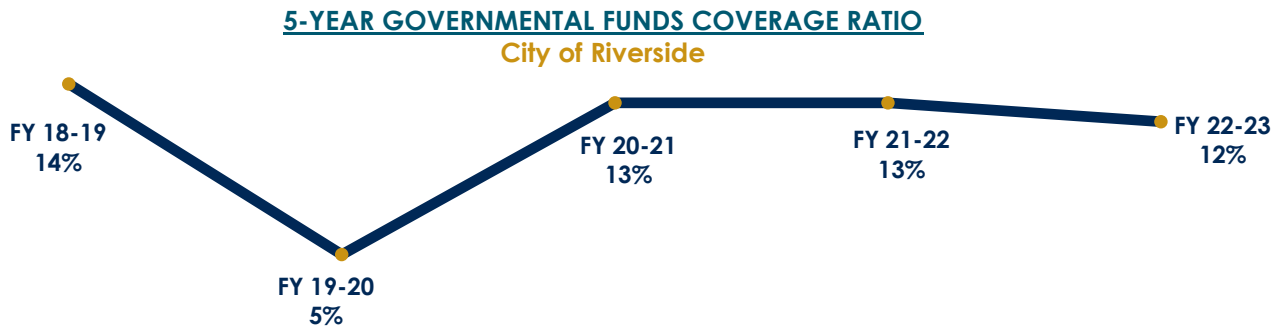


# LONG-TERM SOLVENCY (Cont.)

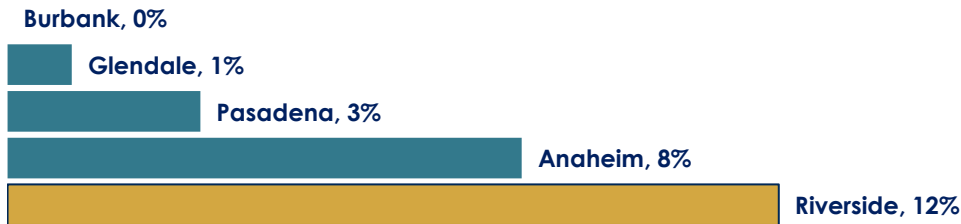
## Can the City Pay its Bills in the Future?

### 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.



### FY 22-23 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. If the FY 19-20 abnormality is excluded, along with a FY 18-19 bond refinancing, Riverside's ratios for all five years would be in the 11%-13% range.

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. The City did have more long-term debt than the comparative cities, primarily due to the issuance of a \$432 million pension obligation bond in FY19-20, of which \$325 million was related to general government funds.

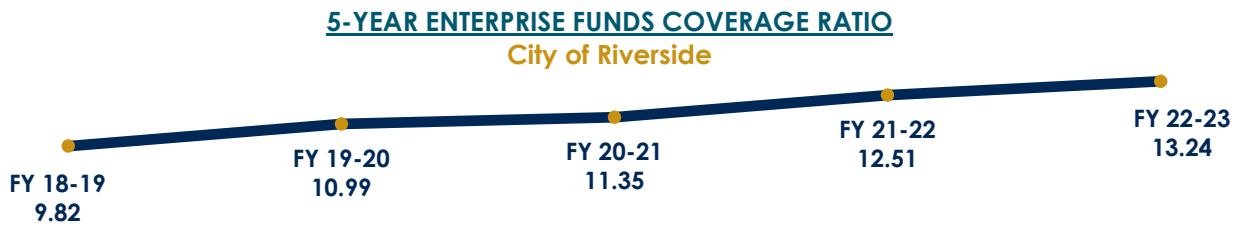
The CalPERS Unfunded Accrued Liability (UAL) is not recorded as debt in the Annual Comprehensive Financial Report. When POBs are issued to pay down the UAL, the liability is classified as debt and is included in calculation of this indicator. Therefore, cities that have not issued POBs may have a lower ratio than cities that have issued POBs. As of June 30, 2023, the City of Riverside had \$490 million of long-term debt allocated to its general government. Of this amount, \$321 million was for the 2017 and 2020 pension obligation bonds, while the remaining \$169 million of the City's general government debt was for various citywide improvement projects and capital leases. Although the City of Riverside shows the highest ratio, indicating 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.)

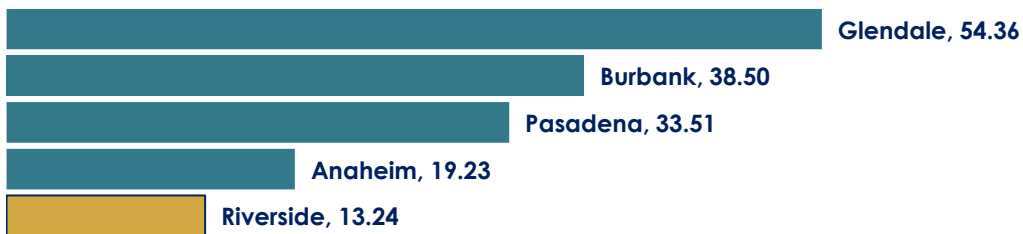
## Can the City Pay its Bills in the Future?

### 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 Enterprise Funds include Electric, Water, Sewer, Airport, Refuse, Special Transportation, Public Parking, and Civic Entertainment Funds. A **higher ratio** indicates a stronger financial condition.



### FY 22-23 ENTERPRISE FUNDS COVERAGE RATIO – COMPARABLE CITIES



### 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 18-19 as long-term debt has been paid down, resulting in lower interest payments, as well as gradually increasing revenues.

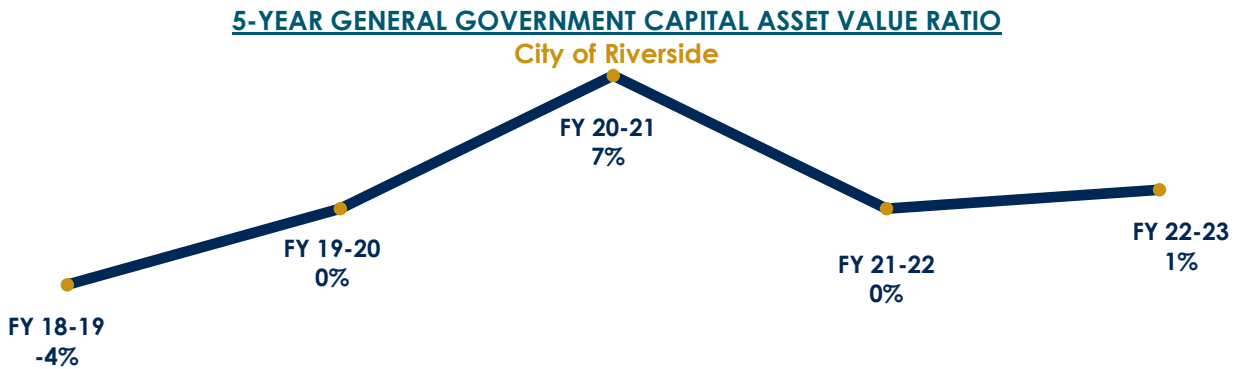
The City's Enterprise Funds Coverage Ratio appears to be low in relation to the comparative cities primarily due to the City's significant investments in capital assets for the Electric, Water, and Sewer Funds, with major capital assets funded through debt issuance.

# 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.



### FY 22-23 GENERAL GOVERNMENT CAPITAL ASSET VALUE RATIO – COMPARABLE CITIES



### 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 resulting from a change in calculation of street mileage from a system upgrade that maintains street mileage. Excluding this abnormality, the ratio for FY 20-21 would be 1%. The increase in FY 19-20 and FY 20-21 is also attributed to the completion of the Main Library. The ratio of 1% in FY 22-23 indicates that the replacement of the City's general government capital assets is slightly outpacing the depreciation of older capital assets.

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 around the same rate as they are aging.

# LONG-TERM SOLVENCY (Cont.)

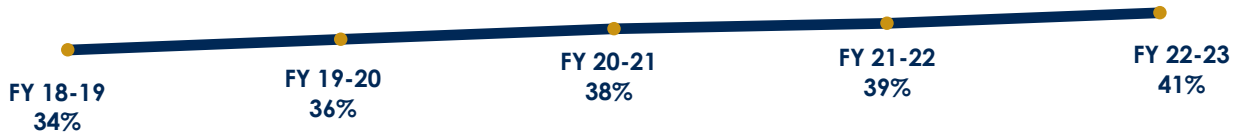
## Can the City Pay its Bills in the Future?

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

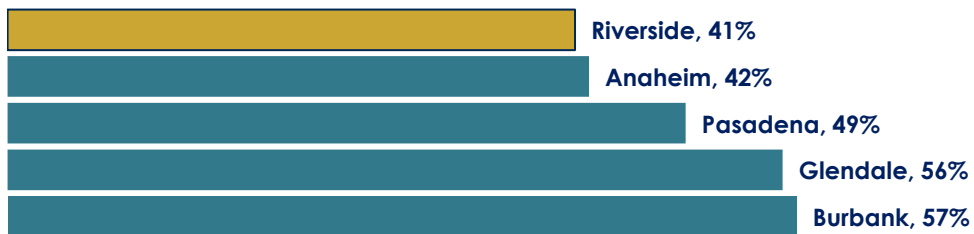
Depreciable capital assets include buildings, vehicles, and public infrastructure. These assets are depreciated over their useful life as they age, resulting in a reduction in their value. A **lower ratio** indicates Enterprise Funds' capital assets are newer and may not require as much replacement and/or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

#### 5-YEAR ENTERPRISE FUNDS CAPITAL ASSETS AGE RATIO

City of Riverside



#### FY 22-23 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.

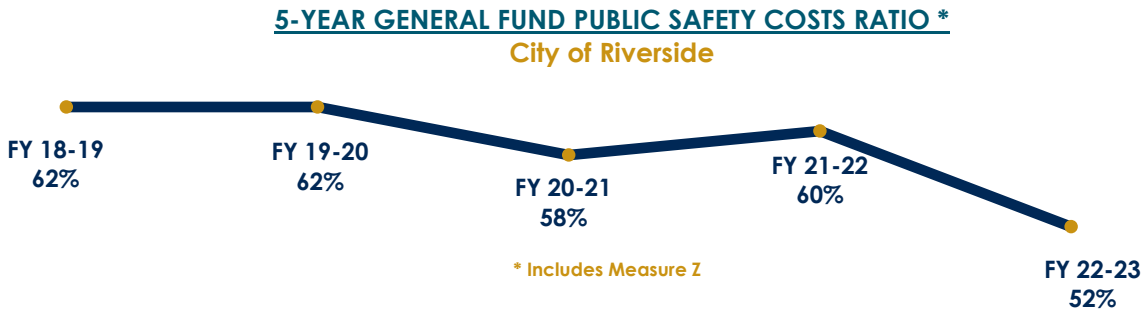
While the City's ratio is lower compared to its peers, the increasing trend in this ratio shows that the capital assets are progressively aging and could require additional maintenance or replacement costs in the future.

# RESOURCE ALLOCATION

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

## INDICATOR #12 – 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.



## FY 22-23 GENERAL FUND PUBLIC SAFETY COSTS RATIO – COMPARABLE CITIES



## INDICATOR #12 – INSIGHT

The public safety costs ratio remained steady from FY 18-19 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. 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 Public Safety costs increased by 7% compared to the prior fiscal year, whereas overall General Fund expenditures increased by 25%.

# 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.