

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on page v of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains certain supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the excess of assets over liabilities reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the City include general government, public safety, highways and streets, and culture and recreation. The business type activities of the City include Electric, Water, Sewer, Refuse, Public Parking, Airport and Transportation services.

The government-wide financial statements include the City and its component units. The City's component units are the Riverside Redevelopment Agency, Riverside Housing Authority, Riverside Public Financing Authority, and the Riverside Municipal Improvements Corporation. Although legally separate, these entities function for all practical purposes as departments of the City and therefore have been blended as part of the primary government.

Both the Governmental Activities and the Business Type Activities are presented on the accrual basis of accounting, a basis of accounting that differs from the modified accrual basis of accounting used in presenting governmental fund financial statements. Note 1 of the Notes to the Basic Financial Statements fully describe these bases of accounting. Proprietary funds, discussed below, also follow the accrual basis of accounting.

The government-wide financial statements can be found on pages 21-22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Reconciliations to facilitate this comparison are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The major reconciling items relate to capital assets and debt. In the Governmental Funds, acquisitions of capital assets are treated as "expenditures" because upon purchase of a capital asset, cash used for the acquisition is no longer available for other purposes. The issuance of debt provides cash, which is now available for specified purposes. Accordingly, at the end of the fiscal year, the unreserved fund balances of the Governmental Funds reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the government-wide financial statements.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Redevelopment Agency Debt Service Fund, the COPS Debt Service Fund, the Capital Outlay Fund, and the Redevelopment Capital Project Fund all of which are major funds. Data from the other twelve governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and can be found on pages 63-70 in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 23-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise and internal service funds. Enterprise funds are used to report the same functions presented as *business type activities* in the government-wide financial statements. The City uses enterprise funds to account for Electric, Water, Sewer, Refuse, Parking, Airport and Transportation services. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insured insurance programs, central stores and its fleet of vehicles. Because these services predominantly benefit governmental rather than business type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are presented as proprietary funds because both enterprise and internal service funds follow the accrual basis of accounting.

Proprietary funds provide the same type of information as the government-wide financial statements (*business type activities*), only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water and Sewer operations, all of which are considered to be major funds of the City. The four remaining proprietary funds noted above are combined into a single, aggregated presentation. All internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major proprietary funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 71-80 in this report.

The basic proprietary fund financial statements can be found on pages 28-32 of this report.

Agency funds. Agency funds are used to account for situations where the City's role is purely custodial. Agency funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All assets reported in agency funds are offset by a liability; the accrual basis of accounting is used to recognize receivables and payables.

The agency fund financial statement can be found on page 33 of this report, and the combining statement can be found on page 81.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 34 of this report.

Government-wide Financial Analysis

The following table presents a summarization of the City's assets, liabilities and net assets for its governmental and business type activities. As noted earlier, a government's net asset position may serve over time as a useful indicator of its financial position.

	Governmental Activities		Business type Activities		Total	
	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008*</u>
Current and other assets	\$ 692,258	\$ 767,115	\$ 555,210	\$ 658,446	\$ 1,247,468	\$ 1,425,561
Capital assets, net	<u>1,114,814</u>	<u>966,068</u>	<u>1,147,793</u>	<u>1,050,010</u>	<u>2,262,607</u>	<u>2,016,078</u>
Total assets	<u>1,807,072</u>	<u>1,733,183</u>	<u>1,703,003</u>	<u>1,708,456</u>	<u>3,510,075</u>	<u>3,441,639</u>
Current liabilities	117,522	116,917	100,506	102,777	218,028	219,694
Long-term liabilities	<u>682,012</u>	<u>694,278</u>	<u>696,567</u>	<u>735,058</u>	<u>1,378,579</u>	<u>1,429,336</u>
Total liabilities	<u>799,534</u>	<u>811,195</u>	<u>797,073</u>	<u>837,835</u>	<u>1,596,607</u>	<u>1,649,030</u>
Net assets:						
Invested in capital assets, net of related debt	950,496	850,740	659,904	601,999	1,610,400	1,452,739
Restricted	98,903	102,677	38,621	43,341	137,524	146,018
Unrestricted	<u>(41,861)</u>	<u>(31,429)</u>	<u>207,405</u>	<u>225,281</u>	<u>165,544</u>	<u>193,852</u>
Total net assets	<u>\$1,007,538</u>	<u>\$921,988</u>	<u>\$905,930</u>	<u>\$870,621</u>	<u>\$1,913,468</u>	<u>\$1,792,609</u>

* Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

The City's assets exceeded liabilities by \$1,913,468 at June 30, 2009, an increase of \$120,859 from June 30, 2008.

By far the largest portion of the City's net assets (84 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$207,405 is held by the business type activities; and negative \$41,861 is held by the governmental activities. The Riverside Redevelopment Agency (the Agency), a blended component unit of the City, represents \$62,115 of negative unrestricted net assets for 2009 and was a negative \$56,792 in the prior year. The remaining governmental activities of the City have positive

unrestricted net assets of \$20,254 in 2009 and positive \$25,363 in 2008. This decrease in unrestricted net assets is primarily due to an increase in expenses paid out of unrestricted net assets.

The Agency exists to finance improvements that serve to remediate blight within the City. Often these activities do not result in a residual asset, but rather underwrite the cost of a development activity deemed beneficial in meeting the Agency's objectives. The resulting statement of net assets reflects the debt obligation to be repaid through future tax revenues, without an offsetting asset. While this is the routine functioning of such an entity, when blended with the City, its negative unrestricted net assets causes the governmental activities to report a negative position.

The City's total net assets increased by \$120,859 during the current fiscal year, which reflects the growth in both the governmental (\$85,550) and business type (\$35,309) activities. This is primarily due to continued investment by the City in its infrastructure, which is largely funded by grants and dedicated revenue sources.

The following is a condensed summary of activities of the City's governmental and business type operations for the period ended June 30, 2009 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

	Governmental Activities		Business Type Activities		Total	
	2009	2008*	2009	2008	2009	2008*
Revenues:						
Program Revenues:						
Charges for services	\$ 39,664	\$ 57,958	\$416,628	\$399,421	\$456,292	\$457,379
Operating Grants and Contributions	23,313	15,024	1,929	3,308	25,242	18,332
Capital Grants and Contributions	69,745	115,982	17,288	29,215	87,033	145,197
General Revenues:						
Sales taxes	41,882	50,526	-	-	41,882	50,526
Property taxes	116,420	114,176	-	-	116,420	114,176
Other taxes and fees	38,589	37,108	-	-	38,589	37,108
Investment income	15,941	25,670	23,402	22,756	39,343	48,426
Other	5,137	9,480	4,590	4,931	9,727	14,411
Total revenues	<u>350,691</u>	<u>425,924</u>	<u>463,837</u>	<u>459,631</u>	<u>814,528</u>	<u>885,555</u>
Expenses:						
General government	102,665	113,897	-	-	102,665	113,897
Public safety	127,350	122,783	-	-	127,350	122,783
Highways and streets	18,731	26,986	-	-	18,731	26,986
Culture and recreation	24,121	31,659	-	-	24,121	31,659
Interest on long-term debt	34,361	34,075	-	-	34,361	34,075
Electric	-	-	269,209	271,412	269,209	271,412
Water	-	-	53,931	47,570	53,931	47,570
Sewer	-	-	34,853	31,209	34,853	31,209
Refuse	-	-	18,425	18,430	18,425	18,430
Airport	-	-	1,734	1,418	1,734	1,418
Transportation	-	-	3,194	3,190	3,194	3,190
Public Parking	-	-	5,095	4,093	5,095	4,093
Total expenses	<u>307,228</u>	<u>329,400</u>	<u>386,441</u>	<u>377,322</u>	<u>693,669</u>	<u>706,722</u>
Increase in net assets and transfers:						
Transfers	43,463	96,524	77,396	82,309	120,859	178,833
Transfers	<u>42,087</u>	<u>32,326</u>	<u>(42,087)</u>	<u>(32,326)</u>	-	-
Increase in net assets	85,550	128,850	35,309	49,983	120,859	178,833
Net assets – beginning	<u>921,988</u>	<u>793,138</u>	<u>870,621</u>	<u>820,638</u>	<u>1,792,609</u>	<u>1,613,776</u>
Net assets – ending	<u>\$1,007,538</u>	<u>\$921,988</u>	<u>\$905,930</u>	<u>\$870,621</u>	<u>\$1,913,468</u>	<u>\$1,792,609</u>

* Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

Governmental activities. Governmental activities increased the City's net assets by \$85,550 accounting for 71 percent of the total change in net assets. The net assets in the prior fiscal year increased by \$128,850. Key elements of this year's activity in relation to the prior year are as follows:

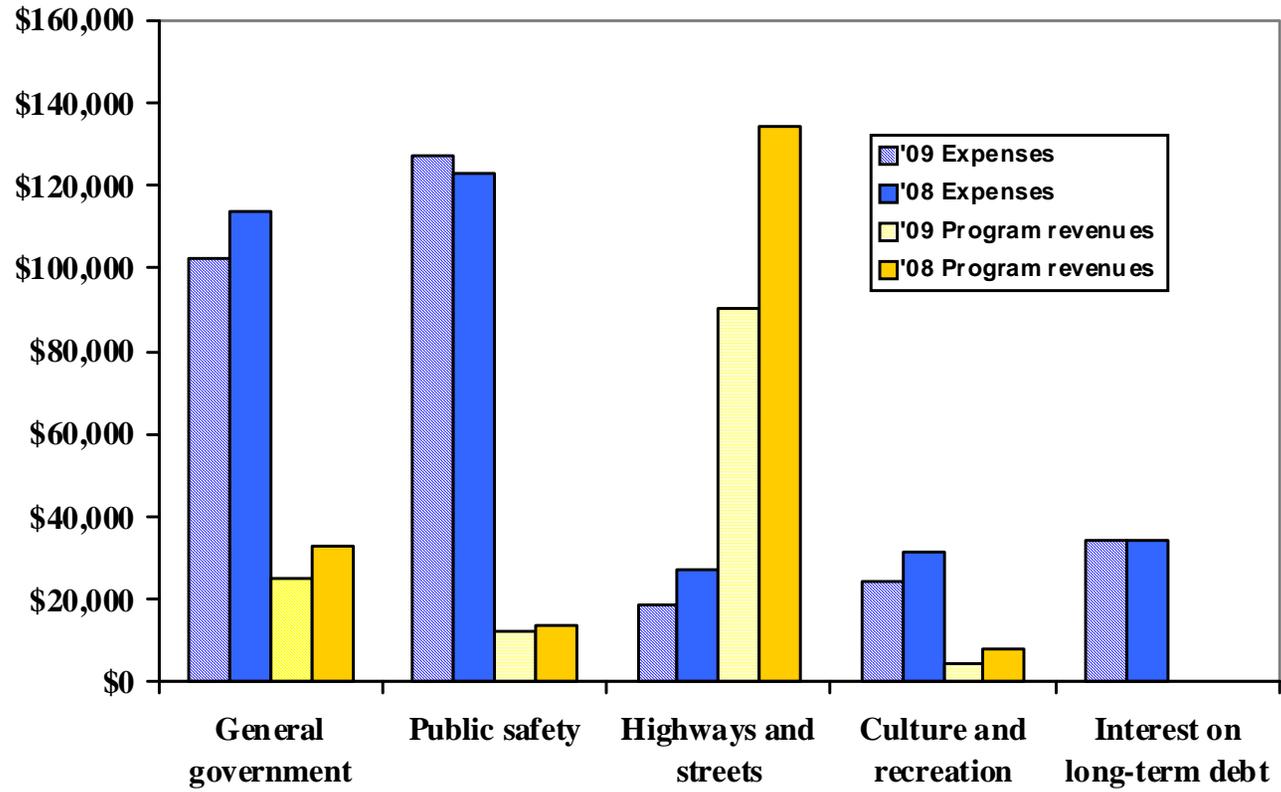
Revenues:

- There was a \$49 million decrease in the amount of fixed assets donated by developers due to the current slowdown in the local construction industry.
- Investment income decreased by \$9,729 (40%) primarily due to a decrease in cash and investments of approximately \$118 million (a 27% decrease from cash and investment balances at 6/30/08). The decrease in cash and investments was primarily due to capital outlays on projects related to the Riverside Renaissance.
- Sales taxes decreased by \$8,644 in 2009 due to the current downturn in the economy.

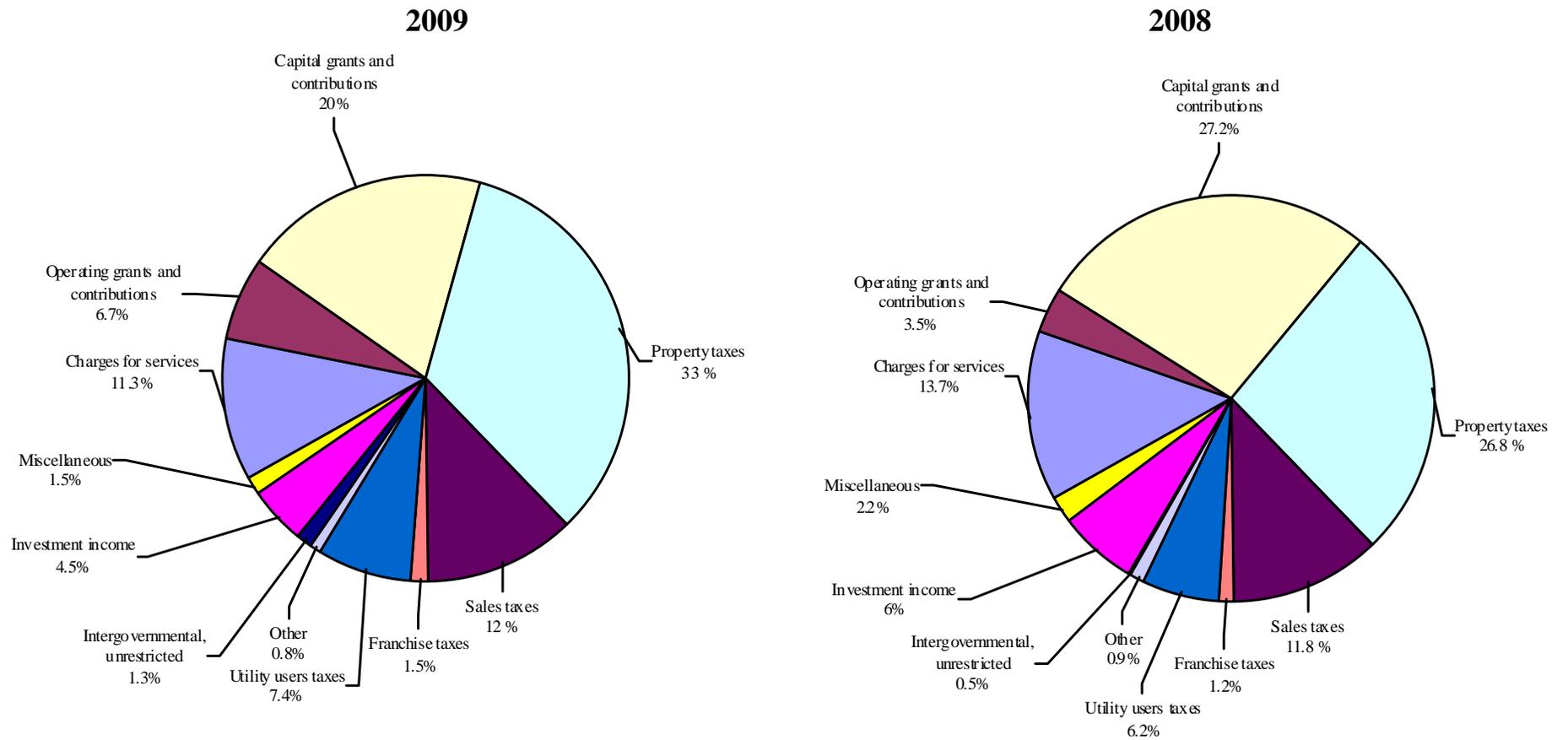
Expenses:

- While variances between years exist for the various expense functions, the total net decrease was approximately \$22 million. The primary reason for this is due to an overall decrease in spending across the various functions in response to reduced revenue resulting from the current downturn in the economy.

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2009 vs. 2008



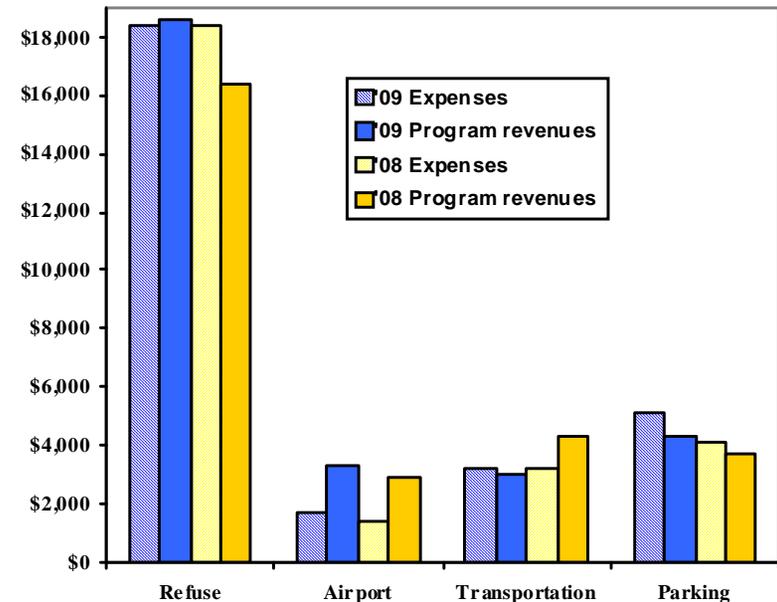
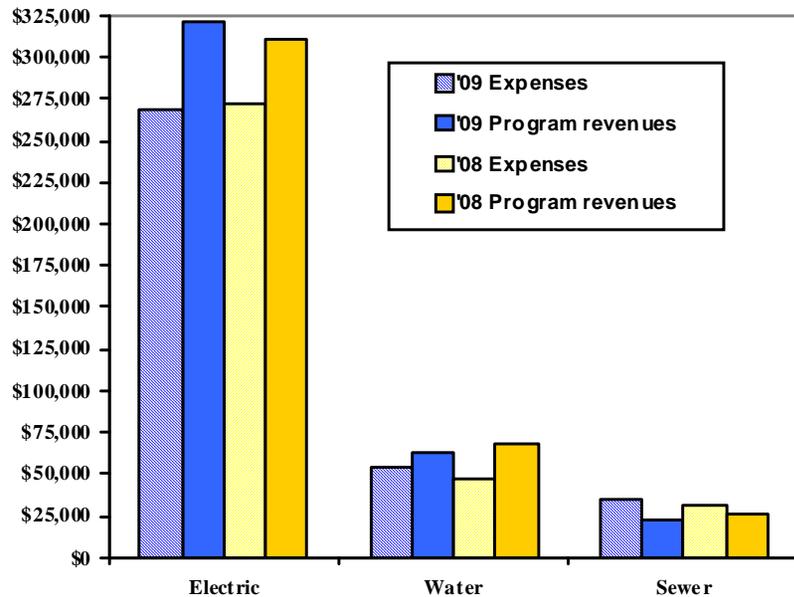
Revenues by Source – Governmental Activities – Fiscal Year Comparison



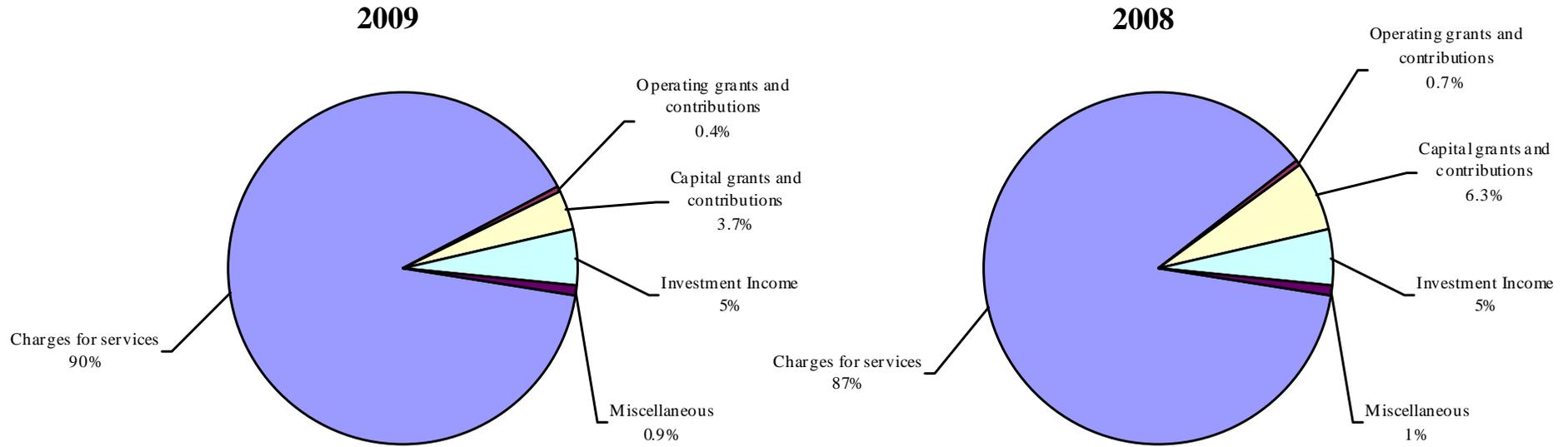
Business type activities. Business type activities increased the City’s net assets by \$35,309, accounting for 29 percent of the total change in net assets. The net assets of business type activities increased by \$49,983 in the prior year. Key elements of this year’s increase in relation to the prior year are as follows:

- In 2009, charges for services increased \$17,207 to \$416,628. The increase primarily related to the following:
 - Electric revenues increased by \$8,865 (2.9%), which was primarily the result of an electric rate increase on January 1, 2009. The average rate increase was 5.7% for residential customers, 9.7% for commercial customers and 6.3% for industrial customers, which was partially offset by a 3% decrease in consumption.
 - Water revenues increased by \$5,068 (10.2%), which was primarily due to a \$3,427 (7.4%) increase in retail revenues. The increase in retail revenues was primarily due to a water rate increase of 10% that became effective November 1, 2008 as part of the Safe W.A.T.E.R. Plan, which was partially offset by a 2.5% decrease in retail consumption.
- Capital grants and contributions decreased \$11,927 in the current year to \$17,288. The decrease is due primarily to a large State grant received in the prior year for the JW North Treatment Plant that was substantially completed in 07/08.

Expenses and Program Revenues – Business Type Activities – Fiscal Year Comparison 2009 vs. 2008



Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table summarizes the balance sheet of the City's General, Redevelopment Debt Service, COPS Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		COPS Debt Service	
	2009	2008	2009	2008	2009	2008
	Total assets	\$ 128,882	\$ 156,184	\$ 48,356	\$ 49,315	\$ 16,094
Total liabilities	\$ 51,503	\$ 74,967	\$ 25,103	\$ 25,596	\$ 238	\$ 80
Fund balances						
Reserved	41,400	36,025	23,253	23,719	15,856	18,114
Unreserved:						
Designated for economic cont.	30,000	34,000	-	-	-	-
Designated for future operations	2,888	10,253	-	-	-	-
Undesignated	3,091	939	-	-	-	-
Total	77,379	81,217	23,253	23,719	15,856	18,114
Total liabilities and fund balances	\$ 128,882	\$ 156,184	\$ 48,356	\$ 49,315	\$ 16,094	\$ 18,194

	Capital Outlay		Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2009	2008	2009	2008	2009	2008	2009	2008
	Total assets	\$ 82,248	\$ 115,182	\$ 216,747	\$ 233,402	\$ 96,572	\$ 90,783	\$ 588,899
Total liabilities	\$ 34,035	\$ 14,466	\$ 42,009	\$ 40,748	\$ 27,104	\$ 23,389	\$ 179,992	\$ 179,246
Fund balances								
Reserved	35,711	59,189	84,560	73,963	19,369	20,097	220,149	231,107
Unreserved:								
Designated for economic cont.	-	-	-	-	-	-	30,000	34,000
Designated for future operations	12,502	23,756	79,612	118,691	38,016	23,891	133,018	176,591
Undesignated	-	17,771	10,566	-	12,083	23,406	25,740	42,116
Total	48,213	100,716	174,738	192,654	69,468	67,394	408,907	483,814
Total liabilities and fund balances	\$ 82,248	\$ 115,182	\$ 216,747	\$ 233,402	\$ 96,572	\$ 90,783	\$ 588,899	\$ 663,060

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$408,907, a decrease of \$74,907 in comparison with the prior year. About 54% of this amount (\$220,149) is reserved to indicate funds are not available for new spending because it has already been committed for a variety of restricted purposes. The remainder of the fund balance is unreserved, meaning it is available for spending at the City's discretion. Of that amount, \$163,018 has been designated for specific capital projects and economic contingencies, leaving \$25,740 without a commitment; at June 30, 2008 the comparable amount was \$42,116. The City's governmental funds reported combined total assets of \$588,899 at June 30, 2009, a decrease of \$74,161 in comparison with the prior year. The primary reason for the decrease in total assets and related fund balances is due to expenditure of capital projects in the Capital Outlay Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$77,379 in comparison to \$81,217 in the prior year. The unreserved fund balance was \$35,979, most of which was designated for future operations and economic contingencies, leaving \$3,091 unreserved and undesignated; the comparable number at June 30, 2008 was \$939. Fund balance decreased during the current year by \$3,838 in comparison to a decrease of \$13,549 in the prior year. The primary reason for this is due to an overall decrease in spending across the various functions in response to reduced revenue resulting from the current downturn in the economy.

The Redevelopment debt service fund has a total fund balance of \$23,253 all of which is reserved for the payment of debt service. A net decrease of \$466 in the fund balance occurred during the current year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to \$164,762, \$30,911, and \$58,245 respectively. The total change in net assets for these funds was an increase of \$41,969, an increase of \$656 and a decrease of \$8,782, respectively as a result of routine operations.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$180,407</u>	<u>\$193,175</u>	<u>\$171,400</u>	<u>\$ (21,775)</u>
Expenditures:				
General Government	9,269	9,269	8,148	1,121
Public Safety	156,469	164,764	145,802	18,962
Highways & Streets	20,883	24,068	18,452	5,616
Culture & Recreation	25,940	31,646	26,646	5,000
Capital Outlay	8,380	8,380	4,836	3,544
Debt Service	<u>14,701</u>	<u>14,803</u>	<u>14,688</u>	<u>115</u>
Total Expenditures	<u>235,642</u>	<u>252,930</u>	<u>218,572</u>	<u>34,358</u>
Deficiency of Revenue Under Expenditures	(55,235)	(59,755)	(47,172)	12,583
Other Financing Sources	<u>34,593</u>	<u>37,054</u>	<u>43,334</u>	<u>6,280</u>
Net Change in Fund Balances	(20,642)	(22,701)	(3,838)	18,863
Beginning Fund Balance	<u>81,217</u>	<u>81,217</u>	<u>81,217</u>	<u>-</u>
Ending Fund Balance	<u>\$ 60,575</u>	<u>\$ 58,516</u>	<u>\$ 77,379</u>	<u>\$18,863</u>

Final budgeted revenues increased from the amount originally budgeted as a result of grant related programs and financing associated with capital projects.

Actual amounts differed from the Final Fund budget as follows:

- ❑ Actual total revenues were less than the amount budgeted due to the downturn in the economy resulting in less than budgeted sales taxes (\$10.7 million), property taxes (\$2 million), utility users tax (\$1.8 million) and licenses and permits (\$1.3 million).
- ❑ Actual expenditures were less than budgeted amounts by approximately \$34,000. This is primarily associated with capital projects not completed during the year (which are carried over to the next fiscal year) and planned reductions in expenditures in all departments.
- ❑ The net effect of all of the above was that the ending fund balance increased \$18,863 more than budgeted.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business type activities as of June 30, 2009 amounted to \$2,262,607 (net of accumulated depreciation). This investment includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City’s net investment in capital assets for the current fiscal year was \$246,530 (\$148,747 for governmental activities including internal service funds and \$97,783 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$89,802); Sewer Mains (\$6,791); Electric Utility upgrades (\$51,068); Water Utility upgrades (\$48,466); and City Hall Improvements (\$7,401).

Construction in progress totaled \$248,011 at June 30, 2009. Some of the major projects in process are the RERC Power Plant Units 3 & 4, a 203 KV Transmission Substation, Orange Terrace Community Center, the Fox Theatre and the remodel of the Lincoln Street Police Station. Depreciation expense during the fiscal year was \$29,507 for governmental activities and \$41,771 for business type activities.

City of Riverside’s Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$270,580	\$250,582	\$ 40,835	\$ 37,200	\$ 311,415	\$ 287,782
Buildings	88,367	91,239	152,316	153,874	240,683	245,113
Improvements other than Buildings	79,494	63,022	790,575	728,817	870,069	791,839
Machinery and equipment	25,664	28,398	28,809	21,456	54,473	49,854
Infrastructure	537,967	448,165	-	-	537,967	448,165
Construction in progress	<u>112,742</u>	<u>84,661</u>	<u>135,258</u>	<u>108,663</u>	<u>248,000</u>	<u>193,324</u>
Total	<u>\$1,114,814</u>	<u>\$966,067</u>	<u>\$1,147,793</u>	<u>\$1,050,010</u>	<u>\$2,262,607</u>	<u>\$2,016,077</u>

Additional information on the City’s capital assets can be found in note 5 on page 42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,378,579 which includes bonded debt of \$1,316,238.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Lease/Revenue Bonds	\$285,743	\$292,244	\$674,646	\$720,749	\$960,389	\$1,012,993
General Obligation Bonds	18,171	18,774	-	-	18,171	18,774
Pension Obligation Bonds	139,410	142,170	-	-	139,410	142,170
Certificates of Participation	198,268	200,273	-	-	198,268	200,273
Notes Payable	8,749	9,040	7,915	8,569	16,664	17,609
Capital Leases	7,455	9,391	2,574	211	10,029	9,602
Landfill Capping	-	-	7,512	2,881	7,512	2,881
Arbitrage Liability	-	-	502	481	502	481
Compensated Absences	20,494	20,494	-	-	20,494	20,494
Net OPEB Obligation	3,722	1,892	2,470	1,204	6,192	3,096
Water Acquisition Rights	-	-	948	964	948	964
Total	<u>\$682,012</u>	<u>\$694,278</u>	<u>\$696,567</u>	<u>\$735,059</u>	<u>\$1,378,579</u>	<u>\$1,429,337</u>

The City's total debt decreased by \$50,758 (4 percent) during the current fiscal year primarily due to principal payments on outstanding debt.

The City's Water Utility maintains "AA+" and "AA" ratings, from Standard & Poors and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies. The City's general obligation bond ratings are "AA-" and "AA", respectively.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt margin for the City is \$665,942, after deducting the general obligation debt of \$18,171.

Additional information on the City's long-term debt can be found in note 7 beginning on page 43 of this report.

Economic Factors and Next Year's Budget and Rates

- Sales taxes decreased by \$8,644 (17%) during the current fiscal year.
- Unemployment in Riverside County is 14.1% as compared to 8.3% for 2008.
- The required contribution rates as a percentage of payroll for the City's retirement program, including the employee portion which is paid by the City, will be changing effective July 1, 2009 as follows:
 - Miscellaneous Plan –22.169% to 22.219%
 - Safety Plan – 29.026% to 29.323%

At the time of budget preparation for fiscal year 2010, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2010 of approximately \$198 million was adopted with a planned use of \$2 million of available fund balance. It represents a reduction from the prior year of approximately 8%, principally as a result of a projected reduction in sales taxes.

Request for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager's Office, Finance Division, 3900 Main Street City of Riverside, CA 92522.