

## Management's Discussion and Analysis (Unaudited)

As management of the City, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2023. 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 i of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars (0,000).

### Overview of the Financial Statements

This discussion and analysis is 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 basic 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 position* presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. 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, Airport, Refuse, Transportation, Public Parking, and Civic Entertainment Funds.

The government-wide financial statements include the activities of the City and three blended component units, which consist of the 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. The Successor Agency to the Redevelopment Agency of the City of Riverside (Successor Agency) is also included as a fiduciary component unit since it would be misleading to exclude the Successor Agency due to the nature and significance of the relationship between the City and the Successor Agency. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements since the resources of those funds are *not* available to support the City's own programs.

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 Basic Financial Statements fully describes 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 20 - 21 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 unrestricted 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 fifteen 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, Capital Outlay Fund, and General Debt Service Fund 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 88 - 96 in this report.

The City adopted an annual appropriated budget for its General Fund for the Year ended June 30, 2023. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 22 - 25 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, Airport, Refuse, Transportation, Public Parking, and Civic Entertainment 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 five 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 enterprise funds and the internal service funds is provided in the form of *combining statements* and can be found on pages 98 - 106 in this report.

The basic proprietary fund financial statements can be found on pages 27 - 31 of this report.

**Fiduciary fund** - Fiduciary funds are used to account for situations where the City's role is purely custodial. Fiduciary 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 32 - 33 of this report.

**Notes to Basic 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 Basic Financial Statements begin on page 34 of this report.

**Governmental Accounting Standards Board No. 96, Subscription-Based Information Technology Arrangements (GASB 96)** - For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). This Statement defines SBITA as a contract that conveys control of the right-to-use another party's information technology software, alone or in a combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange-like transaction. For additional information, refer to Notes 1, 5, and 6.

**Government-wide Financial Analysis**

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

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets:</b>						
Current and other assets	\$ 633,853	\$ 711,511	\$ 856,258	\$ 856,015	\$ 1,490,111	\$ 1,567,526
Capital, lease, and subscription assets, net	1,343,379	1,330,850	1,958,937	1,975,600	3,302,316	3,306,450
<b>Total assets</b>	<b>1,977,232</b>	<b>2,042,361</b>	<b>2,815,195</b>	<b>2,831,615</b>	<b>4,792,427</b>	<b>4,873,976</b>
<b>Deferred Outflows of Resources</b>	<b>196,336</b>	<b>67,430</b>	<b>77,898</b>	<b>41,648</b>	<b>274,234</b>	<b>109,078</b>
<b>Liabilities:</b>						
Current liabilities	172,713	209,289	139,888	137,657	312,601	346,946
Long-term liabilities	780,515	601,939	1,469,858	1,414,352	2,250,373	2,016,291
<b>Total liabilities</b>	<b>953,228</b>	<b>811,228</b>	<b>1,609,746</b>	<b>1,552,009</b>	<b>2,562,974</b>	<b>2,363,237</b>
<b>Deferred Inflows of Resources</b>	<b>25,610</b>	<b>204,023</b>	<b>112,733</b>	<b>176,142</b>	<b>138,343</b>	<b>380,165</b>
<b>Net Position</b>						
Net investment in capital assets	1,198,815	1,176,215	790,844	774,469	1,989,659	1,950,684
Restricted - Expendable	237,159	199,456	96,638	85,666	333,797	285,122
Restricted - Nonexpendable	1,642	3,582	-	-	1,642	3,582
Unrestricted/(deficit)	(242,886)	(284,713)	283,132	284,977	40,246	264
<b>Total net position</b>	<b>\$ 1,194,730</b>	<b>\$ 1,094,540</b>	<b>\$ 1,170,614</b>	<b>\$ 1,145,112</b>	<b>\$ 2,365,344</b>	<b>\$ 2,239,652</b>

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,365,344 at June 30, 2023, an increase of \$125,692 from June 30, 2022.

The City's net position reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), net of any related debt (net investment in capital assets) 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 14% of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$(242,886) net deficit is held by the governmental activities and \$283,132 is held by the business-type activities.

Unrestricted net position in the amount of \$40,246, a net position increase of 15,145% from prior year, is the change in resources available to fund City programs to citizens and debt obligations to creditors. The positive increase in unrestricted net position is primarily the result of the increases in sales tax, property tax, investment income, and miscellaneous one-time revenues.

Governmental activities increased the City's net position by \$100,190 to \$1,194,730 for the year ended June 30, 2023.

On the following page is a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2023 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.

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(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 43,087	\$ 41,072	\$ 628,084	\$ 598,474	\$ 671,171	\$ 639,546
Operating grants and contributions	59,368	50,378	4,374	5,866	63,742	56,244
Capital grants and contributions	34,305	38,508	15,483	20,527	49,788	59,035
General revenues:						
Sales taxes	177,722	173,933	-	-	177,722	173,933
Property taxes	84,751	79,790	-	-	84,751	79,790
Other taxes and fees	49,972	47,183	-	-	49,972	47,183
Intergovernmental, unrestricted	467	661	-	-	467	661
Rental and investment income	8,817	(7,613)	11,191	(13,324)	20,008	(20,937)
Miscellaneous	10,331	3,880	10,049	12,639	20,380	16,519
<b>Total revenues</b>	<b>468,820</b>	<b>427,792</b>	<b>669,181</b>	<b>624,182</b>	<b>1,138,001</b>	<b>1,051,974</b>
<b>Expenses:</b>						
General government	34,258	66,937	-	-	34,258	66,937
Public safety	239,744	169,742	-	-	239,744	169,742
Highways and streets	50,588	41,125	-	-	50,588	41,125
Cultural and recreation	50,863	38,885	-	-	50,863	38,885
Interest on long-term debt and fiscal charges	18,598	19,806	-	-	18,598	19,806
Electric	-	-	401,427	349,004	401,427	349,004
Water	-	-	76,475	69,303	76,475	69,303
Sewer	-	-	67,195	59,060	67,195	59,060
Airport	-	-	2,385	1,944	2,385	1,944
Refuse	-	-	32,777	28,449	32,777	28,449
Transportation	-	-	4,808	3,758	4,808	3,758
Public Parking	-	-	5,493	4,566	5,493	4,566
Civic Entertainment	-	-	27,698	21,804	27,698	21,804
<b>Total expenses</b>	<b>394,051</b>	<b>336,495</b>	<b>618,258</b>	<b>537,888</b>	<b>1,012,309</b>	<b>874,383</b>
Increase (decrease) in net position	74,769	91,297	50,923	86,294	125,692	177,591
Extraordinary items	-	-	-	(5,748)	-	(5,748)
Transfers	25,421	34,915	(25,421)	(34,915)	-	-
<b>Changes in net position</b>	<b>100,190</b>	<b>126,212</b>	<b>25,502</b>	<b>45,631</b>	<b>125,692</b>	<b>171,843</b>
<b>Net Position:</b>						
Beginning of year, as previously stated	1,094,540	968,328	1,145,112	1,098,838	2,239,652	2,067,166
Prior period adjustment	-	-	-	643	-	643
Beginning of year, as restated	1,094,540	968,328	1,145,112	1,099,481	2,239,652	2,067,809
<b>End of year</b>	<b>\$ 1,194,730</b>	<b>\$ 1,094,540</b>	<b>\$ 1,170,614</b>	<b>\$ 1,145,112</b>	<b>\$ 2,365,344</b>	<b>\$ 2,239,652</b>

**Governmental Activities** - The total change in net position for governmental activities decreased by \$26.0 million. Key elements of this year's activity in relation to the prior year are as follows:

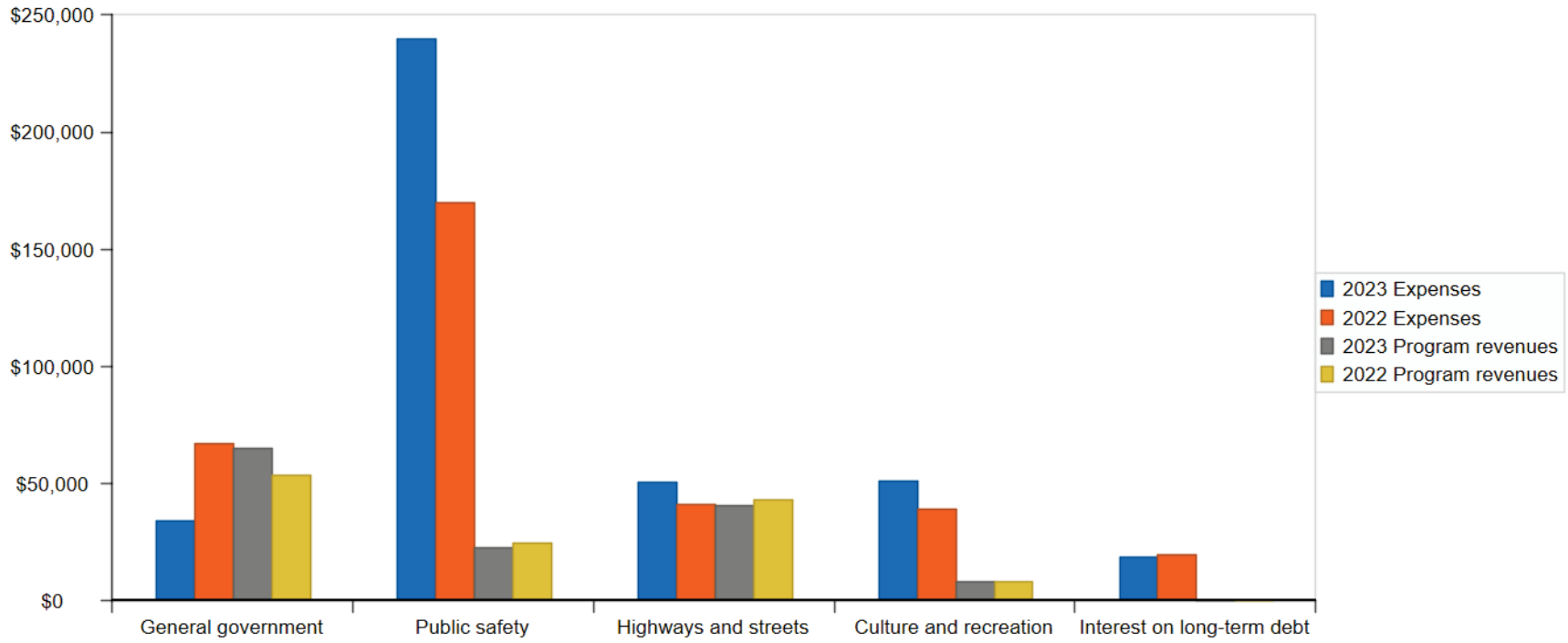
**Revenues:**

- While variances between years exist for the various revenue categories, the total net increase was approximately \$41.0 million or 10%. The increase is largely attributable to the \$3.8 million increase in sales taxes, primarily stemming from increased sales in the categories of autos and transportation; state and county pools; business and industry; and restaurants and hotels. The increase in property taxes of \$5 million was mainly due to increased property values. The increase in investment income of \$16.4 million was primarily due to an economic rebound that produced higher interest earnings on investments. The increase in miscellaneous revenue of \$6.5 million was predominantly from a sale of land from the dissolution of the March Joint Powers Authority for \$3.9 million and a \$2.5 million insurance reimbursement for a fire caused at a vacant City-owned building.

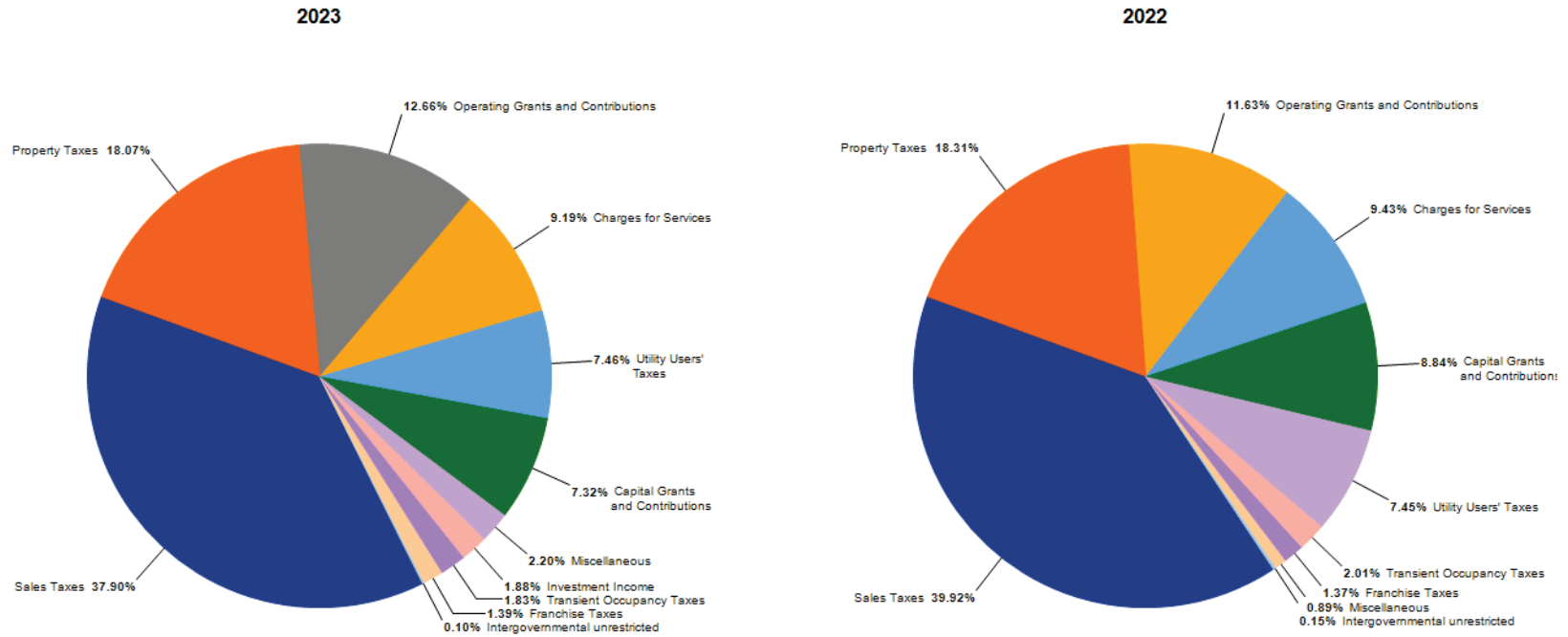
**Expenses:**

- While variances between years exist for the various expense functions, the total net increase was approximately \$57.6 million or 17%. This is primarily related to an increase to personnel related costs of \$67.8 million in public safety; highway and streets; and culture and recreation resulting from the adjustment of the net pension liability in fiscal year 2022-23.

### Program Revenues and Expenses - Governmental Activities - Fiscal Year Comparison 2023 vs. 2022



**Revenues by Source - Governmental Activities - Fiscal Year Comparison 2023 vs. 2022**



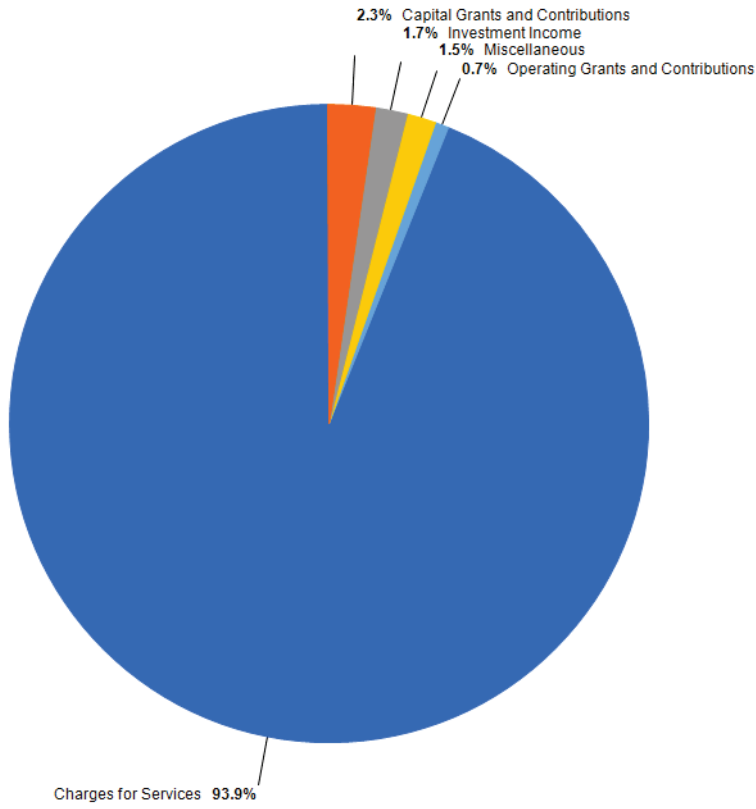
**Business-Type Activities** - Total net position for business-type activities increased by \$25.5 as compared to the prior year. Key elements of this year's activity in relation to the prior year are as follows:

- Charges for services increased from the prior year, resulting in an increase of \$29.6 million or 5%. Electric Fund charges for services increased by \$21.4 million primarily due to an increase in consumption, rate plan increases, and decreased uncollectibles. The Civic Entertainment Fund charges for services increased by \$6.3 million due to an increase in entertainment venue events compared to the prior year.
- Overall expenses increased by \$80.4 million or 14.9%. The Electric Fund, Water Fund, and Sewer Fund had an increase in operating expenses of \$53.7 million, \$6.0 million, and \$8.6 million, respectively, primarily due to an increase in personnel related costs resulting from the adjustment to the net pension liability in fiscal year 2022-23. The Electric Fund production and purchased power expenses increased primarily due to a combination of exceptionally elevated winter natural gas prices and elevated power prices, along with global market disturbances. The Water Fund operating expenses increased primarily due to an increase in personnel related costs resulting from the adjustment to the net pension liability, along with increases in administrative and general operating expenses. The Sewer Fund operating expenses increased primarily due to an increase in personnel related costs resulting from the adjustment to the net pension liability, along with increases in maintenance and operation expenses.

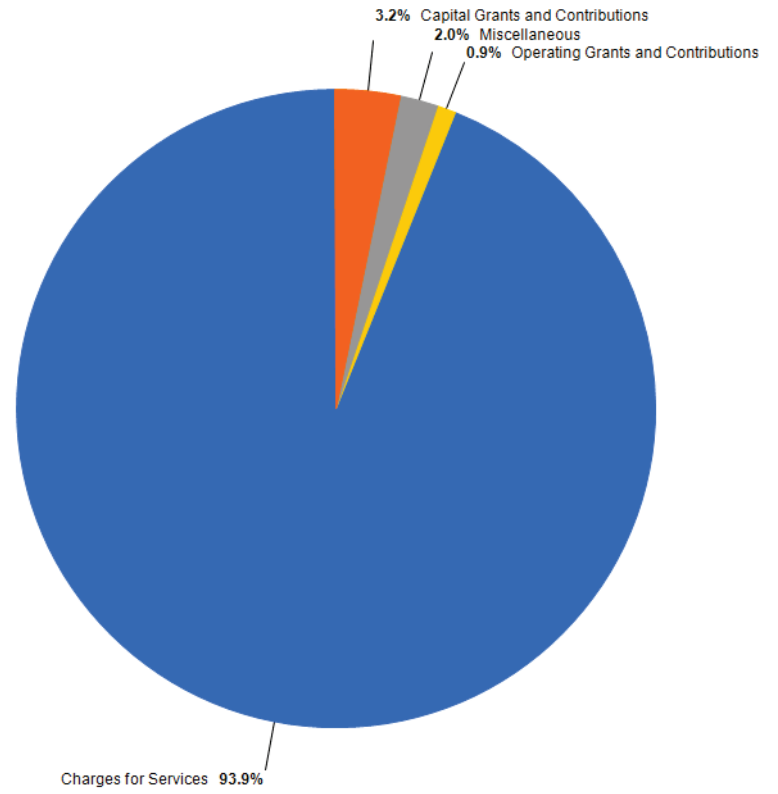


# Revenues by Source - Business-Type Activities - Fiscal Year Comparison

2023



2022



### 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, *unassigned 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 Fund, Capital Outlay Fund, and Non-Major Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

(in thousands)

	General Fund		Capital Outlay Fund		General Debt Service Fund		Non-Major Governmental Funds		Total Governmental Funds	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Assets</b>	<b>\$ 307,324</b>	<b>\$ 280,565</b>	<b>\$ 85,412</b>	<b>\$ 57,636</b>	<b>\$ 15,254</b>	<b>\$ 13,231</b>	<b>\$ 178,867</b>	<b>\$ 201,206</b>	<b>\$ 586,857</b>	<b>\$ 552,638</b>
<b>Liabilities</b>	<b>\$ 41,440</b>	<b>\$ 42,541</b>	<b>\$ 2,457</b>	<b>\$ 4,612</b>	<b>\$ 1,195</b>	<b>\$ 1,552</b>	<b>\$ 69,685</b>	<b>\$ 96,882</b>	<b>\$ 114,777</b>	<b>\$ 145,587</b>
<b>Deferred inflows of resources</b>	<b>12,507</b>	<b>10,806</b>	<b>154</b>	<b>520</b>	<b>-</b>	<b>-</b>	<b>48,669</b>	<b>49,832</b>	<b>61,330</b>	<b>61,158</b>
<b>Fund Balances</b>										
Nonspendable	2,115	2,087	-	-	-	-	1,736	1,495	3,851	3,582
Restricted	32,695	30,715	82,801	52,504	14,059	11,679	58,777	54,212	188,332	149,110
Committed	111,301	82,801	-	-	-	-	-	-	111,301	82,801
Assigned	35,566	41,707	-	-	-	-	-	-	35,566	41,707
Unassigned	71,700	69,908	-	-	-	-	-	(1,215)	71,700	68,693
<b>Total fund balances</b>	<b>253,377</b>	<b>227,218</b>	<b>82,801</b>	<b>52,504</b>	<b>14,059</b>	<b>11,679</b>	<b>60,513</b>	<b>54,492</b>	<b>410,750</b>	<b>345,893</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 307,324</b>	<b>\$ 280,565</b>	<b>\$ 85,412</b>	<b>\$ 57,636</b>	<b>\$ 15,254</b>	<b>\$ 13,231</b>	<b>\$ 178,867</b>	<b>\$ 201,206</b>	<b>\$ 586,857</b>	<b>\$ 552,638</b>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$410,750, an increase of \$64,857 compared to the prior year. Additionally, 1% of the fund balance, or \$3,851, is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. \$188,332, or 46%, of fund balance is *restricted*, which represents the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation, or limitations imposed by creditors or grantors. Committed fund balance of \$111,301, or 27% of the fund balance, was set aside for economic contingencies. Committed for economic contingencies consists of 20% of the 2023-24 General Fund adopted expenditure budget of \$327 million, or \$65,500; \$5,000 for General Fund – Measure Z; \$20,617 for future capital projects; \$15,000 for balancing measures; \$3,000 for technology related projects; \$2,000 for insurance proceeds; and \$184 for public works equipment. \$35,566, or 9%, of fund balance is constrained by the City's intent to utilize fund balance for specific purposes, which is reported within the fund balance classification *assigned*. The remainder of the fund balance, \$71,700, or 17%, is *unassigned*, meaning it is available for spending at the City's discretion including \$47,000 in the Measure Z Fund. The City's governmental funds reported combined total assets of \$586,857 at June 30, 2023, an increase of \$34,219 compared to the prior year. Liabilities and deferred inflows of resources amounted to \$176,107, a decrease of \$30,638 from the prior year.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$253,377, in comparison to \$227,218 in the prior year. The increase in fund balance is primarily due to increase sales taxes of \$3.8 million; property taxes of \$5.0 million; utility users' taxes of \$2.5 million; and rental and investment income of \$9 million. The Capital Outlay Fund is used to account for the acquisition or construction of major capital facilities. The total fund balance was \$82,801, compared to \$52,504 in the prior year. The increase was due to increased transfers in for street and other future capital projects. The General Debt Service Fund accounts for the accumulation of resources and payment of long-term debt principal and interest. The total fund balance was \$14,059, compared to \$11,679 in the prior year. The Non-Major Governmental Funds fund balance was \$60,513, compared to \$54,492 in the prior 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.

The unrestricted net position of the Electric, Water, and Sewer Funds at the end of the year amounted to \$174,199, \$19,375, and \$77,165, respectively. The unrestricted net position for the Electric, Water, and Sewer Funds in the prior year was \$194,443, \$17,675, and \$74,034, respectively. The decrease in unrestricted net position of the Electric Fund \$(20,244) was primarily due to a decrease in operating income mainly as a result of higher power costs and the use of reserves to fund ongoing capital projects and decommissioning trusts, offset by an increase in investment income. The increase in unrestricted net position of the Water Fund in the amount of \$1,700 was primarily attributable to positive operating results, and an increase in investment income. The increase in unrestricted net position for the Sewer Fund totaling \$3,131 is primarily a result of increased investment income.

	Electric		Water		Sewer		Non-Major Enterprise Funds		Total Business-Type Funds	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Assets</b>	<b>\$ 1,239,900</b>	<b>\$ 1,297,992</b>	<b>\$ 731,921</b>	<b>\$ 682,884</b>	<b>\$ 646,557</b>	<b>\$ 657,568</b>	<b>\$ 196,817</b>	<b>\$ 193,171</b>	<b>\$ 2,815,195</b>	<b>\$ 2,831,615</b>
Deferred outflows of resources	45,624	24,943	16,990	9,647	8,309	2,571	6,975	4,487	77,898	41,648
<b>Liabilities</b>	<b>764,935</b>	<b>763,893</b>	<b>335,124</b>	<b>272,013</b>	<b>400,776</b>	<b>403,320</b>	<b>108,911</b>	<b>112,783</b>	<b>1,609,746</b>	<b>1,552,009</b>
Deferred inflows of resources	17,237	53,479	86,374	98,214	1,959	11,145	7,163	13,304	112,733	176,142
<b>Net position</b>										
Net investment in capital assets	254,990	246,698	295,560	293,641	167,469	163,884	72,825	70,246	790,844	774,469
Restricted	74,163	64,422	12,478	10,988	7,497	7,756	2,500	2,500	96,638	85,666
Unrestricted/(deficit)	174,199	194,443	19,375	17,675	77,165	74,034	12,393	(1,175)	283,132	284,977
<b>Total net position</b>	<b>\$ 503,352</b>	<b>\$ 505,563</b>	<b>\$ 327,413</b>	<b>\$ 322,304</b>	<b>\$ 252,131</b>	<b>\$ 245,674</b>	<b>\$ 87,718</b>	<b>\$ 71,571</b>	<b>\$ 1,170,614</b>	<b>\$ 1,145,112</b>

## General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance to Final Budget Positive (Negative)
<b>Revenues</b>	<b>\$ 318,356</b>	<b>\$ 341,329</b>	<b>\$ 352,492</b>	<b>\$ 11,163</b>
<b>Expenditures:</b>				
Current:				
General government	24,767	37,047	16,703	20,344
Public safety	212,351	230,696	207,820	22,876
Highways and streets	24,371	28,840	21,274	7,566
Culture and recreation	35,766	41,710	36,259	5,451
Capital outlay	3,357	22,143	16,815	5,328
Debt service	-	-	2,331	(2,331)
<b>Total expenditures</b>	<b>300,612</b>	<b>360,436</b>	<b>301,202</b>	<b>59,234</b>
Excess/(deficiency) of revenues over/(under) expenditures	17,744	(19,107)	51,290	70,397
<b>Other Financing Sources/(Uses):</b>	<b>(18,914)</b>	<b>(33,790)</b>	<b>(25,131)</b>	<b>8,659</b>
Net change in fund balance	(1,170)	(52,897)	26,159	79,056
<b>Fund Balance:</b>				
Beginning of year	227,218	227,218	227,218	-
<b>End of year</b>	<b>\$ 226,048</b>	<b>\$ 174,321</b>	<b>\$ 253,377</b>	<b>\$ 79,056</b>

The reason for the increase in final budgeted revenues compared to the Original Budget is primarily due to an \$18.6 million budget adjustment for updated sales and use tax revenue projections and other mid-year updates to revenue projections based on prior year actuals and trend data. The Final Budget for expenditures is higher than the Original Budget due to prior year encumbrances and carryovers totaling \$42.3 million as well as supplemental appropriations approved by the City Council during the fiscal year. Supplemental appropriations in expenditures and other financing sources/uses (in the form of transfers out) leveraged higher revenue projections and personnel savings to fund an additional \$12.6 million in street and other capital projects; \$18.7 million in the projected fiscal impact from revisions to various labor memorandums of understanding and employees' compensation and benefits packages; a \$5 million transfer to the Refuse Fund for the purchase of capital equipment; a \$2 million transfer to the Public Parking Fund to address deferred maintenance needs; and other miscellaneous budget adjustments. Also included in the other financing sources/uses is a \$15.9 million transfer in for revenue replacement funds from the American Rescue Plan Act.

Actual revenues exceeded Final Budget projections due to higher-than-anticipated revenues from numerous sources, such as property tax and interest earnings, and due to unbudgeted revenues, including an insurance reimbursement (\$2.5 million) and land sale (\$3.9 million). Actual expenditures were less than final budgeted amounts by approximately \$59.2 million. This is primarily attributable to fiscal year-end encumbrances totaling \$16.8 million; \$17.2 million in personnel savings due to recruitment and hiring challenges experienced by the City alongside the increase in appropriations for employees' compensation and benefits packages; and other unexpended funds at fiscal year-end, some of which are expected to be carried over to the next fiscal year.

### Capital Assets and Debt Administration

**Capital Assets** - The City's capital assets for governmental and business-type activities as of June 30, 2023 amounted to \$3,298,912 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The City's net capital assets for the current fiscal year decreased by \$5,708, comprised of an increase of \$10,815 for governmental activities and a decrease of \$16,523 for business-type activities primarily caused by depreciation expense exceeding capital asset additions.

Major capital improvements during the current fiscal year included ongoing projects for governmental activities consisting primarily of roads of \$30.3 million; purchase of vehicles, trailers and/or heavy equipment (\$3.7 million); and storm drains of \$2.5 million. Capital improvements in business-type activities included \$25.5 million in Electric Utility capital improvements primarily related to transformer replacements, improvements to communications network, underground improvements, metering infrastructure, and major streetlight projects; and \$16.3 million in Water Utility projects primarily related to main replacements, system expansion, transmission pipelines, distribution facilities, and water well projects.

Additional information on the City's capital assets can be found in Note 5 on page 49 of this report.

**City of Riverside's Capital Assets**  
(net of depreciation)  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 383,379	\$ 376,787	\$ 103,456	\$ 100,111	\$ 486,835	\$ 476,898
Construction in progress	51,002	52,051	131,870	128,123	182,872	180,174
Buildings	102,405	106,726	451,277	465,740	553,682	572,466
Improvements other than buildings	94,884	103,649	1,209,419	1,216,016	1,304,303	1,319,665
Machinery and equipment	31,193	32,060	32,712	32,994	63,905	65,054
Intangibles	-	-	29,565	31,838	29,565	31,838
Infrastructure	677,750	658,525	-	-	677,750	658,525
<b>Total</b>	<b>\$ 1,340,613</b>	<b>\$ 1,329,798</b>	<b>\$ 1,958,299</b>	<b>\$ 1,974,822</b>	<b>\$ 3,298,912</b>	<b>\$ 3,304,620</b>

**Lease and Subscription Assets** - The City's investment in lease and subscription assets for governmental and business-type activities as of June 30, 2023 amounted to \$3,404 (net of accumulated amortization). The lease and subscription assets investment includes land, buildings, machinery and equipment, and subscription-based information technology arrangements (SBITA).

Additional information on the City's lease and subscription assets can be found in Note 5 on page 49 of this report.

**City of Riverside's Lease and Subscription Assets**  
(net of amortization)  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ -	\$ -	\$ 163	\$ 238	\$ 163	\$ 238
Buildings	398	617	199	273	597	890
Machinery and equipment	290	435	189	267	479	702
SBITA	2,078	-	87	-	2,165	-
<b>Total</b>	<b>\$ 2,766</b>	<b>\$ 1,052</b>	<b>\$ 638</b>	<b>\$ 778</b>	<b>\$ 3,404</b>	<b>\$ 1,830</b>

**Long-term debt** - At the end of the current fiscal year, the City had total debt outstanding of \$1,954,665 which includes bonded debt of \$1,768,632.

**City of Riverside's Long-Term Debt**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Lease revenue bonds	\$ 65,093	\$ 68,855	\$ 6,168	\$ 6,625	\$ 71,261	\$ 75,480
General obligation bonds	3,411	4,987	-	-	3,411	4,987
Pension obligation bonds	321,413	338,264	103,705	110,718	425,118	448,982
Certificates of participation	80,584	85,477	24,582	25,912	105,166	111,389
Revenue bonds	-	-	1,163,676	1,139,100	1,163,676	1,139,100
Notes payable	-	-	55,070	59,948	55,070	59,948
Contracts payable	-	-	933	933	933	933
Financed purchased	19,230	22,294	1,476	2,176	20,706	24,470
Compensated absences	31,425	29,994	12,084	11,855	43,509	41,849
Claims and judgments	53,112	78,790	-	-	53,112	78,790
Landfill capping	-	-	9,425	9,820	9,425	9,820
Lease liability	699	1,060	563	787	1,262	1,847
SBITA liability	1,930	-	86	-	2,016	-
<b>Total</b>	<b>\$ 576,897</b>	<b>\$ 629,721</b>	<b>\$ 1,377,768</b>	<b>\$ 1,367,874</b>	<b>\$ 1,954,665</b>	<b>\$ 1,997,595</b>

The City's total debt decrease by \$44,361 or 51.3% during the current fiscal year. The net decrease is primarily related to payments on long-term debt.

The City's Water Utility maintains "AA+" and "AA+" ratings from S&P Global Ratings and Fitch, respectively, for their revenue bonds, while the Electric Utility maintains "AA-" ratings from both rating agencies for fixed rate bonds. The City's general obligation bond ratings from S&P Global Ratings and Fitch 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 limit was \$967,896 at June 30, 2023, which applies only to general obligation debt. At June 30, 2023, the City had \$3,411 of general obligation debt, resulting in available legal debt capacity of \$964,485.

Additional information on the City's long-term debt can be found in Note 9 beginning on page 55 of this report.

**Economic Factors and Next Year's Budget**

The City has experienced a 30% increase in the City's sales tax base since fiscal year 2018-19 as consumers changed their spending habits during the pandemic. This one-time anomaly provided a new foundation for future sales tax projections in the General Fund and allowed the City to fund new salary and benefit packages negotiated for City employees, as well as reserve funding for future infrastructure and technology needs. However, inflationary pressures are expected to influence the City's financial landscape in the coming fiscal year, impacting both income and expenditures. Inflation is driving up costs in all City funds in areas such as personnel, supplies, purchased services, and capital investments. In addition to inflation, unemployment, which increased from 3.8% last year to 4.5% this year, is expected to lead to a reduction in sales tax and other City revenues as consumers cut back on discretionary spending.

Rising retirement costs continue to have a significant impact on the City's long-term financial stability. CalPERS investment returns have fluctuated significantly over

the last ten years, leading to swings in funding levels reported in CalPERS actuarial reports and projected payments toward the unfunded accrued liability (UAL). The CalPERS discount rate, comparable to an assumed annual rate of return, is 6.8%. As of June 30, 2023, CalPERS reported a preliminary net return of 5.8% on its investments for the 12-month period ending June 30, 2023. The preliminary 5.8% net investment return stands in contrast to the prior fiscal year, when global financial volatility led to the fund's first negative (6.1%) return since the Great Recession. As of June 30, 2023, total fund annualized returns for the 5-year period stood at 6.1%, the 10-year period at 7.1%, the 20-year period at 7.0%, and the 30-year period at 7.5%.

CalPERS transitioned to collecting employer contributions for the plan's unfunded liability as fixed dollar amounts effective on July 1, 2018, moving away from the previous method that combined a contribution rate with the normal cost rate. Additionally, in the fiscal year 2019-20, the City issued a pension obligation bond to help reduce future pension contributions. The fiscal year 2023-24 required unfunded liability contribution and funded status as reported in the Annual Valuation Report as of June 30, 2021 were informed by fiscal year 2020-21 CalPERS investment returns of 21.3%. The negative CalPERS investment return of 6.1% in fiscal year 2021-22 caused a swing in the unfunded accrued liability contribution and funded status as reported in the Annual Valuation Report as of June 30, 2022:

Annual Valuation Report as of June 30, 2021	Annual Valuation Report as of June 30, 2022
Miscellaneous Plan <ul style="list-style-type: none"> <li>• Unfunded Liability Payment: \$0</li> <li>• Funded Status: 104.3%</li> </ul>	Miscellaneous Plan <ul style="list-style-type: none"> <li>• Unfunded Liability Payment (Prepayment option): \$4,929</li> <li>• Funded Status 89.9%</li> </ul>
Safety Plan <ul style="list-style-type: none"> <li>• Unfunded Liability Payment (Prepayment option): \$9,967</li> <li>• Funded Status: 99.6%</li> </ul>	Safety Plan <ul style="list-style-type: none"> <li>• Unfunded Liability Payment (Prepayment option): \$10,645</li> <li>• Funded Status: 86.4%</li> </ul>

Recognizing the anomalous investment returns of fiscal year 2020-21, the City did not eliminate the budgeted UAL payments during the amendment of the fiscal year 2023-24 budget, but rather shifted those budgeted payments to the Section 115 Trust for the long-term management of rising pension costs. The Section 115 Trust will aid the City in mitigating the impact of rising pension costs in future years and ensuring maintenance of City service levels.

On June 21, 2022, the City Council adopted the City's Fiscal Year 2022-24 Biennial Budget. Within the adoption, the fiscal year 2023-24 citywide budget totaled \$1.32 billion in funding for citywide operations, including \$115.2 million for capital projects. On June 27, 2023, the City Council adopted an amended Fiscal Year 2023-24 budget totaling \$1.38 billion for citywide operations, including \$140.5 million for capital projects. The amended fiscal year 2023-24 General Fund budget, excluding Measure Z, represents a 6.9% increase over the adopted fiscal year 2022-23 budget. The increase is primarily attributable to rising personnel costs resulting from negotiated increases in employee salary and benefit packages and the addition of 41.75 full-time equivalent positions, as well as program expansions in various City departments.

**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 Finance Department, 3900 Main Street City of Riverside, California 92522.