

CITY OF
RIVERSIDE

POPULAR ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

Riverside, California



Dear Reader,

The City of Riverside is pleased to present our Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2022. Our PAFR provides an overview of the City's financial position in a manner that is easy to understand. The information in this report is based on the audited results presented in the City's Annual Comprehensive Financial Report (ACFR). This report also includes information about the City's economic outlook and organizational outstanding debt structure.

It is important to note, this PAFR is unaudited and is presented on a non-GAAP basis*. This means that the presentation of financial data in this report differs from the GAAP basis presentation in the City's ACFR. The differences are as follows: the use of prescribed accounting methods and financial statement formats; the presentation of segregated funds; and the disclosure of all material financial and non-financial matters in notes to the financial statements.

We hope that you find this report helpful and encourage you to access the City's website (www.RiversideCA.gov/Finance) or contact the Finance Department at (951) 826-5660 for more detailed information about the City's finances.

Sincerely,

Edward Enriquez
Chief Financial Officer/City Treasurer

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* Generally Accepted Accounting Principles (GAAP) is a combination of authoritative standards and the commonly accepted way of recording and reporting accounting information. To review the audited GAAP-based, full disclosure financial statements, please refer to the City's ACFR, which is available on the City's website at www.RiversideCA.gov/Finance/

ABOUT THE CITY AND ITS LEADERSHIP

The City of Riverside operates under the council-manager form of government. Under this organizational structure, the City Council appoints a City Manager to act as the Chief Operating Officer. The City Council sets policy direction and the City Manager implements those policies. The Mayor is elected at-large, while Council members are elected by voters in each of seven separate wards. The Mayor shall be the presiding officer at all meetings of the City Council and shall have a voice in all its proceedings but shall not vote except to break a City Council tie-vote. The Mayor shall be the official head of the City for all ceremonial purposes.



The City of Riverside, incorporated on October 11, 1883, is in the western portion of Riverside County, about 60 mile east of Los Angeles. The City currently occupies a land area of 81.5 square miles.

The City is a part of Inland Southern California, which consists of Riverside and San Bernardino Counties (the "MSA"). The population of Inland Southern California, at approximately 4.6 million, is larger than 25 states. The population of the City is 317,847 which places it as the 12th largest in California.



12th
largest city in
California

65th

largest incorporated city in **the United States** by population

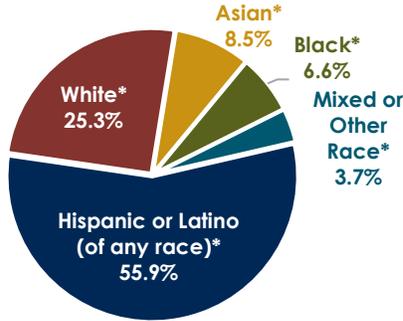


CITY DEMOGRAPHICS AND KEY STATISTICS

CITY DEMOGRAPHICS



Median Sale Price in Riverside
 Source: Redfin calculations of home data from MLS and/or public records October 2022



Average Household Size: 3.29*

Unemployment Rate: 3.2%

Source: September 2022 U.S. Bureau of Labor Statics



31.2% of the Population 25 years & over have a college degree*
 (Associates, Bachelor's, Graduate/Professional)



Median Age: 32.9*

2021 Estimated Population 317,847

Source: California Department of Finance



Average Household Income: \$95,658*

* Source: United States Census Bureau, 2021 American Community Survey 1-Year Estimates – Most recent data available at time of publication

CITY KEY STATISTICS

Police

- 4 Police Stations & 1 Police Substations
- 604 Police Personnel (Sworn & Non-Sworn)

Fire

- 14 Fire Stations
- 1 Training Facility
- 250 Fire Personnel
- 38,801 Calls Answered

Culture & Recreation

- 8 Library Branches
- 2,988 Acres of Parks
- 43 Playgrounds & 44 Softball/Baseball Diamonds
- 12 Community Centers

Public Works

- 30,489 Streetlights
- 891.17 Streets (miles)
- 17.35 Street Resurfacing (miles)

WHAT'S NEW: FINANCIAL HIGHLIGHTS

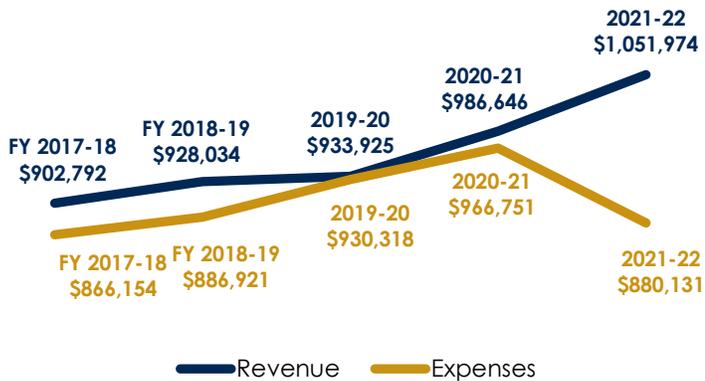
Overall, the City as a whole has seen revenue increasing and expense reductions. For the year ended June 30, 2022, revenue exceeded expenses by nearly \$171.8 million. This had a positive impact on the City's overall financial position. This was primarily attributed to increase in Sales Tax revenue (\$24M), ARPA grant received (\$73.5M) with minimal associated expenses, and a decrease in expenses due to the elimination of the CalPERS net pension liability (\$74M).

\$309.1 Million
General Fund
2021-22 Budget
Final Budget*

\$305.7 Million
General Fund
2022-23 Budget
Original Budget*

FIVE-YEAR REVENUES VS EXPENSES – CITYWIDE

In thousands of dollars



Long-Term Financial Planning

On June 21, 2022, the City Council adopted the City's 2022-2024 Biennial Budget. For Fiscal Year 2022-23 it's comprised of \$1.4 billion in funding for citywide operations including \$163 million for capital projects. The Biennial Budget embraces the concepts of Priority Based Budgeting (PBB) that align City resources with the strategic priorities outlined in the Envision Riverside Strategic Plan 2025.

*excludes Measure Z spending



2,576.91 Full-Time Equivalent
City Employees providing services to
the community



1 Priority Based Budgeting Strategy
implementation process progressing.



1 General Fund Reserve aspiration
goal of 20% of expenditures
reaffirmed by City Council and met
(\$61 million).



\$74 million decrease in expenses
due to the reduction of the CalPERS net
pension liability.

Strategic Smoothing of Pension Related Obligations

The unfunded accrued liability (UAL) payment schedule per the CalPERS actuarial report and the pension obligation bond (POB) payment schedule were analyzed to determine optimal Section 115 Trust contributions and withdrawals to smooth the fiscal impact of the pension payment obligations. This is important because the City's UAL payments are based on CalPERS investment returns. These returns are expected to be volatile over the next decade. The proposed smoothing will result in level payments annually for 12 years beginning Fiscal Year 2024/25. The combination of current reserves and proposed contributions will build the Section 115 Trust Fund to a balance of approximately \$40 million which is projected to be sufficient to smooth the projected volatility of UAL payment requirements.



American Rescue Plan Act (ARPA)

On March 11, 2021, President Biden passed the \$1.9 trillion American Rescue Plan Act (ARPA). The ARPA established the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund, which provide assistance to eligible state, local, territorial, and Tribal governments to assist in the recovery from economic and health impacts of the COVID-19 pandemic. The City received one-time funding of approximately \$73.5 million from ARPA with the first installment of \$36.7 million received in June 2021 and \$36.8 million received in June 2022. The City may use the funds to best support the needs of the community providing the use of the funds aligns with statutory categories. For more information about the City's plan for ARPA spending, please visit:

www.riversideca.gov/citymanager/arpa

THE CITY'S FINANCIAL POSITION

The Statement of Net Position financial statement presents information about the City's assets, liabilities, deferred outflows (e.g., prepaid items), and deferred inflows (e.g., advance collections). The City's net financial position is the balance of all assets and deferred outflows, less all liabilities and deferred inflows. 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. For the fiscal year ended June 30, 2022, the City's net position improved by \$172.5 million.

STATEMENT OF NET POSITION – ALL FUNDS

In thousands of dollars

City Assets – What We Own	2021	2022
Current Assets consisting mainly of cash and amounts owed to the City	\$1,227,474	\$1,567,526
Net Capital Assets consisting primarily of buildings, equipment, and vehicles	3,313,464	3,306,450
TOTAL CITY ASSETS	\$4,540,938	\$4,873,976
Deferred Outflows of Resources, positive effect on Net Position	171,049	109,078
Total City Assets and Deferred Outflows	\$4,711,987	\$4,983,054
City Liabilities – What We Owe	2021	2022
Current Liabilities consisting of all amounts the City owes	\$169,564	\$218,480
Non-Current Liabilities consisting of long-term debt owed, including pension obligations	2,464,963	2,144,757
TOTAL CITY LIABILITIES	\$2,634,527	\$2,363,237
Deferred Inflows of Resources, negative effect on Net Position	10,294	380,165
Total City Liabilities and Deferred Inflows	\$2,644,821	\$2,743,402
CITY NET FINANCIAL POSITION	\$2,067,166	\$2,239,652



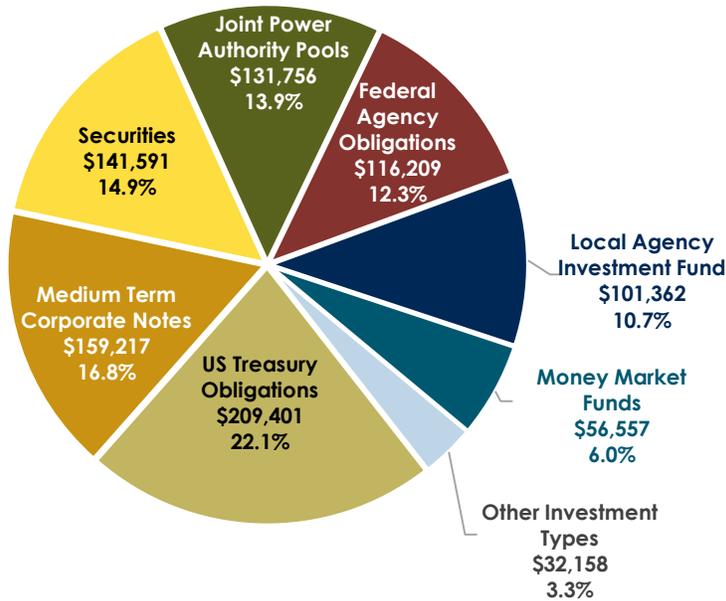
THE CITY'S ASSETS AND INVESTMENTS

INVESTMENT MANAGEMENT AND FUNDS ALLOCATION

The prioritized objective of the City's investment program is to preserve principal, ensure enough liquidity, and generate a market rate of return. The City's investments comply with California Government Code Section 53601 guidelines for permissible investment types and limits. In addition, all investments comply with the City Council's adopted investment policy which mitigates the City's risk. The chart below reflects the types of investments held by the City or its Fiscal Agent as of June 30, 2022.

INVESTMENT TYPE • \$948,251

In thousands of dollars



0.82 %
June 2021

1.23 %
June 2022

Average Purchase Yield to Maturity

Yield to maturity is the total return of investment anticipated on a bond if the bond is held until it matures. This figure is expressed as an annual rate. Based on information prepared by the City's investment consultant at year-end, the City's average purchase yield to maturity increased significantly when compared to the previous year.

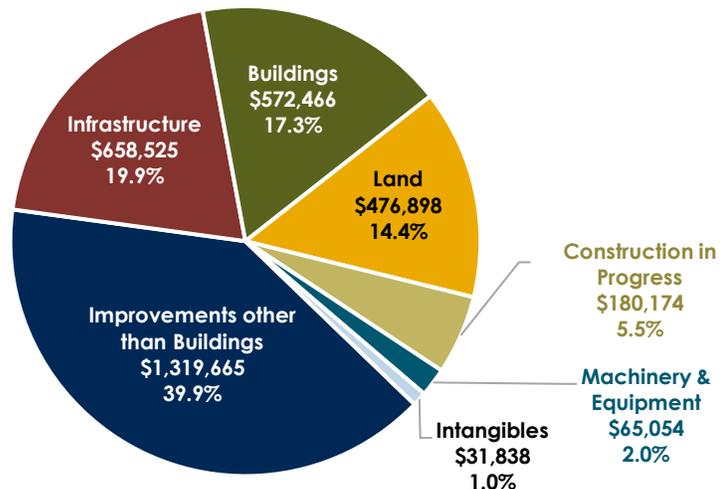
CAPITAL ASSETS, NET OF DEPRECIATION

\$3,302,790

(In thousands of dollars)

The City's capital asset investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital improvements included projects for road (\$22.5 million), storm drains (\$8.6 million), Youth Innovation Center (\$7.1 million), water utility (\$15.2 million), electric utility capital improvements (\$26.4 million) and The Cheech Marin Center (\$11 million).



To review more comprehensive information about the City's funds in the audited GAAP-based, full disclosure financial statements, please refer to the City's ACFR which is available on the City's website at www.RiversideCA.gov/Finance/

WHAT THE CITY OWES

As of June 30, 2022, the City had outstanding long-term bonded debt totaling \$1.8 billion. A five-year history of the long-term debt for governmental and business-type activities is below.

Long-Term Bond Debt Outstanding*

In thousands of dollars

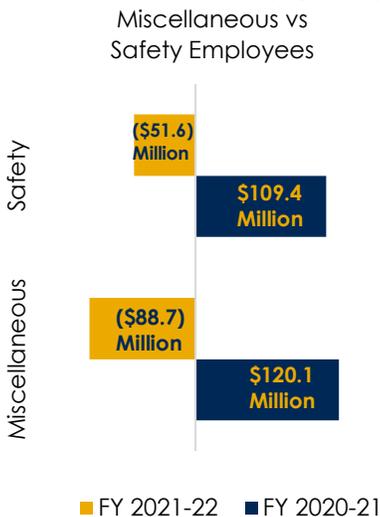


*Excludes debt issued by the City that is not a financial obligation of the City such as Fiduciary Funds.

The City issues bonds to support spending for construction, capital asset purchases and improvements and unfunded pension liability.

Water, Electric, and Sewer Revenue Bonds \$1,139.1 million	Issued to acquire, purchase, construct, or improve major capital facilities. The revenue generated by the facility or activity supporting the facility is pledged as security for the repayment of debt.	
Certificates of Participation \$111.4 million	Used as a lease-purchase financing mechanism for public buildings such as the Convention Center.	
Pension Obligation Bonds \$449.0 million	Used to pay some of the pension plan's unfunded pension liability. The City's net pension asset as of June 30, 2022, was \$140.3 million.*	
Lease Revenue Bonds \$75.5 million	Used to finance public improvements such as City Hall, Galleria at Tyler, Police Patrol Center and a Main Library Project.	
General Obligation Bonds \$5.0 million	Issued for the construction or acquisition of major capital assets. The security pledged for the bonds is the general taxing power of the government.	

Net Pension Liability/(Asset)*

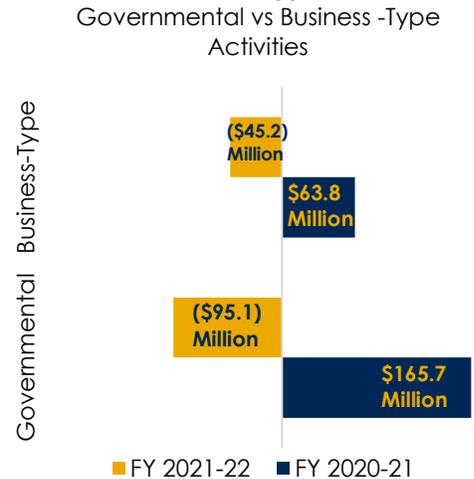


The largest impact to the City's long-term financial stability relates to the increase in pension costs from CalPERS. In Fiscal Year 2021-22, the City has a net pension asset instead of a liability. This means the present value of pension assets is greater than the projected pension obligations.**

For more information about how the City is handling the CalPERS challenge, please visit:

www.Riversideca.gov/CityManager/CalPERSChallenge

Net Pension Liability/(Asset)* by Fund Type



*Based on Governmental Accounting Standards Board Pronouncement No. 68 Generally Accepted Accounting Principles reporting requirements which differs from the annual CalPERS actuarial report which contains information regarding the current financial status of the City's retirement plans and employer funding requirements.

**At June 30, 2021, CalPERS net return on investment was 21.3% creating a net pension asset in FY 2021-22. At June 30, 2022, CalPERS preliminary net return on investment was a loss of 6.1% which can potentially cause a net pension liability in FY 2022-23.

STATEMENT OF ACTIVITIES

The Statement of Activities presents the City's revenue and expenses in a format that reflects the financial burden for each of the City's functions. All changes are reported as soon as the underlying event for the change occurs, regardless of the timing of the related cash flow.

For the fiscal year ended June 30, 2022, the City's governmental and business activities resulted in an increase of net position totaling more than \$172.5 million. The table below provides an overview of the effect of the City's functions on its net financial position.

STATEMENT OF ACTIVITIES – ALL FUNDS

In thousands of dollars

Program Revenue	2021	2022
Charges for services	\$589,373	\$639,546
Operating grants and contributions	68,381	56,244
Capital grants and contributions	40,557	59,035
Total Program Revenue	\$698,311	\$754,825
General Revenue and Net Transfers	2021	2022
Sales Tax	\$150,321	\$173,933
Property Tax	71,986	79,790
Utility Users Tax	30,577	32,464
Franchise Tax	5,527	5,955
Transient Occupancy Tax	5,801	8,764
Intergovernmental, unrestricted	499	661
Rental and Investment Income	5,650	(20,937)*
Miscellaneous and Transfers, net	18,575	16,519
Total General Revenue and Net Transfers	\$288,936	\$297,149
TOTAL PROGRAM, GENERAL REVENUES, AND NET TRANSFERS	\$987,247	\$1,051,974
Program Expenses	2021	2022
General Government	\$97,927	\$66,937
Public Safety	219,136	169,742
Highways and Streets	42,034	41,125
Culture and Recreation	37,693	38,885
Interest on Long-Term Debt and Fiscal Charges	19,083	19,806
Electric	366,165	354,752
Water	71,738	69,303
Sewer	61,029	59,060
Refuse	28,428	28,449
Civic Entertainment	11,885	21,804
Other Business-Type Activities	11,633	10,268
TOTAL PROGRAM EXPENSES	\$966,751	\$880,131
INCREASE IN NET POSITION	\$20,496	\$171,843
Net Position	2021	2022
Net Position, beginning of year, as previously stated	\$1,966,386	\$2,067,166
<i>Prior period adjustment**</i>	80,284	643
<i>Add increase in net position</i>	20,496	171,843
NET POSITION, ENDING	\$2,067,166	\$2,239,652

*Negative revenue was due to investments adjusted to fair market value at June 30, 2022.

**A prior period adjustment was made for Fiscal Year 2020-21 to land and infrastructure additions due to a change in calculation of street mileage from a system upgrade. For Fiscal Year 2021-22, the adjustment was made to the Sewer Enterprise Fund for previously expensed items that should have been included as inventory.

CITY VISION, ACTIVITIES AND SPENDING

The City of Riverside is committed to providing high quality municipal services to ensure a safe, inclusive, and livable community.

The City provides a full range of services which include general government, public safety, highway and street maintenance, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation.

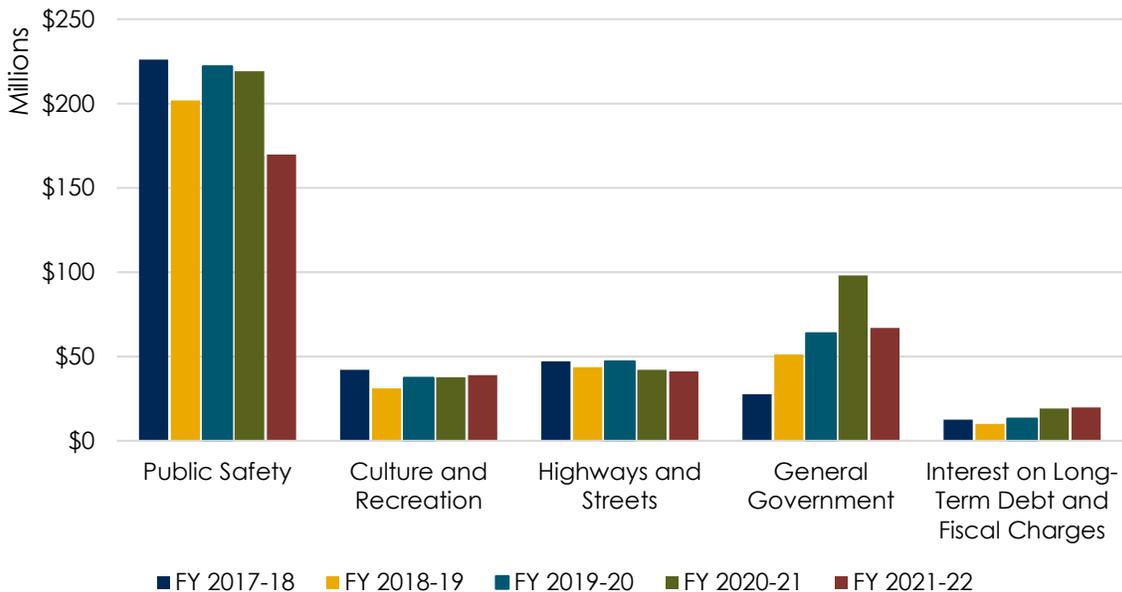


SPENDING: GOVERNMENTAL ACTIVITIES

The City's governmental activities include general government, public safety, highways and streets, and culture and recreation. These activities are principally supported by general revenue including taxes and investment income. The table below reflects a five-year history of spending for these activities.

FIVE-YEAR SPENDING HISTORY – GOVERNMENTAL

In thousands of dollars



Public Safety expenditures reflect the costs associated with providing police and fire services to residents and visitors. Expenditures decreased significantly in FY 2021-22 due to the elimination of the net pension liability.

Culture and Recreation expenditures enrich the quality of life in Riverside through recreational and cultural activities as well as support the educational and informational needs of the community.

Highways and Streets expenditures are related to the design, construction, maintenance, and operation of public facilities and infrastructure within the City.

General Government expenditures are for the administration offices, including the Mayor, City Council, City Manager, City Attorney, City Clerk, Community Development, Finance, General Services, Human Resources, and Innovation Technology.

Interest on Long-Term Debt and Fiscal Charges expenditures are for the interest expense and fiscal charges associated with debt financing.

GOVERNMENTAL ACTIVITY: FINANCIAL HIGHLIGHTS

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be recorded in another fund. Fund balance highlights are below.

FUND BALANCE OVERVIEW – GENERAL FUND

Excludes Measure Z Activity

(In thousands of dollars)

FY 2021-22 Fund Balance

\$137,773



Non-Spendable
(e.g., Deposits & Inventory)

\$1,901



Committed (Fund use
determined by formal Council
or Board Approval)

\$77,801



Unassigned
(Available for Use)

\$28,820



Restricted (Fund use
restricted for a specific
purpose)

\$19,423



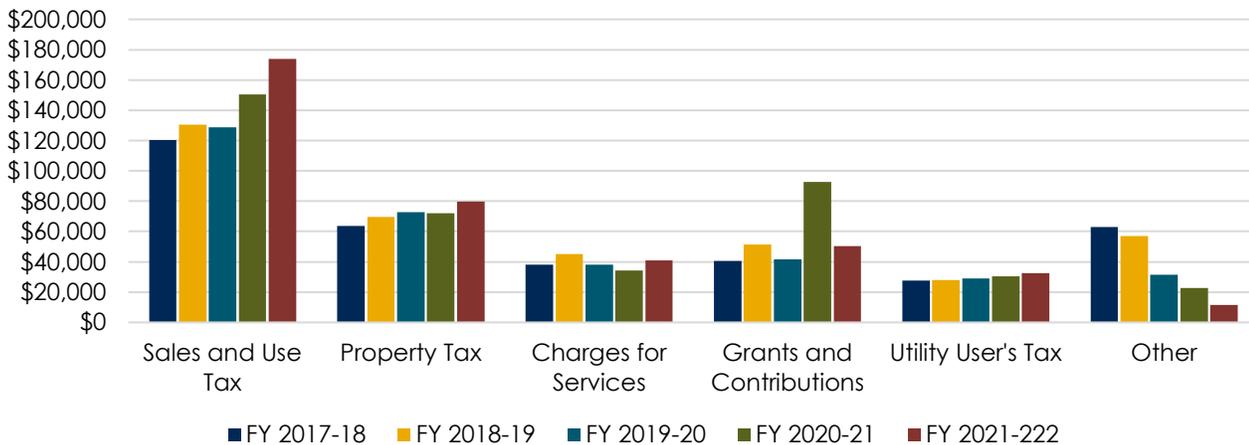
Assigned (Fund use intended
for a specific purpose)

\$9,828

Functions of the City can be separated into two categories, those that are principally supported by taxes and intergovernmental revenues (governmental activities) and those that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

FIVE-YEAR REVENUE HISTORY – GOVERNMENTAL

In thousands of dollars



Sales and Use Tax – consumable tax placed on retail sales, leases or rentals of most goods, and any taxable services as mandated.

Property Tax – legally enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10.

Charges for Services – revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the service.

Grants and Contributions (operating and capital) – revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Utility User's Tax – 6.5% usage tax on landline telephone, electricity, gas, water, and cable. The tax is collected by the utility company as part of its regular billing procedure and then remitted to the City.

Other – consists of transit occupancy tax, franchise fees, and investment income.

MEASURE Z REVENUE AND SPENDING

In May 2017, the City began receiving revenue for the Measure Z additional one-cent sales and use tax authorized by voters during the November 2016 election. In Fiscal Year 2021-22, the City received \$83.7 million in Measure Z revenue. Unspent revenue will be used for approved purposes in future fiscal years.



FUNDED BY
MEASURE Z

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE MEASURE Z

In thousands of dollars

Measure Z - Revenue	
Taxes	\$83,157
Rental and Investment Income	551
Miscellaneous	1
Total Revenue	\$83,709
Measure Z - Expenditures	
Current:	
General Government	1,923
Public Safety	23,028
Highways and Streets	983
Culture and Recreation	986
Capital Outlay	1,312
Total Expenditures	\$28,232
Excess of Revenues Over Expenditures	\$55,477
Measure Z - Other Financing Sources (Uses)	
Transfers in	\$11,292
Transfers out	(18,430)
Transfers in/(out) to General Fund*	(18,266)
Total Other Financing Sources (Uses)	(\$25,404)
INCREASE IN MEASURE Z BALANCE	\$30,073
Measure Z - Net Position	
Net Change in Fund Balance	\$30,073
<i>Fund Balance, Beginning of Year</i>	59,372
FUND BALANCE, END OF YEAR	\$89,445

* Measure Z funds are within the General Fund. Per accounting standards, transfers within the same fund are not reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances; however, General Fund transfers are reflected in this schedule for transparency purposes.

BUSINESS-TYPE ACTIVITIES: FINANCIAL HIGHLIGHTS

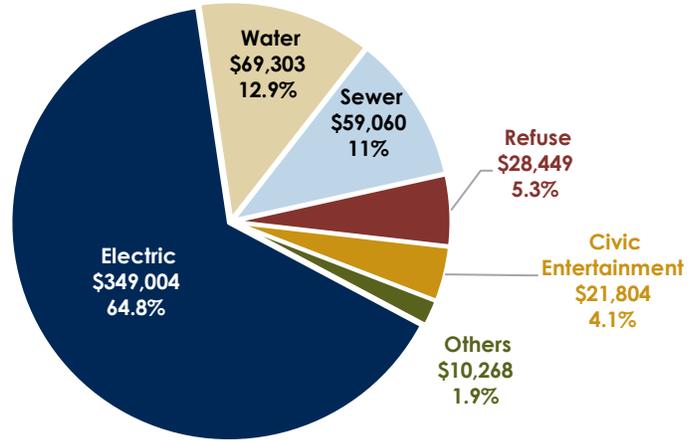
EXPENSES: BUSINESS-TYPE ACTIVITIES

The business-type activities of the City include Electric, Water, Sewer, Civic Entertainment and Others (Refuse, Public Parking, Airport, and Transportation services).

2022 SPENDING – BUSINESS-TYPE ACTIVITIES

(In thousands of dollars)

Electric is the largest business-type function in the City with \$349 million in spending during Fiscal Year 2021-22. Water and Sewer business activities have the next largest level of spending with more than \$128.4 million during the fiscal year (\$69.3 million and \$59.1 million, respectively).



The Electric Fund accounts for the activities of the City's electric distribution operations. To give an overview of the overall financial health of the fund, a five-year history of the fund balance is below. The total includes non-spendable assets and funds that are restricted for specific purposes. Fund balance does not reflect funds available for new electric distribution operations spending.



FUND BALANCE – ELECTRIC FUND

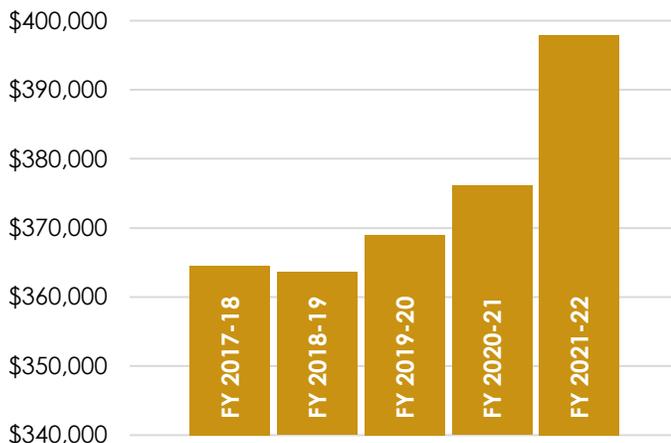
In thousands of dollars



17.71 average price (cents/kWh) per residential customer

CHARGES FOR SERVICE - ELECTRIC

In thousands of dollars



112,328 Active Electric Meters - includes Residential, Commercial, and Industrial



468.50 employee positions approved to provide Electric – related services

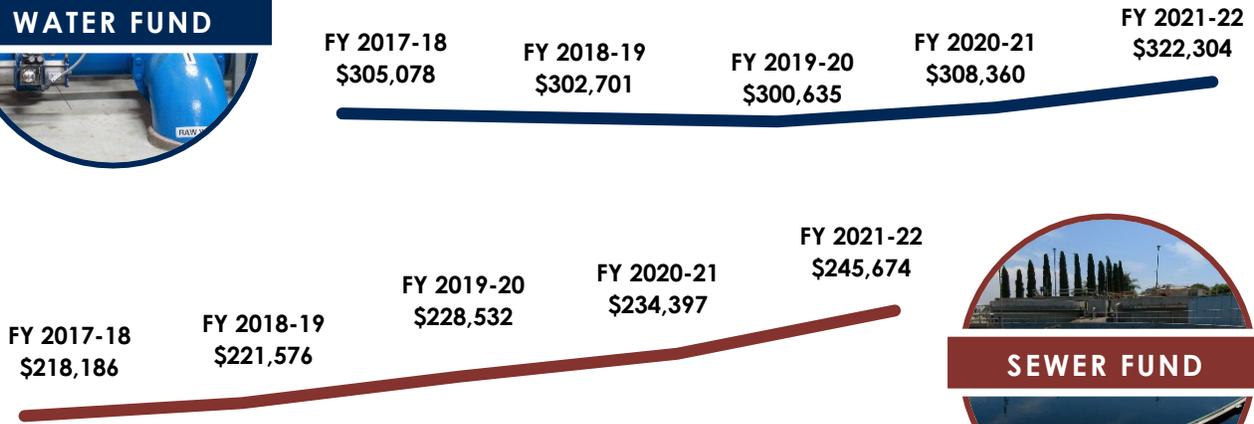
BUSINESS-TYPE ACTIVITIES: FINANCIAL HIGHLIGHTS (CONTINUED)

The Water Fund accounts for the activities of the City's water distribution operations and the Sewer Fund accounts for the activities of the City's sewer systems. To give an overview of the overall financial health of each fund, a five-year history of the fund balance is below. The total includes non-spendable assets and funds that are restricted for specific purposes. Fund balance does not reflect funds available for new water and sewer operations spending.



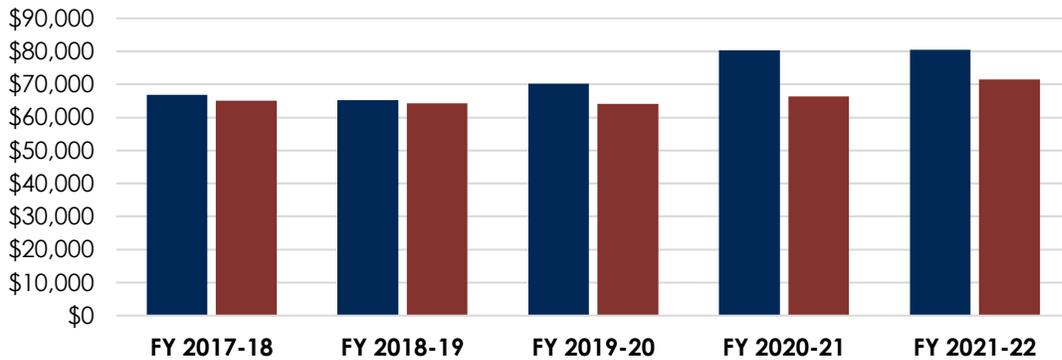
FUND BALANCE – WATER AND SEWER FUNDS

In thousands of dollars



CHARGES FOR SERVICE - WATER AND SEWER

In thousands of dollars



\$2.98 average price (\$/CCF*) per residential customer



192,236 gallons average per residential customer

*CCF = Centum Cubic Feet = 748 gallons

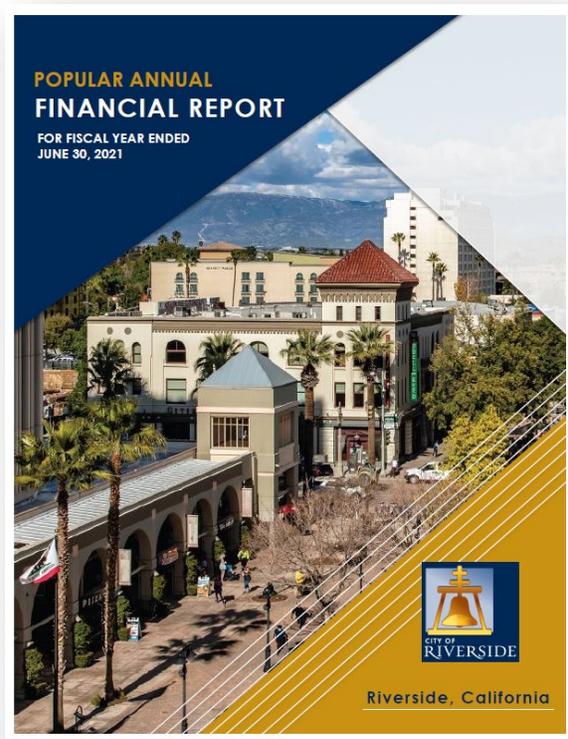
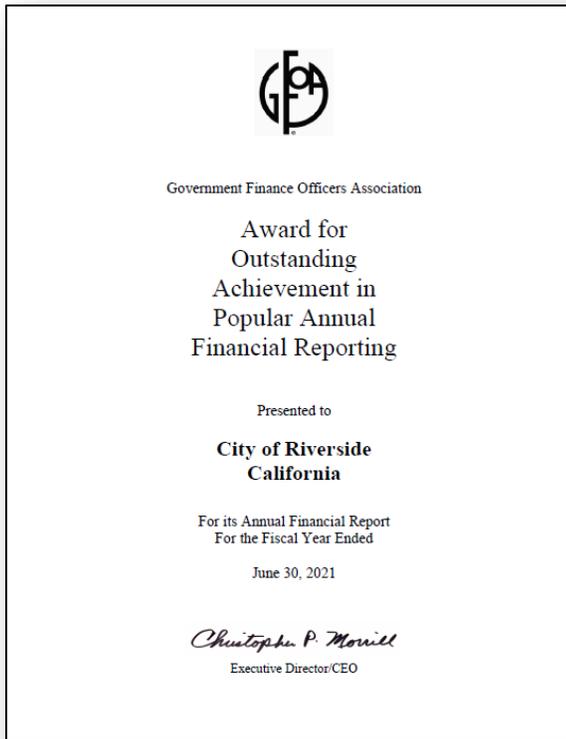


17,588 New Connections



26.01 Average Daily Sewage Treatment (Millions of gallons)

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA) PAFR AWARD



Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Report to the City of Riverside for its Popular Annual Financial Report for the fiscal year ended June 30, 2021. The Award for Outstanding achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. Since the City's inception of the Popular Annual Financial Report, the City has received a Popular Award for the last five consecutive years (fiscal years ended 2017-2021). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA to determine its eligibility for another Award.



City of Riverside, City Hall
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Riverside, CA 92522
ExploreRiverside.com
City of Arts & Innovation