City of Riverside

Financial Health Indicators

5-YEAR TREND AND COMPARABLE CITIES

FISCAL YEARS 2017-2021

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

FINANCIAL POSITION
Can the City Pay its Bills Now?

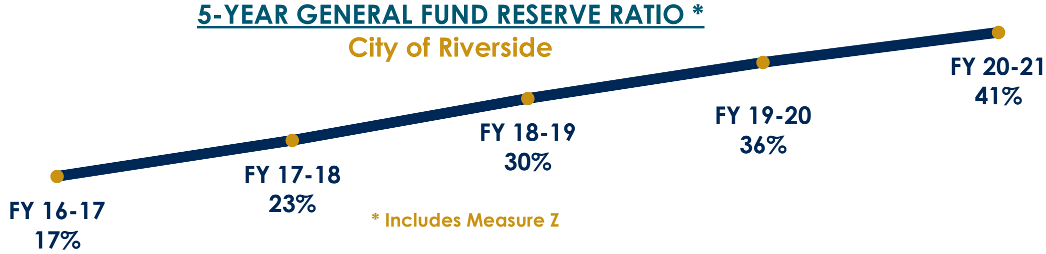
A city has a strong financial position if it has sufficient cash and other liquid resources available. Without those resources, it will have to borrow money, delay payments, or liquidate some of its other assets, all of which carry significant financial costs.

FINANCIAL HEALTH INDICATOR #1 – GENERAL FUND RESERVE RATIO

A declining fund balance reserve can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating fund balance reserves as well as how rapidly it is deteriorating. A **higher ratio** suggests larger reserves for dealing with unexpected resource needs in the long run.

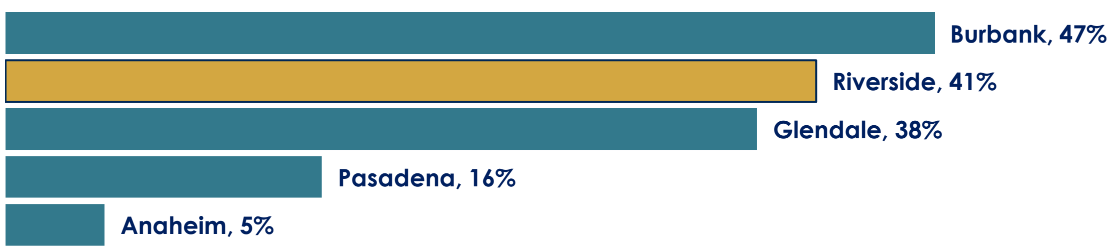
5-YEAR GENERAL FUND RESERVE RATIO *

City of Riverside



* Includes Measure Z

FY 20-21 GENERAL FUND RESERVE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #1 – INSIGHT

Measure Z was passed in FY 16-17 where partial year sales tax revenues were received. This ratio includes Measure Z funds and looks at committed general fund reserves and available unassigned fund balance divided by annual general fund revenues, which is a different formula than is used by the City to calculate General Fund only year-end reserves. The City has been in an upward and positive trend for the past five fiscal years. The City's General Fund reserves increased from 36% in FY 19-20 to 41% in FY 20-21 primarily due to increased sales tax, $5.8 million in CARES Act funding for public safety, as well as the City's tightened spending plan and halted recruitment for various vacancies throughout all City departments. On December 14, 2021, City Council internally restricted $23.08 million for General Liability Fund Pre-Payment ($2.5M), Section 115 Trust Fund ($10M), and Capital Replacement Fund ($10.58M). The internally restricted funds made in FY 21-22, will be allocated upon certification of the Measure C results which is the General Fund Transfer ballot measure.

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

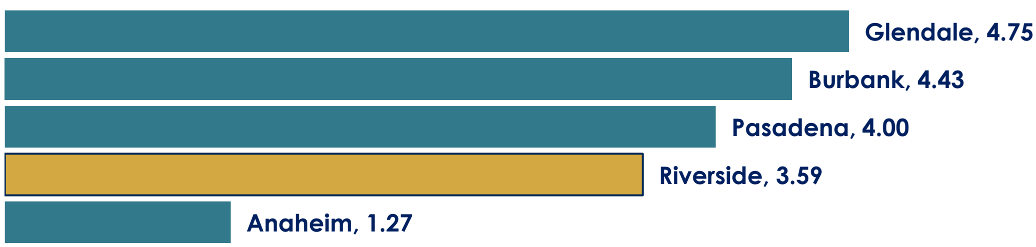
FINANCIAL HEALTH INDICATOR #2 – GENERAL FUND LIQUIDITY RATIO

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

5-YEAR GENERAL FUND LIQUIDITY RATIO *

City of Riverside

FY 20-21 GENERAL FUND LIQUIDITY RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #2 – INSIGHT

This financial health indicator includes Measure Z. Over the past five years, the City has been showing a positive and upward trend in the liquidity ratio. This indicates that the City is able to pay its bills as payments are due by measuring readily available cash, such as unrestricted cash and investments, compared to the total liability obligations, such as payables and accrued payroll. There is an assumption that Measure Z, which is General Fund tax dollars, would be used in the event the City's main General Fund is unable to meet its obligations without the additional financial support from Measure Z. While having readily available cash for paying off short-term obligations sounds responsible, having a high cash ratio may indicate an organization is inefficient in the utilization of cash or not maximizing the potential benefit of low-cost loans.

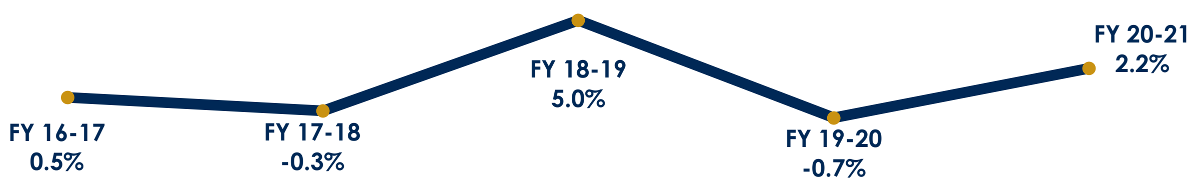
FINANCIAL PERFORMANCE
Can the City's Revenues Cover its Expenses?

A city does not only need to pay bills now, but it needs to make sure that the money it brings in regularly is enough to cover its annual expenses. Missing this mark can negatively affect service levels and the City's credit rating which is important for current loan covenants and any future potential debt financing.

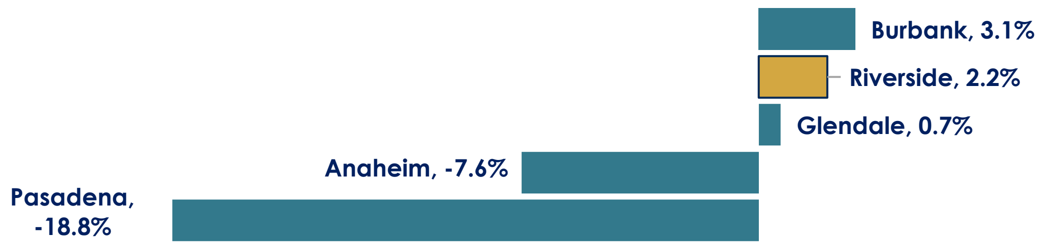
FINANCIAL HEALTH INDICATOR #3 – GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO

Revenues from programs ideally should cover the expenses that are incurred for those programs, otherwise reserves may need to be used to meet the needs. A **higher ratio** suggests that annual costs are adequately funded, and the financial condition is improving.

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



FY 20-21 GENERAL GOVERNMENT GROWTH IN NET POSITION RATIO – COMPARABLE CITIES



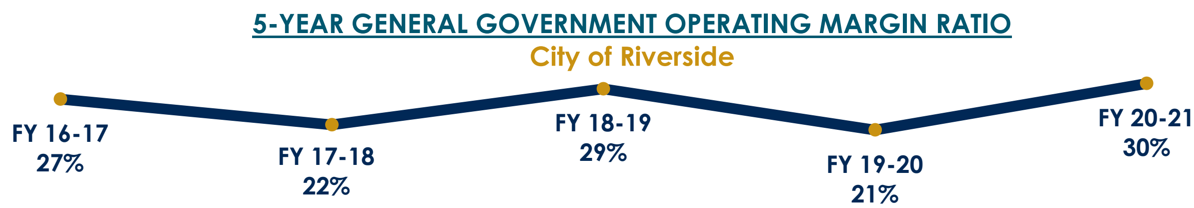
FINANCIAL HEALTH INDICATOR #3 – INSIGHT

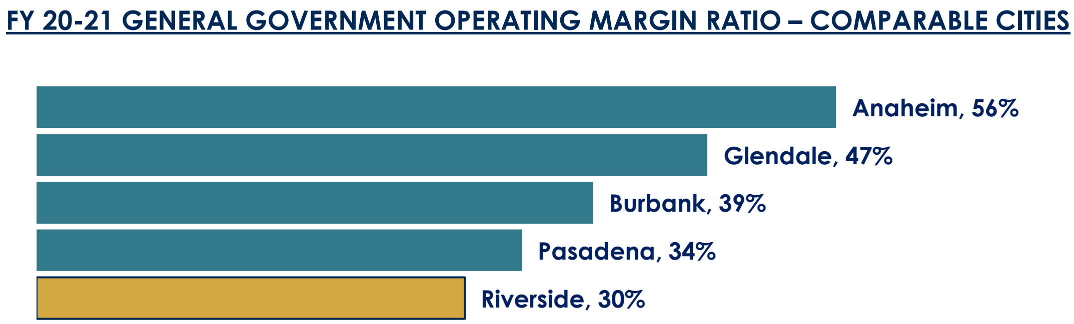
This ratio measures the change in net position compared to the total General Government net position. When revenues exceed expenses and assets exceed liabilities, an increase in the ratio will be seen. The City showed a growth in net position in FY 18-19 and in FY 20-21. In FY 18-19, sales taxes were higher than previous fiscal year by $10.3 million and public safety expenditures were lower by $14.8 million than previous fiscal year. The increase in FY 20-21, was primarily due to sales taxes were higher than previous fiscal year by $21.7 million, receipt of $5.8 million in CARES Act funding for public safety, as well as the City's tightened spending plan and halted recruitment for various vacancies throughout all City departments. Additionally, due to the uncertainties of the pandemic, the City froze vacant positions and implemented a vacancy savings target of approximately $15.7 million in FY 20-21. The resource constraints placed an added burden on an already challenged labor force and contribute to a potential artificial increase.

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

FINANCIAL HEALTH INDICATOR #4 – GENERAL GOVERNMENT OPERATING MARGIN RATIO

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





FINANCIAL HEALTH INDICATOR #4 – INSIGHT

In order to provide a better understanding, modifications were made to this ratio and instead converted into percentages. This ratio illustrates how much of the City's expenditures were funded by charges, fees, and grants (30%) rather than general tax dollars (70%) to fund program expenditures. The other cities appear to fund their operations more heavily by charges, fees, and grants than the City of Riverside. This could be attributed to the level of cost recovery implemented by each City. While there is no standard we know that most cities do not implement 100% cost recovery. The City has historically kept its cost recovery levels for user fees and charges to minimal increases to encourage either public investment or use of facilities by the citizenry.

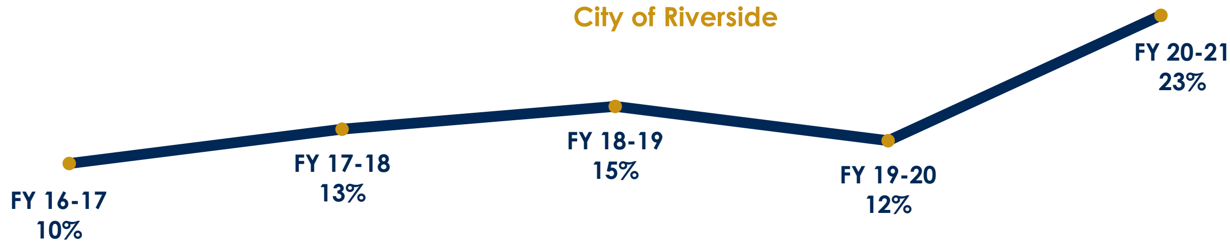
FINANCIAL PERFORMANCE (Cont.)
Can the City's Revenues Cover its Expenses?

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

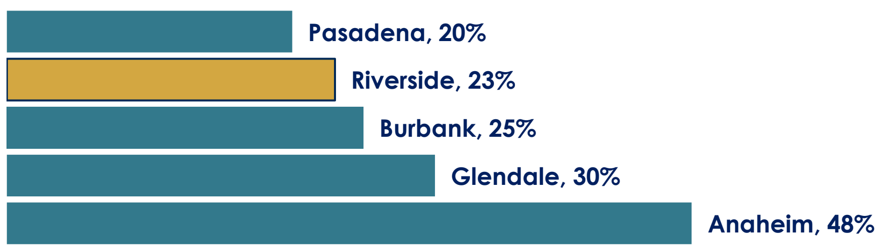
Revenues from grants are used to support some City functions. Other functions, such as public safety, are mainly funded by general tax dollars. This ratio illustrates the extent to which general government revenues were supported by grants. A **lower ratio** suggests that the City is not heavily reliant on grants and more reliant on general tax dollars and charges for services.

5-YEAR GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO

City of Riverside



FY 20-21 GENERAL GOVERNMENT OWN SOURCE REVENUE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #5 – INSIGHT

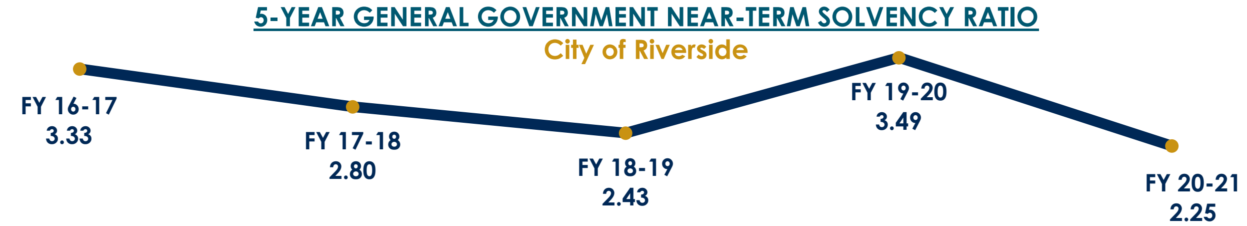
This ratio explains how much of our revenues are from grants (23%) compared to general tax dollars and charges for services (77%). The City of Riverside had a sharp increase from 12% in FY 19-20 to 23% in FY 20-21 which was primarily due to the $28 million in CARES Act grant revenue received and expended and $6.8 million in other COVID-19 related grants. If we exclude the CARES Act grant and the other COVID-19 related grants, the FY 20-21 ratio would be 16%. We expect with the addition of the American Rescue Plan Act funding of approximately $73 million this ratio is likely to be higher next year and is not indicative of an on-going pattern as these funds are considered one-time only funding.

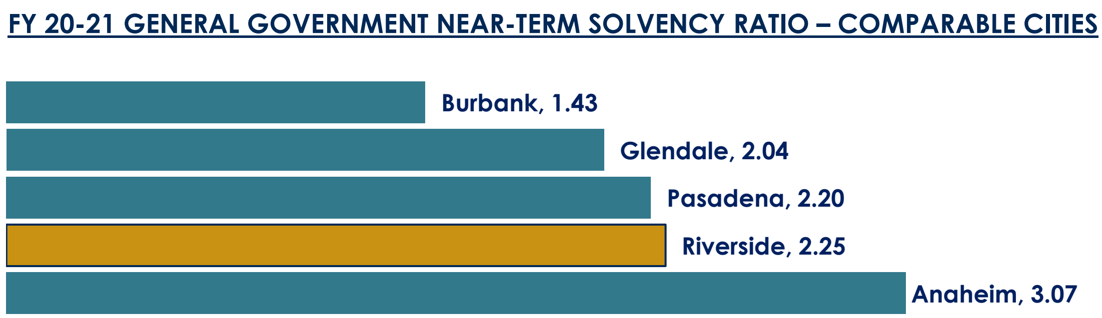
LONG-TERM SOLVENCY
Can the City Pay its Bills in the Future?

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

FINANCIAL HEALTH INDICATOR #6 – GENERAL GOVERNMENT NEAR-TERM SOLVENCY RATIO

This ratio demonstrates a City's ability to pay a larger portion of its debts with annual revenues. For this measure, a **lower ratio** indicates a stronger financial condition.





FINANCIAL HEALTH INDICATOR #6 – INSIGHT

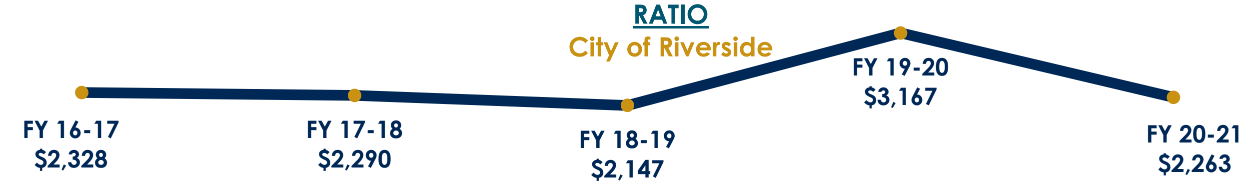
The City has both short-term and long-term obligations that must be paid in the future. The fewer number of years of annual revenue needed to pay the City's obligation, the stronger the City's financial condition. The City had a spike of 3.49 in FY 19-20 and then lowered to 2.25 in FY 20-21. The increase in FY 19-20 was primarily due to the pension obligation bonds and pension liability shown in the same fiscal year due to an accounting treatment; had we excluded this abnormality, the ratio for FY 19-20 would be closer to 2.54.

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

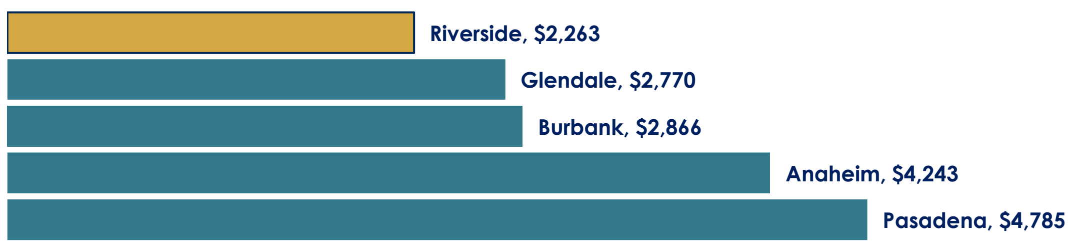
Lower bonded debts, pension liability, and other post-employment benefits (OPEB) per capita result in a smaller debt burden on taxpayers. For this measure, a **lower ratio** indicates a stronger financial condition.

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

City of Riverside



FY 20-21 GENERAL GOVERNMENT BONDED DEBT, PENSION LIABILITY & OPEB BURDEN PER RESIDENT RATIO– COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #7 – INSIGHT

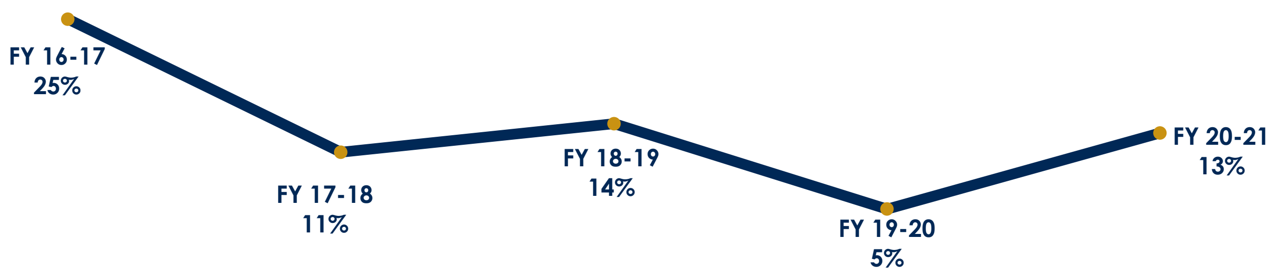
Modifications were made to this ratio to include pension liability and other post-employment benefits (OPEB) in order to provide a better comparison given that some cities have issued pension obligation bonds as well. The increase in FY 19-20 was primarily due to the issuance of the pension obligation bonds and pension liability shown in the same fiscal year due to an accounting treatment; had we excluded this abnormality, the ratio for FY 19-20 would be closer to $2,178. The ratios for the City of Anaheim and the City of Pasadena were much higher than the City of Riverside and the other comparable cities. The City of Anaheim had $1.5 billion in total debt ($725M bonded debt, with no POBs; $655M pension liability, and $120M in OPEB). The City of Pasadena had $695M in total debt ($199M bonded debt, with $135M in POBs; $422M pension liability, and $74M in OPEB). In comparison, the City of Riverside had $734M in total debt ($537M bonded debt, with $353M in POBs; $166M pension liability, and $31M in OPEB). In summary, when we include all bonded debt, pension liability, and OPEB, the City of Riverside has the lowest debt per resident to comparative cities.

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

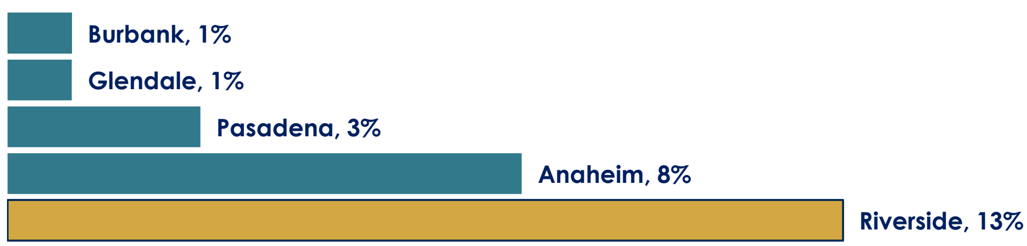
FINANCIAL HEALTH INDICATOR #8 – GOVERNMENTAL FUNDS COVERAGE RATIO

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

5-YEAR GOVERNMENTAL FUNDS COVERAGE RATIO
City of Riverside



FY 20-21 GOVERNMENTAL FUNDS COVERAGE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #8 – INSIGHT

This ratio explains the percentage of principal and interest payments made in comparison to the total non-capital governmental fund expenditures. In FY 16-17, the ratio appears high because of bond anticipation notes that the City would refinance annually and also because of a certificate of participation debt payoff. In FY 19-20, a new pension obligation bond was issued which increased the expenditures. If we exclude the abnormalities, the ratios for FY 16-17 and 19-20 would be 11%. In summary, taking the abnormalities out of the calculations, even in FY 18-19 where the City refinanced a bond, our ratios for all five years would be in the 11%-13% range.

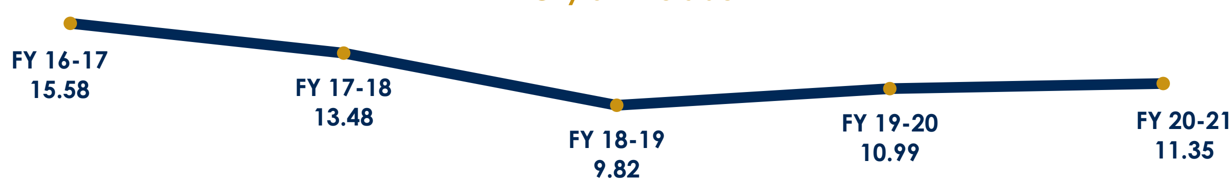
The City of Riverside has a higher ratio than the comparative cities, implying the City has higher principal and interest payments and more overall long-term debt. The City did have more long-term debt than the comparative cities, primarily as a result of the issuance of a $432 million pension obligation bond in FY19-20 of which $325 million was related to general government funds. Anaheim, being the closest in range, had $725 million in general government bonded debt with no pension obligation bonds. The City of Riverside had $537 million of long-term debt allocated to its general government as of June 30, 2021 and of this amount, $353 million was for the 2004, 2017 and 2020 pension obligation bonds, and the remaining $184 million of the City's general government bonded debt was for various citywide improvement projects and capital leases.

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

FINANCIAL HEALTH INDICATOR #9 – ENTERPRISE FUNDS COVERAGE RATIO

Just like a city's governmental services need to pay their debts (i.e., bonds) in the long-term, a city's enterprise funds need to do so as well. The City's Enterpise Funds include Electric, Water, Sewer, Airport, Refuse Transportation, Public Parking, and Civic Entertainment Funds. For this measure, a **higher ratio** indicates a stronger financial condition.

5-YEAR ENTERPRISE FUNDS COVERAGE RATIO
City of Riverside



FY 20-21 ENTERPRISE FUNDS COVERAGE RATIO – COMPARABLE CITIES

FINANCIAL HEALTH INDICATOR #9 – INSIGHT

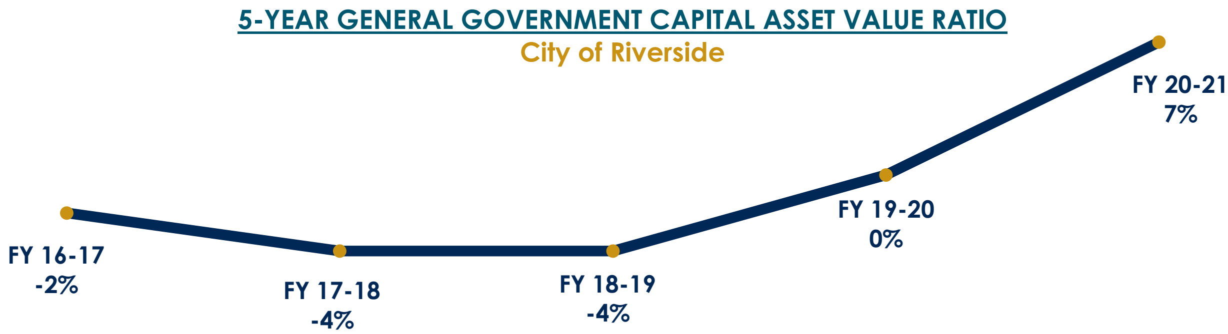
This ratio represents the interest payments made in comparison to the total Enterprise Funds revenues. The City's Enterprise Funds were showing a downward trend from FY 16-17 to FY 18-19. The decrease in FY 17-18 was primarily due to the debt restructuring and redistribution of the pension obligation bonds to the Enterprise Funds ($21.6M), and the new Civic Entertainment Fund and recording of its debt ($41.3M). The decrease in FY 18-19, was also primarily due to the debt restructuring and redistribution of the 2008 Riverside Renaissance Certificate of Participation ($30.8M) and the 2012A Lease Revenue Bonds ($8.2M), in order to properly reflect enterprise and non-enterprise funds proportional share. The ratio began increasing in FY 19-20 as long-term debt was paid down, resulting in lower interest payments, as well as well as gradually increasing revenues.

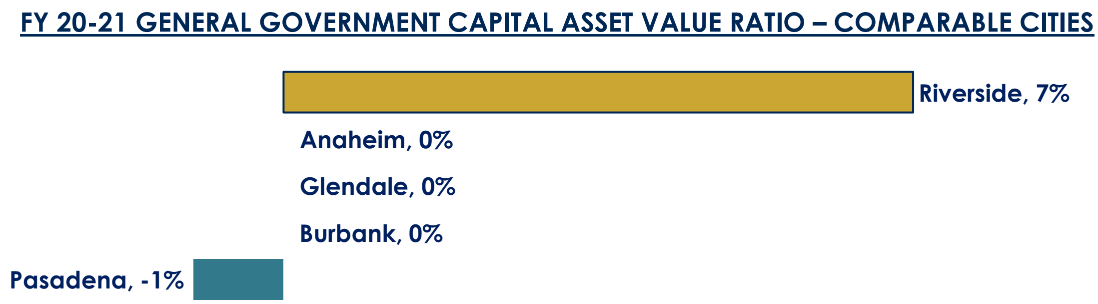
The City's Enterprise Funds Coverage Ratio appears to be low in relation with the comparative cities, primarily due to the City's significant investments in capital assets for the Electric, Water, and Sewer Funds with major capital assets funded through debt issuance.

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

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

Capital assets include land, buildings, vehicles, and public infrastructure. Most of the City's capital assets decrease in value over time due to depreciation. A negative ratio means that the overall value of a city's assets decreased over the year indicating some assets may need to be renovated or replaced. For this measure, a **higher ratio** indicates a stronger financial condition.





FINANCIAL HEALTH INDICATOR #10 – INSIGHT

The City showed an increase in FY 20-21 due to a prior period adjustment of $80.3 million for land and infrastructure additions from a change in calculation of street mileage from a system upgrade which maintans street mileage; had we excluded this abnormality, the ratio for FY 20-21 would be closer to 1%. The increase in FY 19-20 and FY 20-21 is also attributed to the completion of the Main Library.

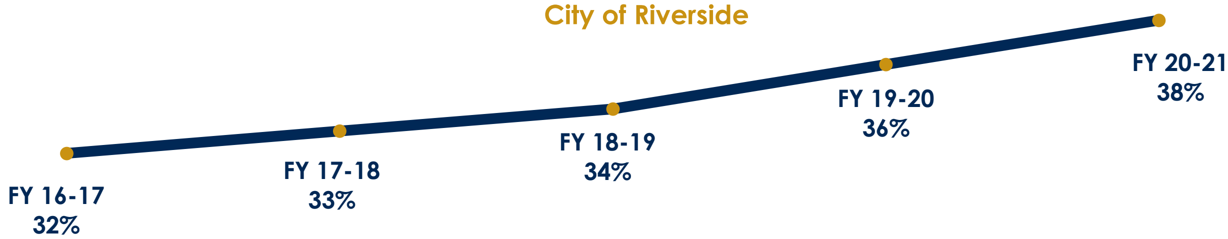
LONG-TERM SOLVENCY (Cont.)
Can the City Pay its Bills in the Future?

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

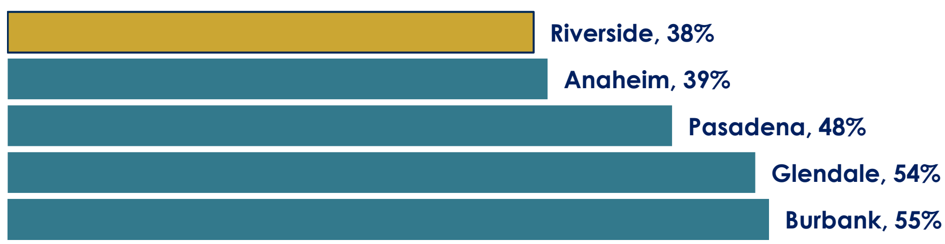
Depreciable capital assets include buildings, vehicles, and public infrastructure. Assets are depreciated over their useful life as they age, and their value is reduced. A **lower ratio** indicates Enterprise Funds capital assets are newer and may not require as much replacement and/or maintenance costs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

5-YEAR ENTERPRISE FUNDS CAPITAL ASSET AGE RATIO

City of Riverside



FY 20-21 ENTERPRISE FUNDS CAPITAL ASSET AGE RATIO – COMPARABLE CITIES



FINANCIAL HEALTH INDICATOR #11 – INSIGHT

This ratio explains the percentage of Enterprise Fund capital assets that have been depreciated. The City's Enterprise Funds capital assets have aged over the past five years which is evidenced by the annual increase in the ratio, but appear to be in better condition when compared to the other cities; however, Enterprise Funds and their assets vary from one city to another.

While the ratio is lower comparative to its peers, the increasing trend in this ratio could be indicative of other issues which would require additional analysis.

RESOURCE ALLOCATION

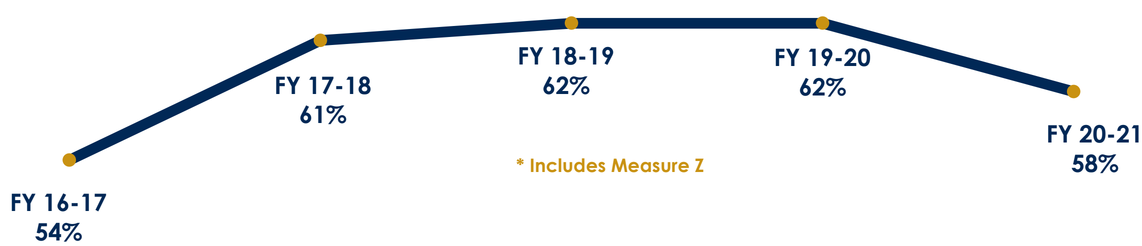
The following indicator is for informational purposes only to provide a better understanding of how the City is allocating its resources.

INDICATOR #12 – GENERAL FUND PUBLIC SAFETY COSTS RATIO (NEW)

This ratio compares the total costs of the General Fund public safety, which includes police and fire, to the total General Fund expenditures which includes, transfers out, carryover dollars, and encumbrances. A **higher ratio** indicates more funds are dedicated to public safety.

5-YEAR GENERAL FUND PUBLIC SAFETY COSTS RATIO *

City of Riverside



FY 20-21 GENERAL FUND PUBLIC SAFETY COSTS RATIO – COMPARABLE CITIES

INDICATOR #12 – INSIGHT

The public safety costs ratio has increased over the past five fiscal years; however, the increase from FY 16-17 to FY 17-18 was primarily due to the refinancing of the interest only pension bond anticipation note into a long-term pension obligation bond thereby increasing expenditures; had we excluded this one time event, the ratio would be around 60%.

GLOSSARY

General Government: Includes all Citywide activity, including any debt and fixed assets. Excludes Enterprise Funds and Fiduciary Funds such as the Successor Agency and Custodial Funds.

Governmental Funds: Includes all Citywide activity, excluding any debt and fixed assets. Excludes Enterprise Funds, Fiduciary Funds, and Internal Service Funds such as Self-Insurance Trust Funds, Central Stores, and Central Garage Funds.

Enterprise Funds: Includes activity, including any debt and fixed assets, associated with Electric, Water, Sewer, Airport, Refuse, Transportation, Public Parking, and Civic Entertainment Funds.