

Management's Discussion and Analysis

As management of the City of Riverside, we offer this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2011. 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.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

	Governmental Activities		Business type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 620,030	\$ 645,237	\$ 930,414	\$ 867,615	\$ 1,550,444	\$ 1,512,852
Capital assets, net	<u>1,214,316</u>	<u>1,168,832</u>	<u>1,338,272</u>	<u>1,220,188</u>	<u>2,552,588</u>	<u>2,389,020</u>
Total assets	<u>1,834,346</u>	<u>1,814,069</u>	<u>2,268,686</u>	<u>2,087,803</u>	<u>4,103,032</u>	<u>3,901,872</u>
Current liabilities	91,317	98,782	137,667	157,389	228,984	256,171
Long-term liabilities	<u>732,476</u>	<u>710,688</u>	<u>1,163,610</u>	<u>990,212</u>	<u>1,896,086</u>	<u>1,700,900</u>
Total liabilities	<u>823,793</u>	<u>809,470</u>	<u>1,301,277</u>	<u>1,147,601</u>	<u>2,125,070</u>	<u>1,957,071</u>
Net assets:						
Invested in capital assets, net of related debt	1,019,892	976,614	654,974	660,619	1,674,866	1,637,233
Restricted	80,820	108,932	56,397	59,863	137,217	168,795
Unrestricted	<u>(90,159)</u>	<u>(80,947)</u>	<u>256,038</u>	<u>219,720</u>	<u>165,879</u>	<u>138,773</u>
Total net assets	<u>\$1,010,553</u>	<u>\$1,004,599</u>	<u>\$967,409</u>	<u>\$940,202</u>	<u>\$1,977,962</u>	<u>\$1,944,801</u>

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

The City's assets exceeded liabilities by \$1,977,962 at June 30, 2011, an increase of \$33,161 from June 30, 2010.

By far the largest portion of the City's net assets (85 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment and infrastructure), net of any related debt that is still outstanding used to acquire those assets and net of unspent bond proceeds and cash held in bond reserve accounts. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$256,038 is held by the business type activities and a negative \$90,159 is held by the governmental activities. The Riverside Redevelopment Agency (the Agency), a blended component unit of the City, represents \$103,289 of negative unrestricted net assets for 2011 and was a negative \$81,490 in the prior year. The remaining governmental activities of the City have positive

unrestricted net assets of \$13,132 in 2011 and \$543 in 2010. Unrestricted net assets for governmental activities decreased in total in comparison to the prior year, which is primarily attributable to the Redevelopment Agency.

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

The City's total net assets increased by \$33,161 during the current fiscal year, which reflects growth in governmental activities (\$5,954) and growth in business type activities (\$27,207) activities. Governmental operating results is discussed on page 9 and business-type operating results is discussed on page 15.

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, 2011 with the prior fiscal year presented for comparative purposes. Also included in the following analysis are revenue and expense graphs to aid in understanding the results of the current year's activities.

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 42,481	\$ 41,324	\$434,581	\$420,017	\$477,062	\$461,341
Operating Grants and Contributions	21,127	32,853	2,159	2,487	23,286	35,340
Capital Grants and Contributions	38,138	23,395	7,337	6,838	45,475	30,233
General Revenues:						
Sales taxes	44,157	39,645	-	-	44,157	39,645
Property taxes	100,802	104,087	-	-	100,802	104,087
Other taxes and fees	35,644	34,279	-	-	35,644	34,279
Investment income	7,439	8,289	17,548	21,271	24,987	29,560
Other	9,544	3,344	4,808	7,447	14,352	10,791
Total revenues	<u>299,332</u>	<u>287,216</u>	<u>466,433</u>	<u>458,060</u>	<u>765,765</u>	<u>745,276</u>
Expenses:						
General government	102,877	119,676	-	-	102,877	119,676
Public safety	123,061	118,868	-	-	123,061	118,868
Highways and streets	24,082	22,036	-	-	24,082	22,036
Culture and recreation	44,098	37,679	-	-	44,098	37,679
Interest on long-term debt	33,638	32,049	-	-	33,638	32,049
Electric	-	-	275,922	256,860	275,922	256,860
Water	-	-	56,390	55,402	56,390	55,402
Sewer	-	-	42,276	41,248	42,276	41,248
Refuse	-	-	20,046	20,527	20,046	20,527
Airport	-	-	2,320	2,206	2,320	2,206
Transportation	-	-	3,493	3,368	3,493	3,368
Public Parking	-	-	4,401	4,024	4,401	4,024
Total expenses	<u>327,756</u>	<u>330,308</u>	<u>404,848</u>	<u>383,635</u>	<u>732,604</u>	<u>713,943</u>
Increase (decrease)						
in net assets before transfers	(28,424)	(43,092)	61,585	74,425	33,161	31,333
Transfers, net	34,378	40,153	(34,378)	(40,153)	-	-
Increase (decrease) in net assets	5,954	(2,939)	27,207	34,272	33,161	31,333
Net assets – beginning	<u>1,004,599</u>	<u>1,007,538</u>	<u>940,202</u>	<u>905,930</u>	<u>1,944,801</u>	<u>1,913,468</u>
Net assets – ending	<u>\$1,010,553</u>	<u>\$1,004,599</u>	<u>\$967,409</u>	<u>\$940,202</u>	<u>\$1,977,962</u>	<u>\$1,944,801</u>

Governmental activities. Net assets for governmental activities increased by \$5,954, accounting for a 0.1 percent increase in total net assets. Governmental net assets in the prior fiscal year decreased by \$2,939. Key elements of this year's activity in relation to the prior year are as follows:

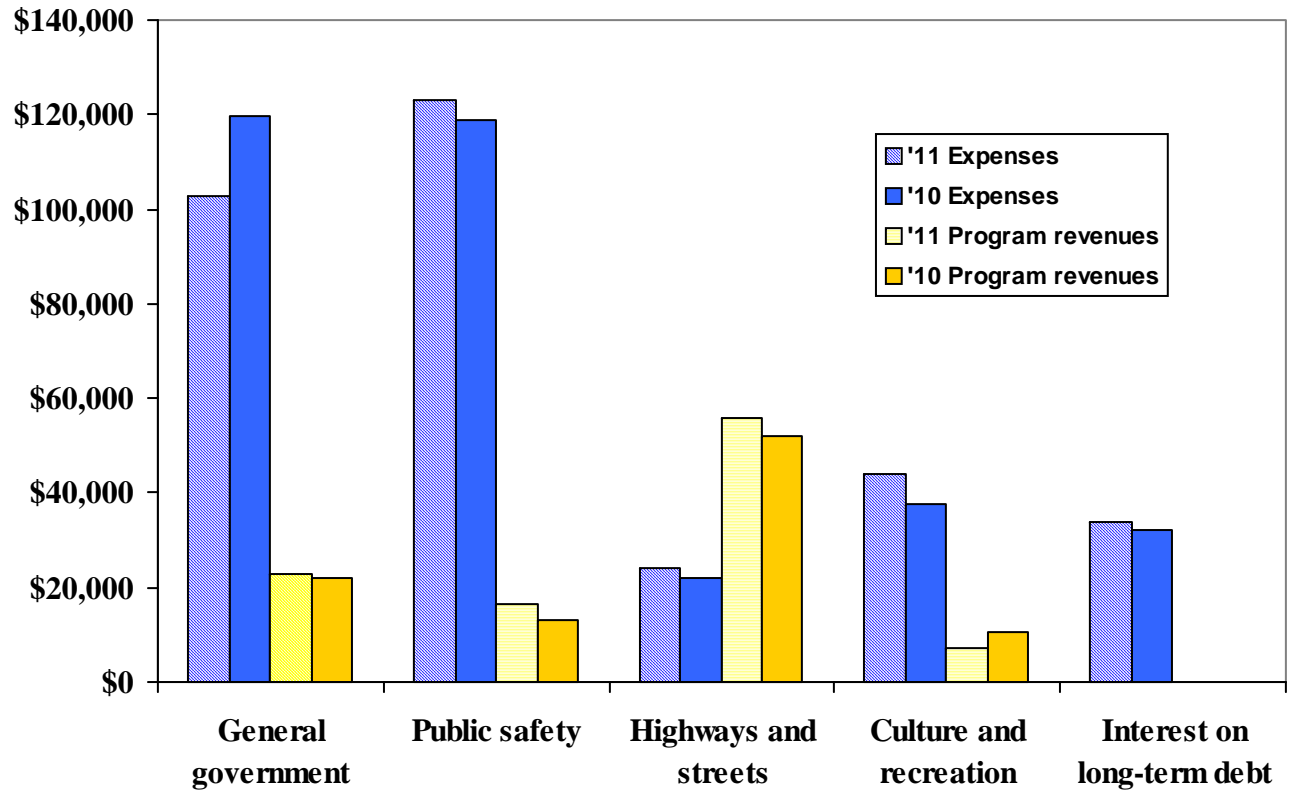
Revenues:

- Sales tax revenue increased by \$4.5 million (11%) due to an increase in taxable sales. Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts.
- Property tax revenue decreased by \$3.2 million (3%) due to a decline in assessed property values, which was offset by an increase in grants and contributions of \$3 million.

Expenses:

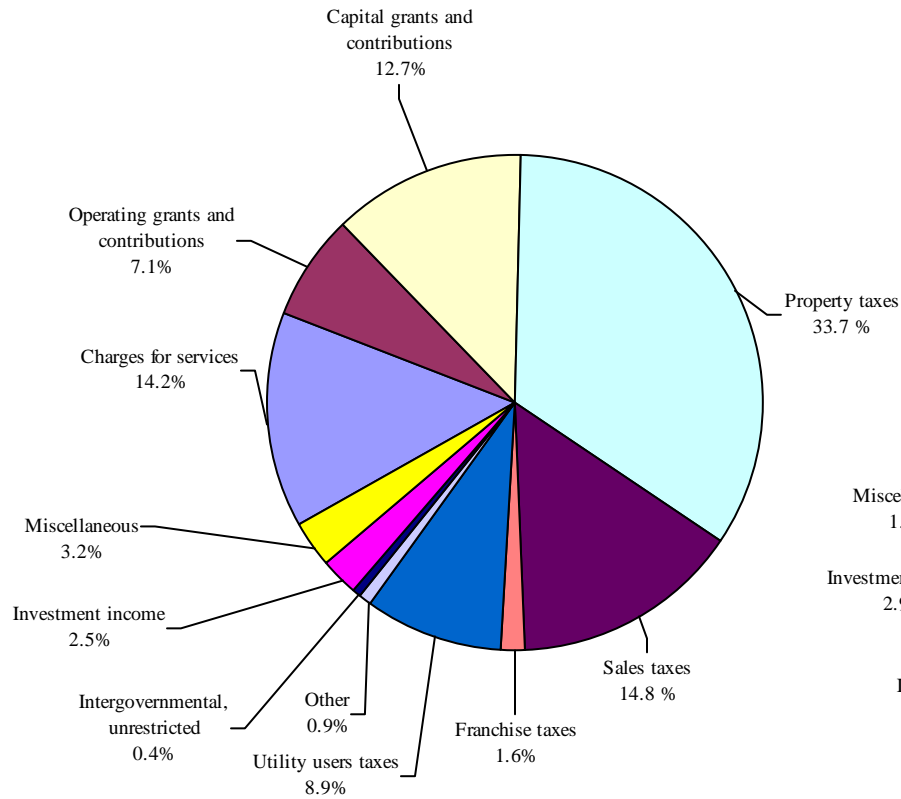
- While variances between years exist for the various expense functions, the total net decrease was approximately \$2.5 million. The more significant items are as follows:
 - In May 2010 and May 2011, payments from the redevelopment agency were made to the Supplemental Educational Revenue Augmentation Fund ("SERAF") in the amount of \$17 million and \$3.5 million, respectively, as required by State Legislation. The SERAF payment that was made in the current year was \$13.5 million less than the prior year.
 - Depreciation expense increased by \$4 million (13%) due a \$91 million increase in depreciable capital assets in the current year and \$141 million in the prior year, which is a 22 percent increase over the two-year period.
 - Increased costs associated with interest expense (\$1.6 million) and compensated absences (\$1 million).

Expenses and Programs Revenues – Governmental Activities – Fiscal Year Comparison 2011 vs. 2010

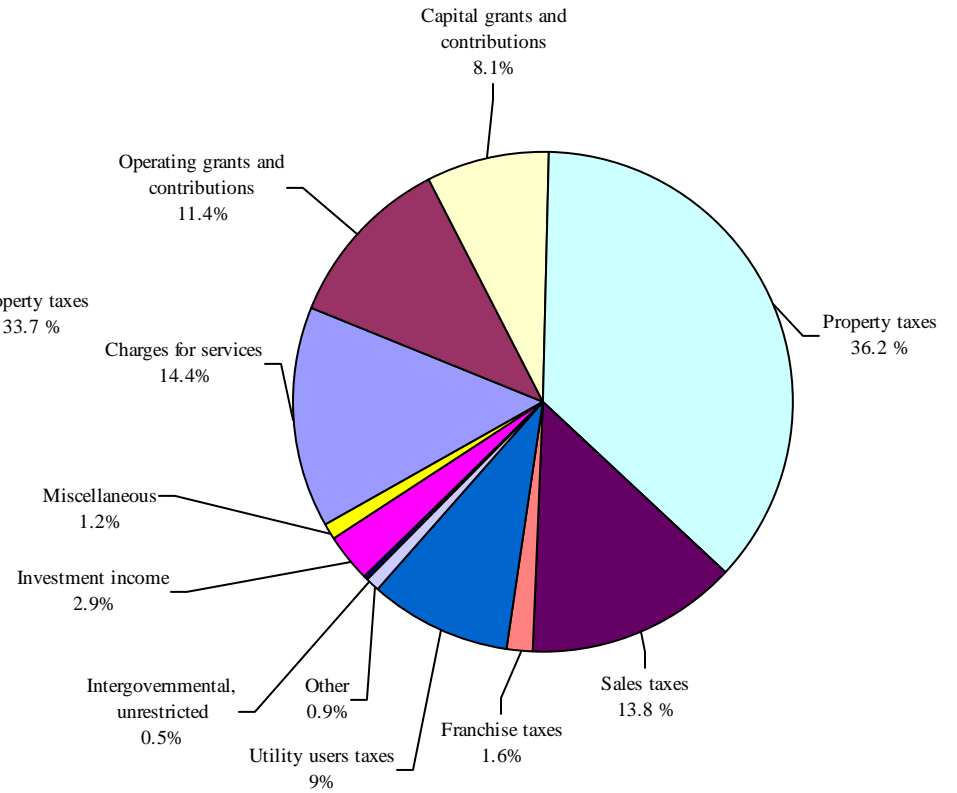


Revenues by Source – Governmental Activities – Fiscal Year Comparison

2011



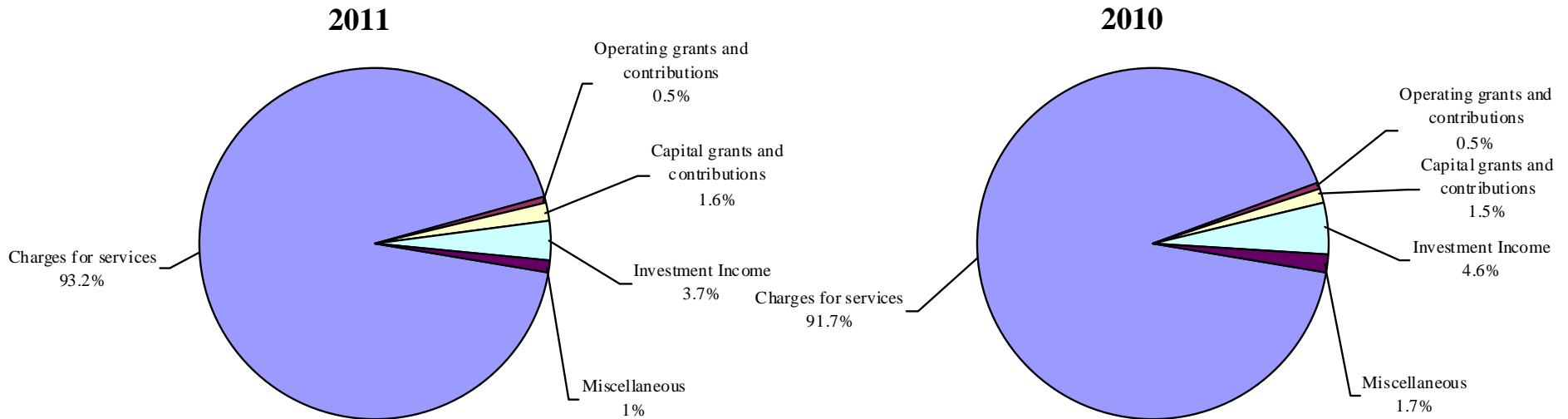
2010



Business-type activities. Business type activities increased the City’s net assets by \$27,207, accounting for a 1 percent increase in total net assets. The net assets of business type activities increased by \$34,272 in the prior year. Key elements of this year’s activity in relation to the prior year are as follows:

- In 2011, charges for services increased \$14,564 to \$434,581. The increase primarily related to increases in Sewer and Water revenues, which is explained in further detail as follows:
 - Sewer charges for services increased by \$5,427 (20%). New rates and charges went into effect on July 1, 2010 for residential, commercial and industrial customers. Rates for basic single family and multi-family dwellings increased by 24%, which is the primary reason for the increase in Sewer charges for services (approximately \$4 million).
 - Water charges for services increased by \$4,550 (8%) primarily due to an increase of approximately \$4 million in retail sales. The increase in retail sales was primarily due to recent rate increases required to support the Water Utility’s Master, Water Supply and Asset Management Plans, offset by a 3% reduction in retail consumption.
- Expenses increased \$21,213 primarily due to a \$19 million increase in Electric Utility operating expenses, which primarily related to an increase in transmission costs and distribution expenses.

Revenues by Source – Business Type Activities – Fiscal Year Comparison



Financial Analysis of the City's Funds

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *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, Redevelopment Debt Service, COPS Debt Service, Capital Outlay, Redevelopment Capital Projects, and Other Governmental Funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

	General Fund		Redevelopment Debt Service		COPS Debt Service			
	2011	2010	2011	2010	2011	2010		
Total assets	\$ 212,468	\$ 129,623	\$ 46,531	\$ 45,140	\$ 33,454	\$ 32,917		
Total liabilities	\$ 51,625	\$ 50,433	\$ 23,425	\$ 24,225	\$ 34	\$ 37		
Fund balances								
Nonspendable	26,646	27,437	-	-	-	-		
Restricted	82,249	10,535	23,106	20,915	33,420	32,880		
Assigned	15,589	9,195	-	-	-	-		
Unassigned	36,359	32,023	-	-	-	-		
Total	160,843	79,190	23,106	20,915	33,420	32,880		
Total liabilities and fund balances	\$ 212,468	\$ 129,623	\$ 46,531	\$ 45,140	\$ 33,454	\$ 32,917		

	Capital Outlay		Redevelopment Capital Projects		Other Governmental Funds		Total Governmental Funds	
	2011	2010	2011	2010	2011	2010	2011	2010
Total assets	\$ 48,975	\$ 42,324	\$ 126,943	\$ 199,412	\$ 97,290	\$ 102,771	\$ 565,661	\$ 552,187
Total liabilities	\$ 35,468	\$ 21,433	\$ 75,049	\$ 61,918	\$ 32,962	\$ 33,383	\$ 218,563	\$ 191,429
Fund balances								
Nonspendable	-	-	1	1	1,625	1,621	28,272	29,059
Restricted	13,507	20,891	51,893	137,493	62,703	67,767	266,878	290,481
Assigned	-	-	-	-	-	-	15,589	9,195
Unassigned	-	-	-	-	-	-	36,359	32,023
Total	13,507	20,891	51,894	137,494	64,328	69,388	347,098	360,758
Total liabilities and fund balances	\$ 48,975	\$ 42,324	\$ 126,943	\$ 199,412	\$ 97,290	\$ 102,771	\$ 565,661	\$ 552,187

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$347,098, a decrease of \$13,660 in comparison with the prior year. About 8% of this amount (\$28,272) is *nonspendable*, which comprises the portion of fund balance that cannot be spent due to form. Approximately 77% (\$266,878) 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. \$15,589 (4%) 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 is *unassigned*, meaning it is available for spending at the City's discretion. Of that amount, \$32,000 has been set aside for future economic contingencies, leaving \$4,359; at June 30, 2010 the comparable amount was \$2,023. The City's governmental funds reported combined total assets of \$565,661 at June 30, 2011, an increase of \$13,474 in comparison with the prior year which was offset by an increase of \$27,134 in total liabilities. The primary reason for the overall decrease in related fund balances is due to expenditure of capital projects in the Redevelopment Capital Projects Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, total fund balance equaled \$160,843 in comparison to \$79,190 in the prior year. The portion of fund balance classified as unassigned was \$36,359, most of which was set aside for future economic contingencies. Fund balance increased during the current year by \$81,653 in comparison to an increase of \$1,811 in the prior year. The primary reason for this is due to the transfer of \$78,896 of land held for resale from the Redevelopment Capital Projects Fund.

The Redevelopment Debt Service Fund has a total fund balance of \$23,106 all of which is restricted. A net increase of \$2,191 in the fund balance occurred during the current year primarily due to the sale of agency parcels for the construction of the Fox Entertainment Plaza.

Fund balance for the Certificates of Participation Debt Service Fund increased by \$540.

Fund balance for the Capital Outlay Fund decreased by \$7,384. The primary reason for this is due to a number of large capital projects related to the 91 freeway interchanges and grade separation projects.

Fund balance for the Redevelopment Capital Projects Fund decreased by \$85,600. This is largely related to the transfer of \$78,896 of land held for resale to the General Fund, as discussed earlier.

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

Unrestricted net assets of the Electric, Water and Sewer operations at the end of the year amounted to \$199,057, \$52,181, and \$2,746 respectively. The total change in net assets for these funds was an increase of \$10,069, an increase of \$23,739 and a decrease of \$5,418, respectively as a result of routine operations.

The Electric Fund reported strong operating results, with retail revenues exceeding the previous all-time record, primarily from the effects of rate increases in years prior to fiscal year 2011 along with an expanded customer base which was partially offset by a reduction in consumption. Retail sales (residential, commercial, industrial, and other sales) represent 83.4% of total revenues. Retail sales, net of reserve/recovery were \$278,406 and \$274,206 for years ended June 30, 2011 and 2010, respectively. Total expenses, excluding transfers, increased \$19 million (7.6%), which primarily related to an increase in transmission costs and distribution expenses.

The Water Fund reported strong operating results, with retail sales exceeding the previous year's results. Retail sales (residential, commercial, industrial, and other sales) represent 65% of total revenues. Retail sales, net of reserve/recovery were \$55,186 and \$51,147 for years ended June 30, 2011 and 2010, respectively. The increase in sales was primarily due to recent rate increases to support the Water Utility's Master, Water Supply and Asset Management Plans, partially offset by a 3% reduction in retail consumption.

Net assets of the Sewer Fund decreased by \$5,418 and \$9,549 for years ended June 30, 2011 and 2010, respectively. Total revenues increased by \$6,088 (19%) primarily as a result of a rate increase. However, total expenses increased by \$1,957 (5%) primarily as a result of an increase in routine operating expenses.

General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	<u>\$154,974</u>	<u>\$174,633</u>	<u>\$170,906</u>	<u>\$ (3,727)</u>
Expenditures:				
General Government	2,958	2,958	9,347	(6,389)
Public Safety	131,726	148,129	138,620	9,509
Highways & Streets	14,528	17,940	14,587	3,353
Culture & Recreation	24,506	30,629	25,360	5,269
Capital Outlay	-	1,617	1,617	-
Debt Service	<u>13,794</u>	<u>44,497</u>	<u>44,225</u>	<u>272</u>
Total Expenditures	<u>187,512</u>	<u>245,770</u>	<u>233,756</u>	<u>12,014</u>
Deficiency of Revenue Under Expenditures	(32,538)	(71,137)	(62,850)	8,287
Other Financing Sources	<u>32,538</u>	<u>140,575</u>	<u>144,503</u>	<u>3,928</u>
Net Change in Fund Balances	-	69,438	81,653	12,215
Beginning Fund Balance	<u>79,190</u>	<u>79,190</u>	<u>79,190</u>	<u>-</u>
Ending Fund Balance	<u>\$ 79,190</u>	<u>\$ 148,628</u>	<u>\$160,843</u>	<u>\$ 12,215</u>

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

Actual amounts differed from the final fund budget as follows:

- ❑ Approximately \$10.7 million of grant revenue was budgeted but not actually received during the year since the related grant expenditures had not been incurred.
- ❑ Actual tax revenue was more than the amounts budgeted for sales taxes (\$4.2 million), property taxes (\$1 million), and utility user taxes (\$800 thousand) due to higher than anticipated taxable sales, assessed property values, and utility revenues.
- ❑ Actual expenditures were less than budgeted amounts by approximately \$12 million. This is primarily associated with capital projects not completed during the year (which are carried over to the next fiscal year).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business type activities as of June 30, 2011 amounted to \$2,552,588 (net of accumulated depreciation). This investment includes land, intangibles, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's net investment in capital assets for the current fiscal year was \$163,568 (\$45,484 for governmental activities including internal service funds and \$118,084 for business type activities).

Major capital improvements during the current fiscal year included: new infrastructure, consisting primarily of street improvements (\$29 million); Sewer system improvements (\$29 million); Electric Utility upgrades (\$75 million) and Water Utility upgrades (\$19 million).

Construction in progress totaled \$131,211 at June 30, 2011. Some of the major projects in process are various Sewer system improvements, a 203 KV transmission substation, and the Evans Reservoir Replacement Project. Depreciation expense during the fiscal year was \$37,258 for governmental activities and \$48,875 for business type activities.

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

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$290,692	\$280,446	\$ 34,905	\$ 34,820	\$ 325,597	\$ 315,266
Intangibles	-	-	16,128	6,307	16,128	6,307
Buildings	123,319	127,421	144,579	144,774	267,898	272,195
Improvements other than Buildings	154,601	118,333	1,005,897	835,239	1,160,498	953,572
Machinery and equipment	19,754	24,427	29,114	29,575	48,868	54,002
Infrastructure	602,388	572,999	-	-	602,388	572,999
Construction in progress	<u>23,562</u>	<u>45,206</u>	<u>107,649</u>	<u>169,473</u>	<u>131,211</u>	<u>214,679</u>
Total	<u>\$1,214,316</u>	<u>\$1,168,832</u>	<u>\$1,338,272</u>	<u>\$1,220,188</u>	<u>\$2,552,588</u>	<u>\$2,389,020</u>

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

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$1,896,086 which includes bonded debt of \$1,732,935.

City of Riverside's Long-Term Debt

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$305,195	\$278,867	\$1,071,554	\$968,393	\$1,376,749	\$1,247,260
General Obligation Bonds	16,845	17,533	-	-	16,845	17,533
Pension Obligation Bonds	132,095	136,050	-	-	132,095	136,050
Certificates of Participation	207,246	211,212	-	-	207,246	211,212
Notes Payable	7,749	8,191	31,178	7,249	38,927	15,440
Loans Payable	1,100	1,100	45,569	-	46,669	1,100
Capital Leases	6,670	6,303	1,720	2,151	8,390	8,454
Landfill Capping	-	-	6,915	7,380	6,915	7,380
Arbitrage Liability	-	-	102	27	102	27
Compensated Absences	21,153	20,101	-	-	21,153	20,101
Claims liability	26,615	25,541	-	-	26,615	25,541
Net OPEB Obligation	7,808	5,790	5,625	4,063	13,433	9,853
Water Acquisition Rights	-	-	947	949	947	949
Total	<u>\$732,476</u>	<u>\$710,688</u>	<u>\$1,163,610</u>	<u>\$990,212</u>	<u>\$1,896,086</u>	<u>\$1,700,900</u>

The City's total debt increased by \$195,186 (11 percent) during the current fiscal year primarily due to the issuance of \$255,830 of Electric and Water Revenue Bonds.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total adjusted assessed valuation. The legal debt limit was \$614,887 at June 30, 2011, which applies only to general obligation debt. At June 30, 2011, the City had \$16,845 of general obligation debt, resulting in available legal debt capacity of \$598,042.

Additional information on the City's long-term debt can be found in note 6 beginning on page 43 of this report.

Economic Factors and Next Year's Budget and Rates

- Unemployment in the City of Riverside is 14.8% as compared to 13.7% for the prior year.
- The required contribution rates as a percentage of payroll for the City's retirement program, including the employee portion which is paid by the City, will be changing effective July 1, 2011 as follows:
 - Miscellaneous Plan – 22.507% to 26.438%
 - Safety Plan – 29.756% to 34.303%

At the time of budget preparation for fiscal year 2012, the economic outlook for the City was considered to be stable. The General Fund Budget for fiscal year 2012 of approximately \$211 million was adopted as balanced, not having to utilize any reserves. It represents an increase from the prior year of approximately 8%, principally as a result of increases to retirement costs, absorption of costs previously funded by the Redevelopment Agency, consolidation of the Neglected Property Abatement Fund and an increase in the amount contributed to the Self-Insurance Trust Fund.

Request for information

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

