



November 9, 2021

To the Honorable Mayor, Members of the City Council and Citizens of the City of Riverside:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) of the City of Riverside (the City) for the fiscal year ended June 30, 2021.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a rational basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Lance, Soll & Lunghard, LLP a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is presented as the first component of the financial section of this ACFR.

The independent audit of the financial statements of the City was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards/grants. These reports will become available in the City's separately issued Single Audit Report.

Management has provided an overall analysis of the financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with this section. The City's MD&A can be found immediately following the independent auditor's report.

## **Profile of the City of Riverside**

The City of Riverside, incorporated on October 11, 1883, is located in the western portion of Riverside County, about 60 miles east of Los Angeles. The City currently occupies a land area of 81.507 square miles.

The City operates under the council-manager form of government, with a seven-member council elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council but does not have a vote except in the case of a tie. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Council is elected on a non-partisan basis.

The City provides a full range of services which include general government, public safety (police, fire, disaster preparedness and building inspection), construction and maintenance of highways and streets, economic development, culture and recreation, electric, water, airport, refuse, sewer, and senior citizen/handicap transportation. In addition to general City activities, the Council is financially accountable for the Riverside Housing Authority, Riverside Public Financing Authority, Riverside Municipal Improvements Corporation and the Successor Agency, which was formed to hold the assets of the former Redevelopment Agency; therefore, these entities are included as an integral part of the City's financial statements. Additional information on these legally separate entities can be found in note 1 in the Notes to Basic Financial Statements.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all departments within the general, special revenue and capital project funds. Formal budgets are not employed for debt service funds because debt indenture provisions specify payments. The permanent fund is not budgeted.

Biennially, during the period December through February, department heads prepare estimates of required appropriations for the following two-year budget cycle. These estimates are compiled into a proposed operating budget that includes a summary of proposed expenditures and financial resources and historical data for the preceding budget cycle. At least thirty-five days prior to the beginning of the fiscal year, City Manager provides the proposed budget, in writing, to the City Council for review. The operating budget is presented by the City Manager to the City Council for review. Following Council review, a public hearing is set to obtain citizen comments. The City Council generally conducts the public hearing and adopts the budget during one of its June meetings. The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations within a fund. All appropriations shall lapse at the end of the fiscal year to the extent they have not been expended or lawfully encumbered, except for appropriations for capital projects which shall continue to their completion.

In 2020, community outreach on the biennial budget was interrupted by the pandemic which presented significant challenges to staffing levels, the ability to accommodate public meetings, and the unknown impact of the pandemic on City finances. As a result of these challenges, the City temporarily shifted to a one-year budget and instituted an emergency budget process compliant with the City Charter. The City Council adopted an emergency budget for FY 2020/21 following a public hearing on June 16, 2020. For the general fund, this comparison is presented on page 27 as part of the basic financial statements for the governmental funds. For governmental

funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 87.

**Local economy:** The City is located in 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 City leads the Inland Southern California in most measures of economic power, including population, income, employment, bank deposits, assessed valuation, office space and college enrollment. The population of the City is 324,302 which places it as the 12<sup>th</sup> largest in California.

The Inland Empire 2021 forecast of the 19 separate sectors would add 62,400 jobs or 4.15% to its local firms and agencies. Employment would rise from 1,501,900 to 1,564,300. This would leave the economy -3,200 jobs short of its 2019 level of 1,567,500, down -0.20%. These jobs would have to be made up in 2022. Also, note that several of the sectors will remain with annual average employment below their 2019 levels by the end of 2021 as the strong growth in a few sectors like logistics, construction and health care lifts the region.

Starting in November 2019, a new consumer price index for the Riverside-San Bernardino metro area was implemented allowing year to year calculations of inflation. That month, prices in the area were up 1.7% over November 2018. Los Angeles-Anaheim price increases were 3.2% that month. The two indices reached lows in the Covid recession at 0.5% for the inland area and 0.7% for the coastal counties. In March 2021, the anticipated inflation increases in the post-Covid economy began to materialize. This was expected as prices were severally depressed in the early stages of the pandemic and complete uncertainty of its impact on the economy. Inland Empire prices rose 3.1%. In the L.A.-Orange county area, they were up 2.2% at the end March 2021.

During first calendar quarter 2021, the Inland Empire’s residential prices continued to climb putting them above the levels reached before the Great Recession of 2008. Existing median home prices rose from \$375,446 in March 2020 to \$436,305 in 2021, up \$60,860 or a very strong 16.2%. Prices are now 11.9% above the \$389,924 high in 2006. New homes were \$489,039 in early 2021, up 6.5% or 29,439 from \$454,600 in first quarter 2020. That was \$46,839 or 10.7% above the 2006 record of \$437,200. These high prices are due to an absence of existing home sellers in the face of growing demand from families and investors. Similarly, in the new home market, those factors as well as increasing costs of construction contributed to the increase in home prices.

**Goals and Vision:** On October 20, 2020, Council approved the Envision Riverside 2025 Strategic Plan, which is comprised of two components:

- 1) City Council Strategic Policy, which sets forth the priorities and policy direction of the City Council to advance Riverside’s potential and to frame the work efforts over the next five years including Vision, Cross-Cutting Threads, Strategic Priorities, Indicators and Goals; and
- 2) Operational Workplan, which sets forth envisioned actions to be carried out by City staff to implement the City Council Strategic Policy, as well as related metrics to track the trendlines of progress toward achieving City Council priorities and includes the Actions and Performance Measures which will be evaluated and updated by the City Manager on an as-needed basis in conjunction with the City’s budget cycle.

Envision Riverside 2025 Strategic Plan Vision: Riverside is a city where every person is respected and cherished, where equity is essential to community well-being, where residents support one another, and where opportunities exist for all to prosper. In Riverside, everyone comes together to help the community, economy and environment reach their fullest potential for the public good.

Cross-Cutting Threads: Community Trust, Equity, Fiscal Responsibility, Innovation, Sustainability and Resiliency

<b>Strategic Priorities and Indicators:</b>		
<b>Arts, Culture and Recreation Indicators:</b>	<b>Community Well-Being Indicators:</b>	<b>Economic Opportunity Indicators:</b>
<ul style="list-style-type: none"> <li>• Lifelong Learning</li> <li>• Shared Uses and Partnerships</li> <li>• Arts and Cultural Opportunities</li> <li>• Access to Parks, Trails and Open Spaces</li> <li>• Programs and Amenities</li> </ul>	<ul style="list-style-type: none"> <li>• Housing Supply and Attainability</li> <li>• Public Safety</li> <li>• Public Health</li> <li>• Placemaking</li> <li>• Homelessness</li> <li>• Household Resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce Development</li> <li>• Business Development and Success</li> <li>• Local Investment</li> <li>• Regional Partnerships</li> <li>• Economic Mobility</li> </ul>
<b>Environmental Stewardship Indicators:</b>	<b>High Performing Government Indicators:</b>	<b>Infrastructure, Mobility, and Connectivity Indicators:</b>
<ul style="list-style-type: none"> <li>• Water Quality, Supply, Efficiency and Reliability</li> <li>• Climate Resiliency, Carbon Footprint and Air Quality</li> <li>• Usage, Condition and Quality of Public Lands</li> <li>• Local Food System Vitality</li> <li>• Environmental Justice</li> <li>• Renewable Resource Usage and Waste</li> </ul>	<ul style="list-style-type: none"> <li>• Community Centered Services</li> <li>• Adaptive Organization</li> <li>• Financial Health</li> <li>• Equity in Delivery of City Services</li> <li>• Civic Engagement</li> <li>• City Team Engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Access to Transportation Choices</li> <li>• Infrastructure Quality and Reliability</li> <li>• Outside Investment</li> <li>• Smart City Ecosystem</li> <li>• Greening Facilities, Fleet and Systems</li> </ul>

As the City implements Priority Based Budgeting strategies, which will guide the budget development process for future fiscal years, the City Council’s Strategic Priorities will play a critical role in helping the City make decisions on how to allocate resources.

**Long-term financial planning:** The impact of the COVID-19 pandemic still looms over the City and will continue to impact long term decision making. On March 4, 2020, Governor Newsom declared a state of emergency in California because of COVID-19. On March 13, 2020, the City of Riverside declared a local emergency and closed non-essential facilities to the public. Temporary stay-at-home orders followed from the State and City in mid-March 2020 and were again reinstated in December 2020 for approximately seven weeks. Fortunately, the impact of the pandemic to the City’s budget has not been as dire as originally expected.

On June 16, 2020, the City Council approved the Fiscal Year 2020-21 (Emergency) Annual Budget. The adopted budget was the product of a truncated budget process prompted by the COVID-19 pandemic and the Stay-at-Home Order that limited the City’s ability to receive the usual level of engagement in the budget process. Further, the impacts of the COVID- 19 pandemic on City finances were largely unknown at the time of budget adoption due to the stay-at-home order and uncertainty at all levels of the economy. On June 22, 2021, the City Council adopted the City’s Fiscal Year 2021-22 Annual Budget comprised of \$1.1 billion in funding for citywide operations and \$116 million for capital projects. The FY 2021-22 one-year budget is a bridge between the FY 2020-21 Emergency Budget developed during the pandemic and the upcoming FY 2022-24 Biennial Budget which will embrace the concepts of Priority Based Budgeting (PBB) to align City resources more closely with the strategic priorities outlined in the City’s Strategic Plan 2025.

**Coronavirus Aid, Relief, and Economic Security Act (CARES):** On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to provide emergency appropriations during the Coronavirus pandemic (COVID-19). The CARES Act represented the third package of assistance from the federal government, providing \$2.2 trillion in economic relief to individuals, families, businesses, and nonprofit organizations. Funding for governments was also included through the creation of the Coronavirus Relief Fund, which allocated \$150 billion to various State, local and Tribal governments. The Coronavirus Relief Fund (CRF) was distributed to State, local and Tribal governments based on relative population. Local governments with a population of 500,000 or more were eligible to receive a direct allocation from the CRF. Given the population threshold, the City was not eligible to receive a direct allocation.

Throughout the COVID-19 pandemic, the Big City Mayors (BCM) met with federal and state elected officials to advocate for much needed assistance. As part of this effort, the BCM engaged the State’s legislative leaders and Governor to solicit support for the creation of a dedicated funding opportunity for the seven cities (Long Beach, Oakland, Bakersfield, Anaheim, Santa Ana, Riverside, and Stockton) of the coalition that did not receive a direct allocation from the CRF due to population size. This targeted advocacy effort resulted in the inclusion of a specific \$225 million set-aside for these seven cities as part of the State budget with the City of Riverside receiving an allocation of approximately \$28 million. The CARES Act spending plan was approved by City Council on August 4, 2020 and on July 13, 2021, a final CARES Act expenditure report was presented to City Council. The CARES Act grant provided much needed assistance to our community and below are some of our achievements:

<b>Housing and Homelessness</b>			
Programming benefiting the Housing/Homelessness category included affordable housing projects, shelter services, and Outreach services in response to COVID-19. Key performance areas included:			
6 Housing Units	51 Project Room Key Participants	Increased Outreach Services	Assistance for 112 Tenants
Rehabilitation of six units along 10 <sup>th</sup> Street to support permanent housing for formerly homeless individuals.	Local Program providing individuals with temporary housing and support services.	<ul style="list-style-type: none"> <li>• 37 Encampments</li> <li>• 17 Housed Individuals</li> <li>• 60 cases managed</li> </ul>	Rental Assistance Program through Fair Housing Council.

## Community and Business Support

Programs benefiting the Community and Business Support category included a wide range of key areas including small business grants, distance learning, emotional and social support, support to families and children, food resiliency, and non-profit assistance. Community and Business Support highlights include:

Food Resiliency Programs	Virtual Park Programs	Distance Learning Resources	Socially Distant Family Events	Other Support
<ul style="list-style-type: none"> <li>• 59,640 Food Boxes Distributed</li> <li>• 30 Pantries</li> <li>• 17 Community Distribution Sites</li> <li>• 2,103 Farmers Market Buck Match Transactions</li> <li>• 600 Senior Meals Delivered</li> </ul>	<ul style="list-style-type: none"> <li>• 2,500 Program Participants</li> <li>• 233 Virtual Classes and 5k Running/Walking Activities</li> </ul>	<ul style="list-style-type: none"> <li>• 596 iPads</li> <li>• 2,700 Hot Spots</li> <li>• 8 New Public Wi-Fi Access Points</li> <li>• Tutoring for 360 Students</li> <li>• 4,830 School Supply and Story Time kits</li> </ul>	<ul style="list-style-type: none"> <li>• Drive thru Holiday Events</li> <li>• Zoom visits with Santa</li> </ul>	<ul style="list-style-type: none"> <li>• 598 Small Business Grants</li> <li>• 5,524 Curbside Activity Boxes</li> <li>• Childcare Subsidy for 48 Families of Essential Workers</li> <li>• Diaper Distribution for 480 Families</li> <li>• 21 Computers Delivered to Senior Housing Complexes to Provide Social and Emotional Support.</li> <li>• 114 Micro-Grants for Childcare and Social Service Facilities</li> <li>• 150 Local Nonprofit Grant Subsidies 290 Families Received Baby Formula</li> </ul>

## Organizational Needs for COVID-19 Compliance

Expenditures associated with the Organizational Needs for COVID-19 Compliance were aligned with operational needs and organizational compliance to gubernatorial Executive Order N-33-20 and all State Department of Public Health orders. Key performance areas include:

Operational Equipment	Automation Tools	Facility Readiness	Social Distancing Signage
<ul style="list-style-type: none"> <li>• 1,441 laptops</li> <li>• 100 Rugged Field Devices</li> <li>• 700 Monitors</li> <li>• 672 Docking Stations</li> <li>• 400 Headsets</li> <li>• 100 Webcams</li> </ul>	<p>Software and Systems replacing paper processes allowing telecommuting including 100 Adobe e-sign license and 200 cybersecurity patches</p>	<ul style="list-style-type: none"> <li>• Installation of 60 wall mount temp check units</li> <li>• 100 Handheld Temperature Units</li> <li>• 1,728 HVAC Filters</li> <li>• 9 Portable Handwashing Stations</li> </ul>	<ul style="list-style-type: none"> <li>• Window Wraps</li> <li>• Door Hangers</li> <li>• Floor Stickers</li> <li>• Directional Signs</li> <li>• Physical Distance Markers</li> </ul>

**American Rescue Plan Act (ARPA):** On March 11, 2021, President Biden passed the \$1.9 trillion American Rescue Plan Act (ARPA) that is sending checks to families and offering small business support to drive up demand and counter the country's high unemployment. The ARPA established Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which provides a combined \$350 billion in assistance to eligible state, local, territorial, and Tribal governments to assist in the economic and health recovery by providing resources to address impacts resulting from the crisis. The City will receive one-time fund of approximately \$73.5 million from ARPA with the first installment of \$36.7 million received in June 2021 and the remainder will be received in June 2022. Based on the Interim Rule, funding can be utilized for the following:

1. Support public health expenditures: address broad range of public health needs across COVID-19 mitigation, medical expense, behavioral healthcare, and public health resources
2. Address negative economic impacts caused by the public health emergency: delivering assistance to workers and families, supporting small businesses, expediting tourism recovery efforts to include travel and hospitality sector, and rebuilding public sector capacity.
3. Replace public sector revenue loss.
4. Serving the hardest-hit communities and families: addressing health disparities and the social determinants of health, investment in housing and neighborhoods, addressing educational disparities, and promoting health childhood environments.
5. Provide premium pay for essential workers.
6. Invest in water, sewer, and broadband infrastructure.

The City's proposed expenditure plan for the first allocation of funding was presented to City Council on October 5, 2021 for review and input. The final expenditure plan for the first allocation is expected to be approved by City Council by the end of calendar year 2021. The second allocation will be brought for consideration to City Council at a future date. Ongoing evaluations of projects/programs will be conducted to ensure that funding is being expended in the most impactful way. In addition to ongoing assessments, current funding will be used to start programs in phases and will allow for programs to be structured for continued benefits moving forward.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Program) to the City for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. This was the fifteenth consecutive year that the City has received this prestigious award. The City received this award for publishing an easily readable and efficiently organized ACFR that satisfied both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. This award is valid for a period of one year only. We believe that our current ACFR continues to meet the Program's requirements and we are submitting it to the GFOA again this year.

The Government Finance Officers Association (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2019. The City received the award for the third time for the June 30, 2019 report and has continued to prepare an award-winning report. The City is awaiting the award results for the PAFR for fiscal year ended June 30, 2020. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. The Award is for a period of one year only. The City will continue to participate in the program.

Budget Presentation Award: The City received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2020. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and oversight from the City Manager's Office. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. Credit also must be given to the Budget Engagement Commission and Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Edward Enriquez  
Chief Financial Officer/City Treasurer