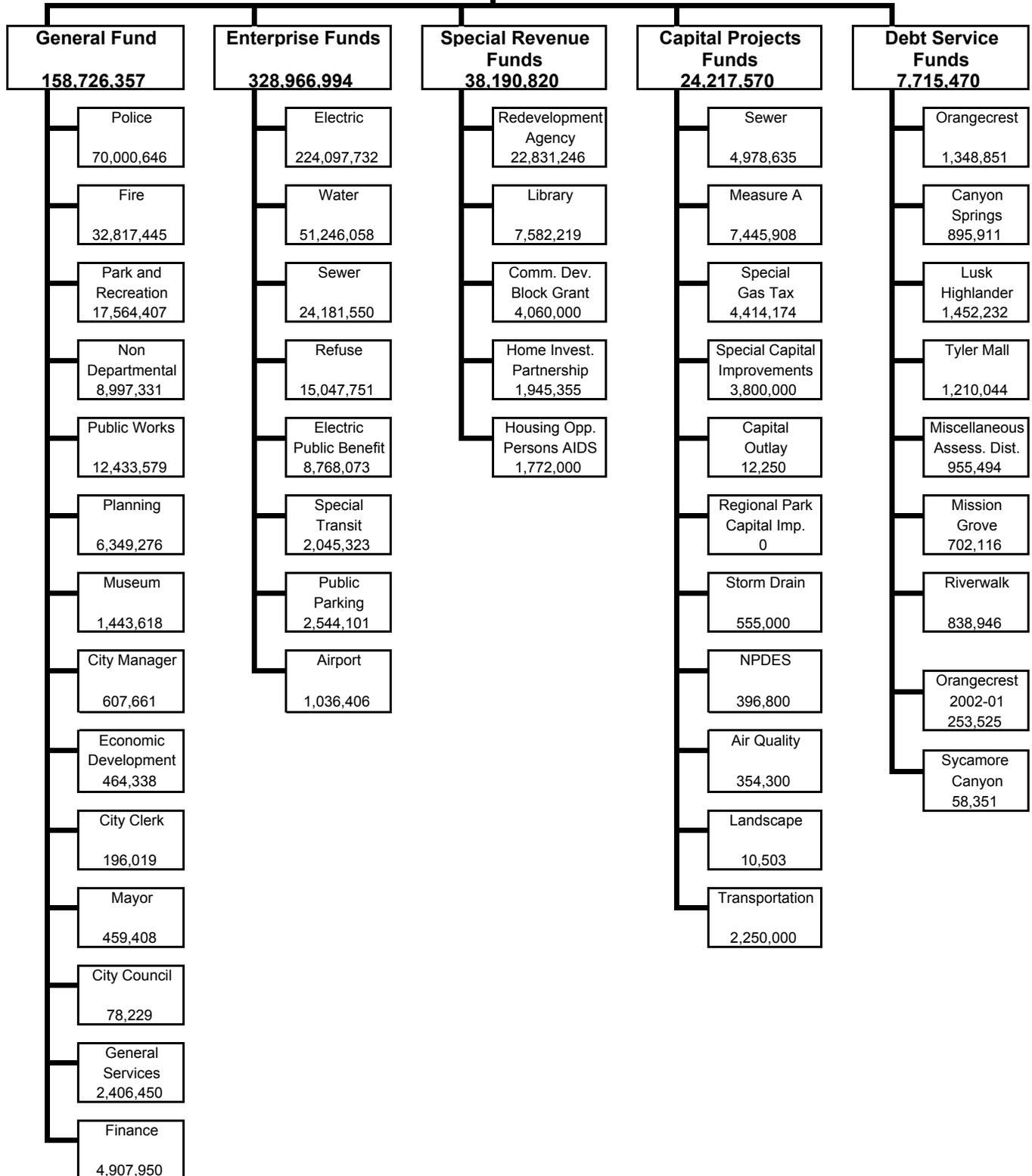


Financial Organizational Chart

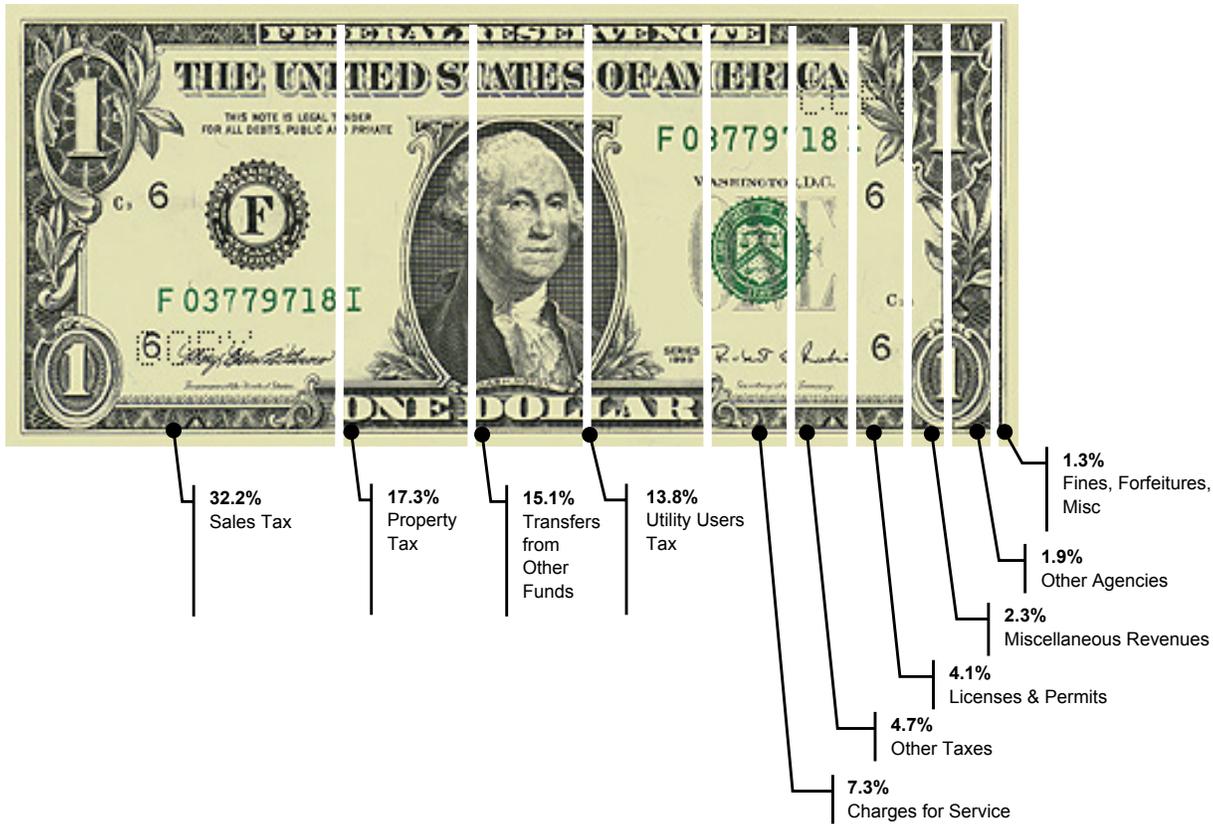
**Total City Budget
FY 2004/05
\$557,817,211**



Where It Comes From

FY 2004/05

Total General Fund Requirements = \$162.7 Million



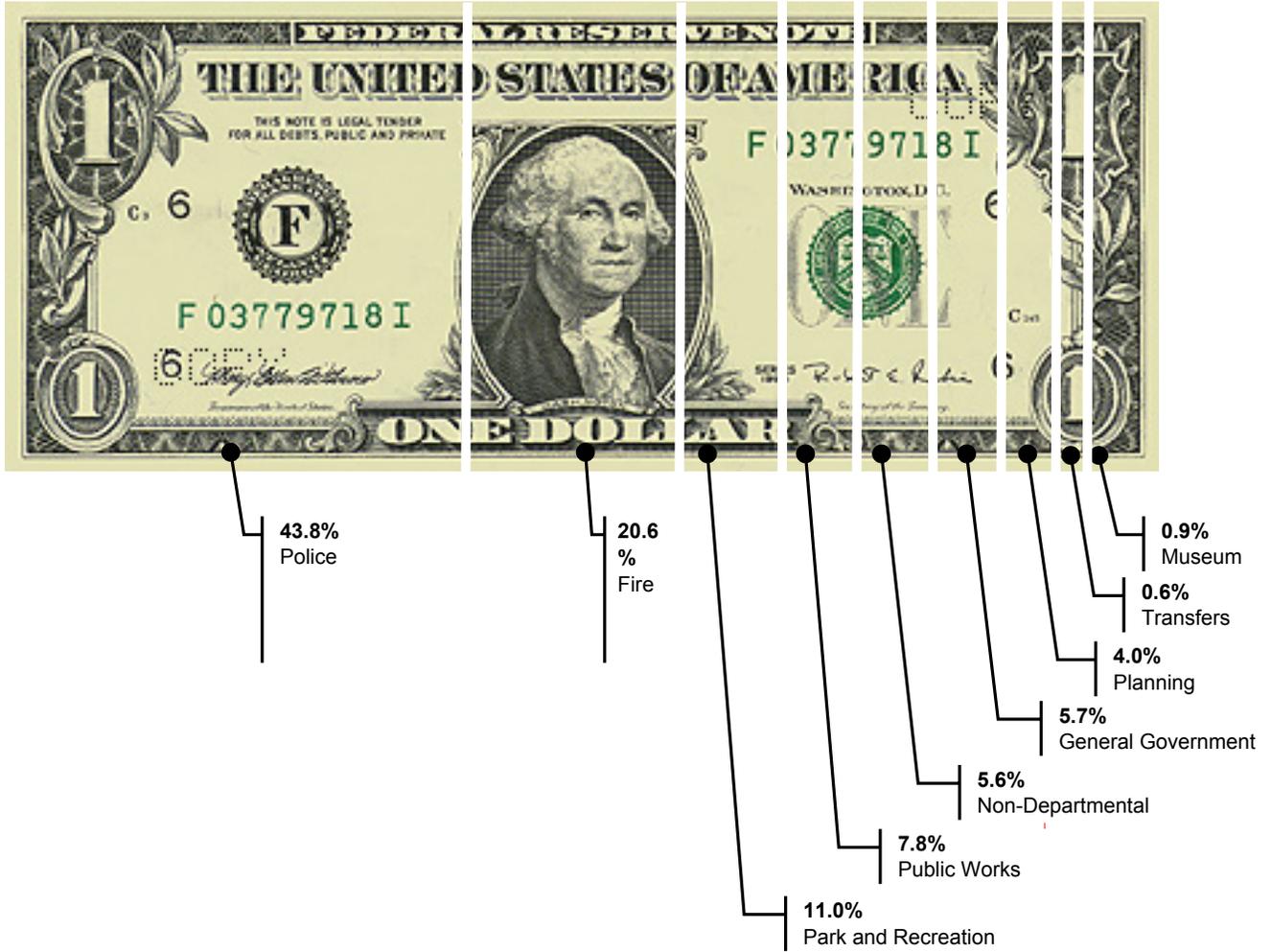
REVENUES	AMOUNT	PERCENT
Sales Taxes	52,365,000	32.2%
Utility Users Tax	22,419,000	13.8%
Transfers from Other Funds	24,522,463	15.1%
Charge for Services	11,921,256	7.3%
Other Agencies	3,134,000	1.9%
Property Taxes	28,095,000	17.3%
Other Taxes	7,675,000	4.7%
Misc. Revenues	3,679,500	2.3%
Licenses & Permits	6,735,050	4.1%
Fines, Forfeitures, Misc	2,145,000	1.3%
TOTAL	\$ 162,691,269	100.0%

* Different assumptions were utilized by Finance Department to project FINAL FY 04/05 revenues compared to preliminary FY 04/05 and past practices.

Where It Goes

FY 2004/05

Total General Fund Requirements = \$159.7 Million



SERVICE AREA	AMOUNT	PERCENT
Police	\$ 70,000,646	43.8%
Fire	32,817,445	20.6%
Park & Recreation	17,564,407	11.0%
Public Works	12,433,579	7.8%
Non-Departmental	8,997,331	5.6%
General Government	9,120,055	5.7%
Planning	6,349,276	4.0%
Transfers	950,333	0.6%
Museum	1,443,618	0.9%
TOTAL	\$ <u>159,676,690</u>	100.0%

REVENUES AND FUND GROUPS

FUND GROUPS

The City organizes its resources into six main fund categories: General Fund, Special Revenue Funds, Enterprise Funds, Debt Service Funds, Capital Project Funds, and Internal Service Funds. These groups and their major revenue sources are briefly described in the sections that follow.

Table 1. All Funds Revenue Summary

	Actual FY 00/01	Actual FY 01/02	Actual FY 02/03	Budgeted FY 03/04	Proposed FY 04/05
General Fund	\$114,034,481	\$118,103,265	\$124,227,631	\$122,062,571	\$132,456,150
Special Revenue Funds	21,019,010	16,899,101	22,960,279	20,949,148	22,151,881
Enterprise Funds	361,624,594	316,524,297	299,882,997	319,683,901	337,901,173
Debt Service Funds	24,670,346	28,801,264	24,701,843	24,706,216	25,702,207
Capital Projects Funds	20,285,317	17,399,530	19,540,623	7,494,512	8,334,958
Internal Service Funds	17,061,240	16,521,228	18,182,739	14,346,319	18,898,825
Totals	\$558,694,988	\$514,248,685	\$509,496,112	\$509,242,667	\$545,445,194

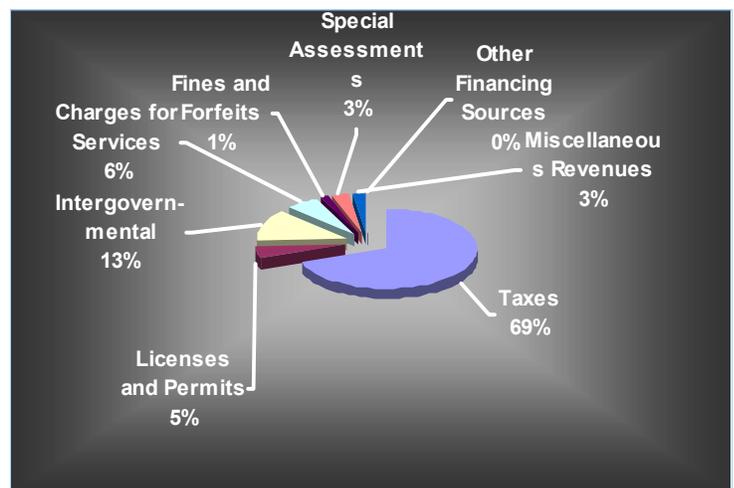
GENERAL FUND

The General Fund is the City’s primary operating fund for core services including police, fire, parks, recreation, and street maintenance.

The City’s principal General Fund revenue sources include taxes (mainly sales, utility users, and property taxes), license and permit fees, and intergovernmental revenues. Combined, these revenues comprise approximately 87 percent of the General Fund revenues.

General Fund revenue sources are expected to generate \$132.5 million in FY 2004/05, an increase of 8.5 percent from the previous year’s budgeted revenues of \$122.1 million. Table 2 provides a three-year summary of General Fund revenues by category.

Figure 1. General Fund Revenues by Source



REVENUES AND FUND GROUPS

Table 2. General Fund Revenues by Category

Revenue	<i>Actual 02/03</i>	<i>Revised 03/04</i>	<i>Budgeted 04/05</i>
Taxes	\$82,525,001	\$83,979,000	\$91,968,000
Licenses and Permits	\$7,242,700	\$6,649,700	\$6,368,700
Intergovernmental	\$16,171,972	\$16,461,000	\$17,114,000
Charges for Services	\$8,911,291	\$7,104,735	\$7,820,950
Fines and Forfeits	\$1,900,310	\$1,675,000	\$1,905,000
Special Assessments	\$3,531,966	\$3,544,000	\$3,810,000
Miscellaneous Revenues	\$3,875,243	\$2,464,136	\$3,369,500
Other Financing Sources	\$69,148	\$185,000	\$100,000
Total	\$124,227,631	\$122,062,571	\$132,456,150

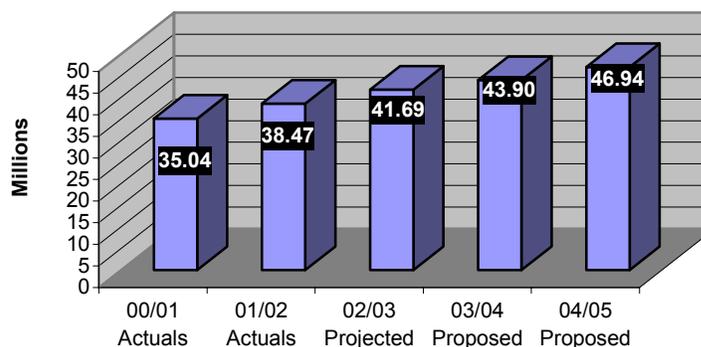
The City's top four performing revenues for the General Fund are the Sales and Use Tax (\$46.9 million), the Utility Users Tax (\$22.1), the Vehicle in Lieu Tax (\$16.5), and the Property Tax (\$12.5). The remainder of this section discusses these and other revenue sources, highlighting significant trends and changes.

Taxes and Franchise Fees

Sales and Use Taxes are imposed on retail transactions and are collected and administered by the California State Board of Equalization. The current rate in Riverside County is 7.75 percent, of which 1 percentage point is local sales tax allocated monthly by the State to the City of Riverside. Sales taxes are allocated based on point-of-sale whereas Use Taxes are allocated from county and statewide pools, proportionally based on taxable sales. The total sales tax rate includes 0.5 percent for transportation projects and programs (Measure A).

The Sales Tax has steadily increased each year in the past 10 years. The annual increase varies with the overall economy, and has averaged 8 percent over the past 3 years. The Sales and Use Tax is budgeted to increase by 6.9 percent in FY 2004/05.

Figure 2. Sales Tax Growth over a Five-Year Period



REVENUES AND FUND GROUPS

A **Utility Users Tax** is imposed on telephone, electricity, gas, water, and cable television services within the city limits, at a rate of 6.5 percent of taxable services.

The Utility Users Tax (UUT) is the City's second highest revenue generator for the General Fund. It is projected to increase by 13 percent in FY 2004/05, bringing in an estimated \$22.1 million to the General Fund.

Property taxes are levied at the statewide general property tax rate of 1 percent of assessed value, as established in 1978 by Proposition 13. The County of Riverside administers the property tax system, and the City of Riverside receives approximately 11 percent of the amount generated by property taxes levied within the city limits. The balance of the property tax revenues is allocated between the schools, Riverside County, and the City of Riverside Redevelopment Agency.

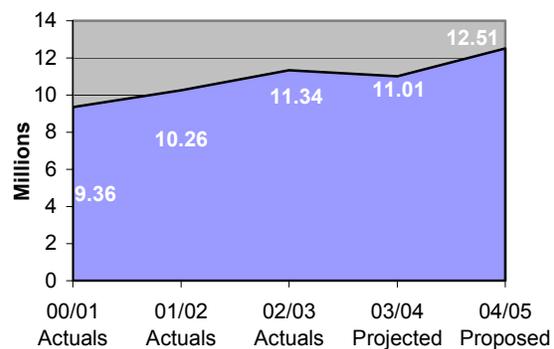
Property tax revenues were stable in FY 2003/04, but are projected to increase in FY 2004/05.

The **Transient Occupancy Tax (TOT)** is imposed on lodging facilities such as hotels and motels. The City's current tax rate is 11 percent of the hotel/motel rate. The TOT is projected to increase by 3 percent in FY 2004/05.

Proposition 172 established a state wide 1/2 percent sales tax for Local Public Safety Augmentation in 1993. The County of Riverside allocates these funds to cities on a monthly basis based on their proportionate share of property tax losses due to the State's Educational Revenue Augmentation Fund (ERAF) shifts of the early 1990s. The Public Safety Sales Tax is projected to increase by 7 percent for FY 2004/05.

Franchise Fees are levied by the City on various service providers, including gas and electric utilities; refuse services, and cable television services. Fees range from 2 percent of gross receipts for natural gas, 5 percent for cable, to 15 percent for refuse services. Franchise fees are projected to remain consistent with FY03/04 levels in FY 2004/05.

Figure 3. Property Tax Growth Over a Five-Year Period

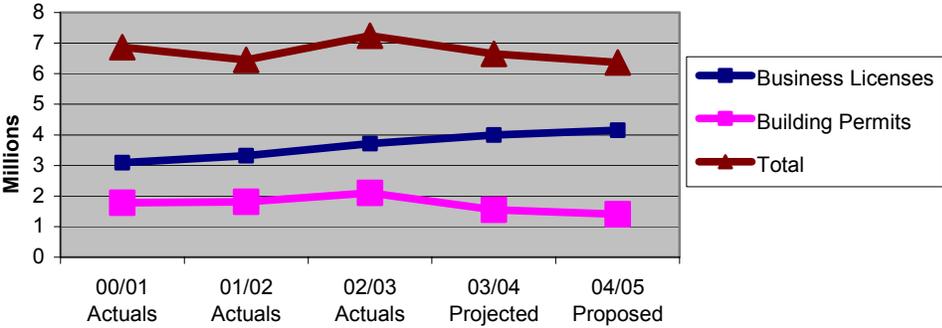


REVENUES AND FUND GROUPS

Licenses and Permits

Licenses and permits generate revenues for wide variety of activity, ranging from business licenses, to animal licenses, to building-related permits. The most significant revenue sources from the licenses and permits category are the Business License Tax and the Building Permit Fee. Licenses and permits comprise approximately 5 percent of the General Fund revenues. Figure 4 demonstrates the overall trends in these two revenue sources, as well as the trend for all revenue derived from licenses and permits.

Figure 4. Licenses and Permits Revenues

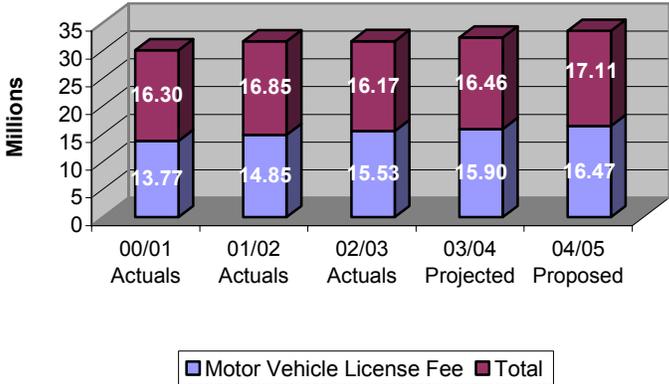


Business License Taxes are levied annually by the City on all establishments conducting business within the city limits. Tax amounts are based on gross sales, and, depending on the type of business, number of employees. The Business License Tax is projected to generate \$4.2 million in FY 2004/05.

The City of Riverside provides a variety of permits, including **Building Permits**. The Building Permit fee is projected to generate \$1.40 million in FY 2004/05, approximately the same amount as projected for FY 2003/04.

Intergovernmental Revenues

Intergovernmental Revenues comprise approximately 13 percent of the General Fund revenues. The primary revenue source in this category is the **Motor Vehicle License Fee (VLF)**, which is levied by the state “in lieu” of property taxes. The VLF is based annually on vehicle market value and is anticipated to be \$16.5 million in FY 2004/05.



REVENUES AND FUND GROUPS

Figure 5. Intergovernmental Revenues

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. Included in this category are the Library Fund, Special Gas Tax Fund, Air Quality Improvement Fund, Housing and Community Development Fund, Redevelopment Agency Fund, Special Designation Fund, and the National Pollution Discharge Elimination System (NPDES) Fund. The main revenue sources for these types of funds are Intergovernmental Revenues, Taxes and Miscellaneous Revenues.

The Special Revenue Funds total \$22,151,881 for FY 2004/05, a 5.8 percent increase from the prior fiscal year. Below is a summary of the last three years of revenues in this fund area.

Table 3. Special Revenue Funds

Revenue	<i>Actual 02/03</i>	<i>Budgeted 03/04</i>	<i>Proposed 04/05</i>
Taxes	\$6,071,916	\$5,688,500	\$6,620,000
Intergovernmental Revenues	\$14,338,469	\$12,911,125	\$13,332,846
Charges for Services	\$5,933	\$8,500	\$9,100
Fines & Forfeits	\$191,368	\$180,000	\$200,000
Miscellaneous Revenues	\$2,036,997	\$1,764,223	\$1,593,135
Special Assessments	\$315,596	\$396,800	\$396,800
Total	\$22,960,279	\$20,949,148	\$22,151,881

ENTERPRISE FUNDS

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is that the cost of services provided to the general public on a continuing basis is financed or recovered primarily through user charges. Included in this category are the Electric Fund, Electric - Public Benefits Surcharge Fund, Water Fund, Airport Fund, Refuse Fund, Transportation Fund, and the Parking Fund.

Enterprise Fund revenues for FY 2004/05 total \$337,901,173 representing a 5.7 percent increase from the FY 2003/04. Table 4 provides a summary of the last three years of revenues in this fund area.

Table 4. Enterprise Fund Revenues

Revenue	<i>Actual 02/03</i>	<i>Budgeted 03/04</i>	<i>Proposed 04/05</i>
Charges for Services	\$273,173,148	\$290,987,745	\$304,448,667
Miscellaneous Revenues	\$22,368,076	\$24,645,300	\$28,679,400
Other Financing Sources	\$303,873	\$189,000	\$201,000
Taxes	\$0	\$25,000	\$25,000
Intergovernmental Revenue	\$1,664,522	\$1,680,096	\$1,854,906
Licenses and Permits	\$1,659,376	\$1,531,760	\$2,067,200
Fines and Forfeits	\$726,129	\$625,000	\$625,000
Total	\$299,895,124	\$319,683,901	\$337,901,173

REVENUES AND FUND GROUPS

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of long-term debt obligations for the City and related entities. Included in this category is the Debt Service Fund, Riverside Civic Center Authority Lease Revenue Bond Fund, the Riverside Municipal Improvements Corporation, and land secured special financing districts.

Debt Service Fund revenues for FY 2004/05 total \$25,702,207, a 4 percent increase from the prior fiscal year. Table 5 presents a summary of the last three years of revenues in this fund area.

Table 5. Debt Service Fund Revenues

Revenue	<i>Actual 02/03</i>	<i>Budgeted 03/04</i>	<i>Proposed 04/05</i>
Special Assessments	\$7,824,188	\$7,974,000	\$8,262,000
Miscellaneous Revenues	\$3,052,803	\$3,296,956	\$3,118,947
Taxes	\$12,943,592	\$12,554,000	\$13,440,000
Charges to Departments	\$881,260	\$881,260	\$881,260
Total	\$24,701,843	\$24,706,216	\$25,702,207

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. Included in this category are the Capital Outlay Fund, Special Capital Improvements Fund, Storm Drain Fund, Transportation Fund, and the Redevelopment Agency Fund. Capital Projects Fund revenues for FY 2004/05 are \$8,334,958, an 11 percent increase from the prior fiscal year. Below is a summary of the last three years of revenues in this fund area.

Table 6. Capital Projects Funds

Revenue	<i>Actual 02/03</i>	<i>Budgeted 03/04</i>	<i>Proposed 04/05</i>
Charges for Services	\$6,899,439	\$200,000	\$150,000
Miscellaneous Revenue	\$2,766,741	\$894,512	\$1,215,334
Intergovernmental Revenues	\$7,888,468	\$5,950,000	\$6,550,000
Special Assessments	\$2,005,368	\$450,000	\$419,624
Total	\$19,560,016	\$7,494,512	\$8,334,958

INTERNAL SERVICES FUNDS

Internal Service Funds are used to account for the financing of goods and services by one city department to other city departments on a cost-reimbursement basis. Included in this category are the Workers' Compensation Fund, Unemployment Compensation Fund, Public Liability Fund, Central Stores Fund, Central Services Fund, and Central Garage Fund.

Internal Service Fund revenues for FY 2004/05 total \$18,898,825, a 31.7 percent increase from FY2003/04. Table 7 provides a summary of the last three years of revenues in this fund area.

FY 2004/05 Annual Budget
City of Riverside

REVENUES AND FUND GROUPS

Table 7. Internal Services Funds

Revenue	<i>Actual 02/03</i>	<i>Budgeted 03/04</i>	<i>Proposed 04/05</i>
Miscellaneous Revenue	\$742,539	\$400,000	\$690,000
Charges to Departments	\$10,009,211	\$6,233,644	\$10,381,273
Charges for Services	\$7,430,989	\$7,712,675	\$7,827,552
Total	\$18,182,739	\$14,346,319	\$18,898,825

FUND DESCRIPTIONS AND SIGNIFICANT BUDGETARY CHANGES

The following is a brief description of a select group of city funds, and a summary of the significant changes within each fund.

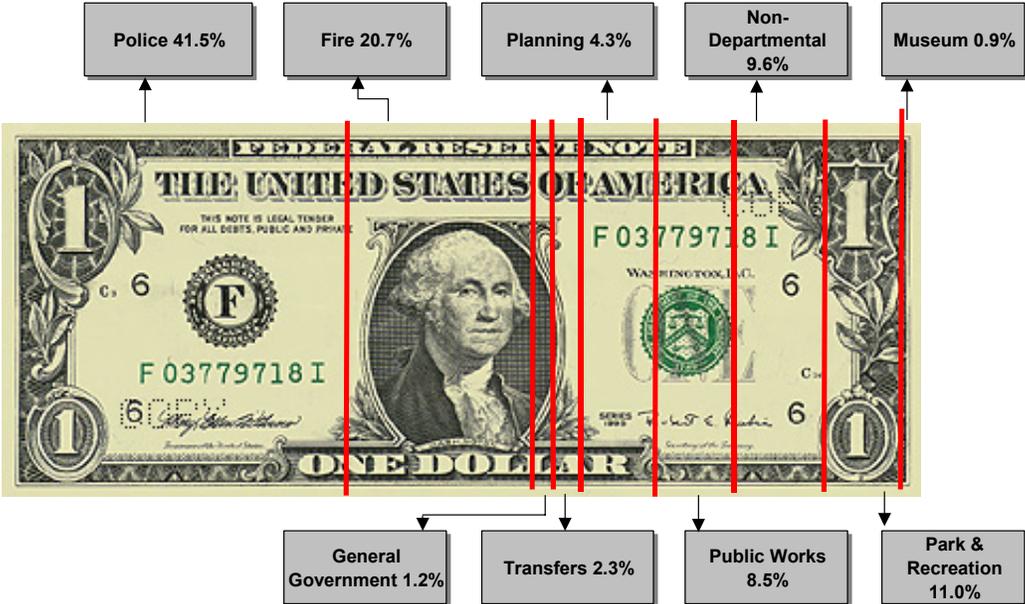
General Fund (101)

Overview

The General Fund provides core city services including police, fire, parks, recreation, street maintenance, planning, and animal control. The proposed FY 2004/05 General Fund budget, excluding transfers, is \$156,802,387 million. Transfers to the Library, Refuse, and Airport Funds total \$1,821,314 million, for a total General Fund requirement of approximately \$158,623,701 million. This figure represents an increase of \$10,696,092, or 7.2 percent over the current budget year. The primary reason for this increase is the impact from previously negotiated salary increases and rising pension and workers compensation costs. Figure 4 depicts how the General Fund budget is allocated.

REVENUES AND FUND GROUPS

Figure 4. Allocation Share across General Fund Departments



Economic Contingency Reserve

Through prudent budgeting during good economic times, the City has been able to build a healthy Economic Contingency Reserve fund of 15 percent of General Fund expenditures, or \$23.5 million for FY 2004/05. The reserve can be used to cushion against possible fluctuations in revenue and/or emergency expenses. Because of this reserve, we are able to weather the State’s budget crisis while still maintaining current service levels.

General Fund Structural Deficit

For the past several years, General Fund expenditures have outpaced General Fund revenues. The result is a structural deficit, which has been balanced in previous years by a transfer from the General Fund’s unappropriated fund balance. To address this problem before it becomes unmanageable, the proposed budget includes measures to close the gap. Following is a summary of the significant changes within the General Fund.

Summary of FY 2004/05 Significant Changes Within the General Fund (101)

Department	Action	One-Time	Ongoing	FTE
City Attorney	Eliminate one vacant Legal Assistant position.		(51,591)	(1.0)
City Manager	Reduce various accounts in Communications, Civilian Police Review Commission, Administration and Office of Management and Budget		(50,000)	
Development	Reduce the ED reserve; reduce program accounts for Office of Neighborhoods.		(35,000)	

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City of Riverside

REVENUES AND FUND GROUPS

Fire	Reduce overtime accounts; eliminate equipment replacement cycle repayment	(120,000)	(350,000)	
Library	Reduction of Neighborhood Service funds		(60,000)	
Museum	Eliminate vacant Anthropology Curator position.		(47,681)	(1.0)
Non-Departmental	Reduce retirement reserve		(315,000)	
Park and Recreation	Eliminate one Part Time Planner position; eliminate one Part Time Park Ranger position; eliminate one Park Inspector position; close La Sierra pool and corresponding Lifeguard positions.		(175,000)	(3.02)
Police	Reduce marked vehicle purchase; reduce number of take home vehicles; reduce overtime; reduce Attorney General contract.	(400,000)	(650,000)	
Planning	Charge personnel cost to General Plan Surcharge Reserve through FY 2004/05; Misc. items	(50,000)		
Public Works	Unfund 4 vacant positions. Reduce various accounts, including street maintenance, construction materials and various supplies.		(500,000)	(4.0)

Total General Fund Reduction	One-Time (\$570,000)	Ongoing (\$2,234,272)	FTE (9.02)
-------------------------------------	---------------------------------	----------------------------------	-----------------------

To ease the structural deficit and trim General Fund expenditures, a budget reduction exercise was conducted. Department heads were invited to review recommended reductions submitted from each General Fund department and openly dialogue about the impact and viability of the proposed reductions. Ultimately, a consensus was reached regarding which reductions were feasible. The results of this collaborative effort were ongoing savings of \$2,234,272 and one-time reductions of \$570,000 for a total FY04/05 cost savings of \$2,804,272. New sources of revenue were also discussed with the potential to generate an additional \$1 million dollars annually for the General Fund. These efforts, combined with a \$102,000 reduction from the Central Service Fund (102), the results of this collaborative effort is a savings of approximately \$4 million dollars.

Central Service Fund (102)

The Central Services Fund includes those departments that serve the City's operating departments. Central Service departments are Finance, Human Resources, Information Systems, and General Services. The proposed Central Services Fund budget of \$26,963,444 reflects a decrease of 0.9 percent. Significant changes are shown in the table below.

REVENUES AND FUND GROUPS

Summary of Significant Changes within the Central Services Fund (102)

Department	Action	One-Time	Ongoing	FTE
Human Resources	Reduce various accounts, including training, advertising and outside legal fees		(\$62,000)	--
Information Systems	Reduce Technology Replacement reserves	--	(\$40,000)	--
Total Central Services Reduction		One-Time (\$0)	Ongoing (\$102,000)	FTE (0)

Development Fund (170)

The City places a high premium on its development activities. Over the course of the past year, we have made great progress in moving forward with implementing the John Husing-authored Economic Development Strategies. Our Redevelopment Agency has worked steadily at structuring financial assistance for restaurant development in the downtown, as well as stimulating development throughout its project areas with new business projects, expansions and relocations. Examples include the success of the University Research Park; the redevelopment of Riverside Plaza; the commitment to a major mixed-use development in the city's downtown; expanded marketing of the City such as the "Shop Riverside" campaign. These and other activities have attracted numerous businesses to Riverside generating over millions of dollars in revenue to the City.

This work continues into the upcoming fiscal year with continued implementations of strategic economic and redevelopment plans. Examples includes work on enhancing the appearance of the City's gateways; launching construction plans for the Villaggio project and Imperial Hardware; and successful completion of the Redevelopment Agency's priorities in the project areas, including the Magnolia Avenue and Madison Street streetscape projects, University Corridor improvements, Riverside Plaza, and Municipal Airport expansion. In the area of housing and community development, we will be focusing on expanding home ownership and rehabilitation programs citywide, implementing the recommendations of the Mayor's Homeownership Task Force Report, and in collaboration with our community and governmental partners work toward resolving the issue of the homeless.

The Development Fund includes the expenses for Administration, Economic Development, and the Redevelopment Project areas. The proposed budget is \$3,493,097 or 2.6% increase from the current year. Since the Economic Development portion is ultimately charged back to the General Fund, economic development highlights are shown in the General Fund section of this letter.

Library Fund (210)

The Library Fund is responsible for the operation of the Central Library and the La Sierra, Marcy, Arlington, and Casa Blanca branch libraries. The proposed Library Fund budget of \$7,555,565 reflects an increase of \$497,802, or 7.1 percent over the current fiscal year. The increase is largely attributable to previously negotiated salary and benefits increases, and for planning and construction drawings related to the new Arlington and Orangecrest branch locations included with capital projects.

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City of Riverside

REVENUES AND FUND GROUPS

Measure "C"

On March 5, 2002 the voters of Riverside approved Measure "C" by a 69 percent majority vote. This measure provides an annual \$19 per parcel special property tax for a period of ten years, with the revenues restricted exclusively for library purposes. Through Measure "C", the City will receive an estimated annual supplemental appropriation of \$12 million to the Library Fund, through FY 2011/12.

For FY 2004/05, Measure "C" monies provide \$1,200,000, or 16 percent of the Library's direct operating budget. The successful passage of Measure C will enable the department to complete space plans for new facilities, initially in Arlington and Orangecrest. In addition, Measure C funds have resulted in increased library hours, with all branch libraries now open 60 hours a week and Main Library open 65 hours per week.

General Fund Transfer

A General Fund transfer of approximately \$1.7 million is necessary to balance the Library Fund budget. This level of support is needed in order to maintain current service levels, in accordance with eligibility requirements due to the Measure "C" parcel fee to renew the Library

Summary of Significant Changes within the Library Fund (210)

Fund	Action	One-Time	Ongoing	FTE
Library	Reduce professional services	(\$40,000)		
Total Library Fund Adds		One-Time	Ongoing	FTE
		\$40,000	\$0	0

Electric Fund (510) and Water Fund (520)

The City of Riverside operates its own Riverside Public Utilities (RPU) to provide electricity and water services to the residents of Riverside. In addition to offering lower everyday rates than its competitors, RPU also bolsters economic development efforts within the city by offering discounted electricity to large power users and high tech companies. The combined Electric and Water budgets total \$275,517,229 for FY 2004/05, a decrease of 10 percent over the current fiscal year. The decrease is mainly due to the completion of a \$55 million, 50-megawatt peaking generation plant that was included in the FY03/04 capital budget.

All Public Utilities costs, both capital and operating, must be recovered through rates, fees or reimbursements. A utility rate increase in 2005 may be necessary to support service levels.

Refuse Fund (540)

The Refuse Fund is used to record revenues and expenses associated with the provision of residential trash services within the city. Currently, the City provides approximately 70 percent of all residential service, with the remainder provided by the private sector. All commercial refuse service is provided by the private sector. The FY 2004/05 budget for the Refuse Fund is \$15,040,306 which represents a 3.4 percent increase from the previous fiscal year.

REVENUES AND FUND GROUPS

Summary of Significant Changes within the Refuse Fund (540)

Fund	Action	One-Time	Ongoing	FTE
Refuse	Install landfill gas treatment equipment	\$400,000		
Total Refuse Fund Adds		\$400,000	Ongoing \$--	FTE 0

Sewer Service And Projects Funds (550 and 551)

The Wastewater Treatment plant serves the residential and commercial sewer needs within Riverside city limits, and in the Jurupa, Rubidoux, and Edgemont Community Service Districts. The proposed Sewer and Sewer Project Fund budgets total \$28,932,523.

Summary of Significant Changes within Sewer Service and Projects (550 and 551)

Funds	Action	One-Time	Ongoing	FTE
Sewerage	Increase disposal cost for bio-solid waste		\$800,000	
	Mandate requiring alternate chemicals		\$300,000	
Total Sewerage Funds Adds		\$0	Ongoing \$1,100,000	FTE 0

Airport And Special Aviation Funds (530 & 531)

The Airport and Special Aviation Funds record revenues and expenses associated with operation of the municipally owned and operated Riverside Airport, which serves the local needs of business jets, cargo aircraft, police and military helicopters, and private pilots. Fund 530 provides for Airport operations and maintenance and Fund 531 provides for capital improvement needs, which are largely grant funded.

There are no significant changes to these funds for FY 2004/05. The Airport's budget totals \$1,025,976, an increase of 5 percent over current fiscal year, primarily due to previously negotiated salary and benefits increases and ADA required facility upgrades. The Riverside Airport operates on an enterprise fund system, and generally does not receive transfers from the General Fund, with the exception of an energy retrofit project transfer. The Airport generates revenue through leases, fuel flow charges and landing fees. Projected revenues for 2004/05 are expected to exceed budgeted expenditures by \$12,531, which will be added to the fund balance available for Airport capital projects.