

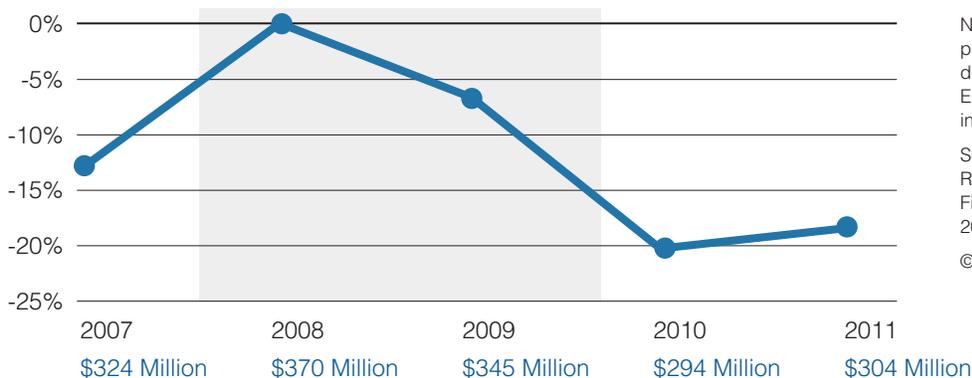
Riverside, CA

Riverside faced declining revenue, forcing cuts in key spending areas

As of 2011, Riverside's total revenue was well below the 2008 peak, and the city faced continuing financial challenges stemming from the Great Recession. California's "Inland Empire" metropolitan area endured cratering housing prices and high unemployment during the downturn, and as a result, revenue in the region's largest city, Riverside, fell 21 percent from 2008 to its 2010 low.¹ (See Figure 1.) Although the city responded by cutting spending on critical functions such as public safety, rising debt service payments outweighed reductions.²

FIGURE 1

Riverside Governmental Revenue, Percent Change from Pre-Economic Downturn Peak, 2007-2011



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

Source: Pew calculations from Riverside's Comprehensive Annual Financial Reports for Fiscal Years 2007-2011.

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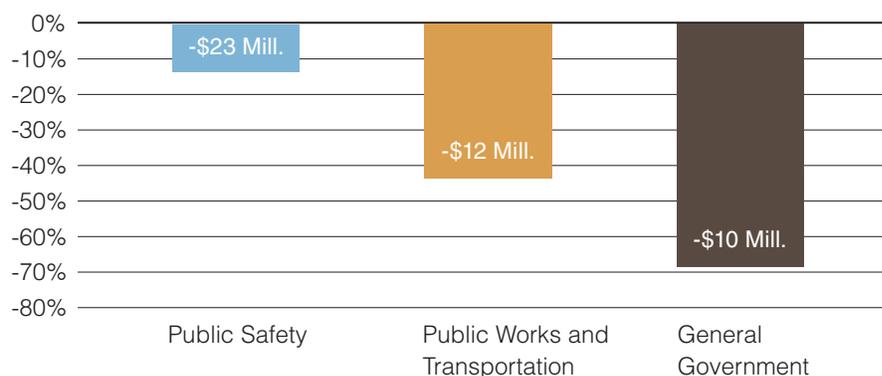
As revenue fell, Riverside made significant cuts and worked to improve its debt position

Between 2008 and 2010, total revenue dropped \$76 million, after adjusting for inflation. Nontax revenue—mainly something the city termed “use of money and property”—represented the largest piece of the losses, falling \$24 million. That was followed closely by a \$21 million decline in intergovernmental aid, despite federal funding from the American Recovery and Reinvestment Act. Further, sales taxes fell \$12 million as unemployment neared 15 percent, and property tax receipts declined \$13 million, during the same period.³

To deal with revenue shortfalls, Riverside made deep cuts in several key areas between 2008 and 2010, including public safety (\$23 million), public works and transportation (\$12 million), and general government (\$10 million). (See Figure 2.) Those reductions, however, were offset by temporary growth in debt service payments in 2010 and 2011, when the city refinanced bonds and addressed increasing redevelopment agency debt—saving money over the long-term by taking advantage of historically low interest rates.⁴

FIGURE 2

Key Drivers of Change in Riverside's Operating Expenditures, 2007-11



Note: Amounts are in 2011 dollars.

Source: Pew calculations from Riverside's Comprehensive Annual Financial Reports for fiscal 2007-11.

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Officials drew down general fund reserves repeatedly during the recession to offset revenue declines from 2007 to 2010. But Riverside still managed to replenish its financial cushion by \$13 million between 2010 and 2011. In 2012, the outgoing mayor, Ronald O. Loveridge, touted the city's fiscal strength, noting, "no city of our size in California has this kind of reserve."⁵

Managing the future: Riverside's pension contributions remained strong

Spending commitments, demand for services, and revenue performance are among key factors that will affect Riverside's future fiscal health. Two long-term obligations which can be analyzed using the data available are pensions and retiree health care and other benefits.

Riverside consistently paid the full, recommended annual contribution for its pensions, but its funding level still decreased from 95 percent in 2007 to 90 percent in 2010 due to increasing liabilities. The city's retiree health care obligations were unfunded in 2010, but the city has taken unique steps to manage its commitments. Most importantly, the city agreed to provide fixed cash payments to seven public sector unions, which in turn agreed to independently manage health care plans for eligible retirees.⁶

See Pew's 30-city interactive at pewstates.org/City-Fiscal-Conditions-Interactive for complete data.

Endnotes

- 1 The Inland Empire includes Ontario, Riverside, San Bernardino, and the surrounding areas. <http://www.visitcalifornia.com/Explore/Inland-Empire>.
- 2 See the full study methodology at pewstates.org/City-Fiscal-Methodology for a detailed explanation of the terms used in this profile and view the underlying data at pewstates.org/City-Fiscal-Conditions-Interactive.
- 3 City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2010* (2010), ii, <http://www.riversideca.gov/finance/cafr/2010.asp>.
- 4 City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2009* (2009), 25, <http://www.riversideca.gov/finance/cafr/2009.asp>; City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2010*, p. 25; City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2011* (2011) 25, <http://www.riversideca.gov/finance/cafr/2011.asp>. The increase in 2010 was largely because of a refinancing bond for pensions. City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2009*, 47. The 2011 jump included another such bond and an increase in Redevelopment Agency debt service. See City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2010*, 47; and City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2011*, 25.
- 5 Mayor Ronald O. Loveridge, State of the City Address (Jan. 19, 2012), <http://www.riversideca.gov/mayor/2012/StateoftheCity2012FinalSpeech.pdf>
- 6 The seven bargaining units covered by the agreements are the Riverside City Fire Association, International Brotherhood of Electrical Workers General Trust, the Riverside Police Administrators' Association, the Riverside Police Association Sergeants Trust 1991, the Riverside Police Association Sergeants Trust 2006, Service Employees International Union General Trust, and the Service Employees International Union Refuse. Also, under an "implied rate subsidy" plan, retirees have the choice to take responsibility for their own care by enrolling in the same insurance plan as active employees and benefiting from the reduced costs associated with a younger and larger group. City of Riverside, *Comprehensive Annual Financial Report, Year Ended June 30, 2010*, 58. For more information on and analysis of the state of retirement funding in the 30 cities, see The Pew Charitable Trusts, American cities project, *Cities Squeezed by Pension and Retiree Health Care Shortfalls* (March 2013), http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf.