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CREDIT OPINION
8 May 2024

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Riverside County, CA

Update to Credit Analysis

Summary

Riverside County, CA's (Aa2 stable) credit profile continues to benefit from a robust and growing tax base and average resident income levels. Operating fund reserves and general fund reserves are strong and continue to grow year over year, and the county also maintains significant liquidity outside of the general fund. Management has implemented strong policies and utilizes robust capital planning. The county has an above average pension burden compared with counties in other states, but overall leverage and fixed costs for debt, pension and OPEB are manageable.

On May 7th, 2024, Moody's assigned a Aa3 rating to Riverside County, CA's Lease Revenue Bonds for the Mead Valley Wellness Village Project issued by the California Enterprise Development Authority, Series 2024.

Credit strengths

» Very large and well diversified tax base

» Strong liquidity with substantial resources outside of general fund

» Conservative fiscal management and strong adopted policies

Credit challenges

» Below average reserves in the operating funds for the rating category

» Rising operating costs

Rating outlook

The stable outlook reflects our expectation that the county will maintain a sound financial position consistent with its reserve policy, and tax base growth will continue supported by transportation linkages to major employment centers and ongoing housing development. The outlook also incorporates our expectation that debt and pension burdens will remain manageable.

This report was republished on 8 May 2024 with a corrected ESG governance section.

Factors that could lead to an upgrade

» Strong financial performance that contributes to significant growth of available fund balance ratio above 35% of revenues

» Balance sheet liquidity ratio improving to above 40% of revenues

» Continued increases in full value to above $180,000 per capita

Factors that could lead to a downgrade

» Weakening of available fund balance below 15% of revenues

» Increase in long term liabilities to above 350% of revenues

» Rise in fixed costs to above 15% of revenues

Key indicators

Exhibit 1

Riverside (County of) CA

	2020	2021	2022	2023	Aa Medians
Economy					
Resident income ratio (%)	104.4%	104.5%	105.7%	N/A	97.8%
Full Value ($000)	$309,054,000	$327,337,000	$345,174,000	$377,955,000	$8,736,359
Population	2,437,864	2,409,331	2,429,487	N/A	90,964
Full value per capita ($)	$126,772	$135,862	$142,077	N/A	N/A
Annual Growth in Real GDP	-1.1%	6.1%	1.1%	N/A	4.9%
Financial Performance					
Revenue ($000)	$4,949,378	$5,552,666	$5,733,435	$6,477,975	$97,580
Available fund balance ($000)	$956,318	$1,133,292	$1,227,276	$1,423,254	$43,698
Net unrestricted cash ($000)	$1,976,650	$1,791,534	$1,951,006	$2,189,798	$68,628
Available fund balance ratio (%)	19.3%	20.4%	21.4%	22.0%	43.0%
Liquidity ratio (%)	39.9%	32.3%	34.0%	33.8%	74.4%
Leverage					
Debt ($000)	$2,713,852	$2,617,856	$2,816,756	$2,758,510	$46,820
Adjusted net pension liabilities ($000)	$11,888,619	$12,530,022	$10,857,685	$8,573,973	$103,575
Adjusted net OPEB liabilities ($000)	$127,001	$366,935	$369,671	$285,930	$7,091
Other long-term liabilities ($000)	$683,536	$779,465	$817,868	$890,936	$3,981
Long-term liabilities ratio (%)	311.4%	293.4%	259.2%	193.1%	190.3%
Fixed costs					
Implied debt service ($000)	$132,000	$194,346	$183,616	$196,722	$3,257
Pension tread water contribution ($000)	$437,625	$394,769	$305,499	N/A	$2,211
OPEB contributions ($000)	$9,842	$17,419	$15,093	$17,868	$186
Implied cost of other long-term liabilities ($000)	$48,949	$48,950	$54,671	$57,120	$282
Fixed-costs ratio (%)	12.7%	11.8%	9.7%	8.9%	7.1%

For definitions of the metrics in the table above please refer to the US Cities and Counties Methodology or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published US Cities and Counties Median Report.
The real GDP annual growth metric cited above is for the Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area Metropolitan Statistical Area.
Sources: US Census Bureau, Riverside (County of) CA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Located in southern California (Aa2 negative), Riverside County encompasses around 7,177 square miles. The county is the fourth largest in the state by area and stretches 185 miles from the Arizona (Aa1 stable) border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the county, with an estimated population of 2.4 million as of 2022. The county provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs. The county is governed by a five-member board of supervisors.

Detailed credit considerations

Economy

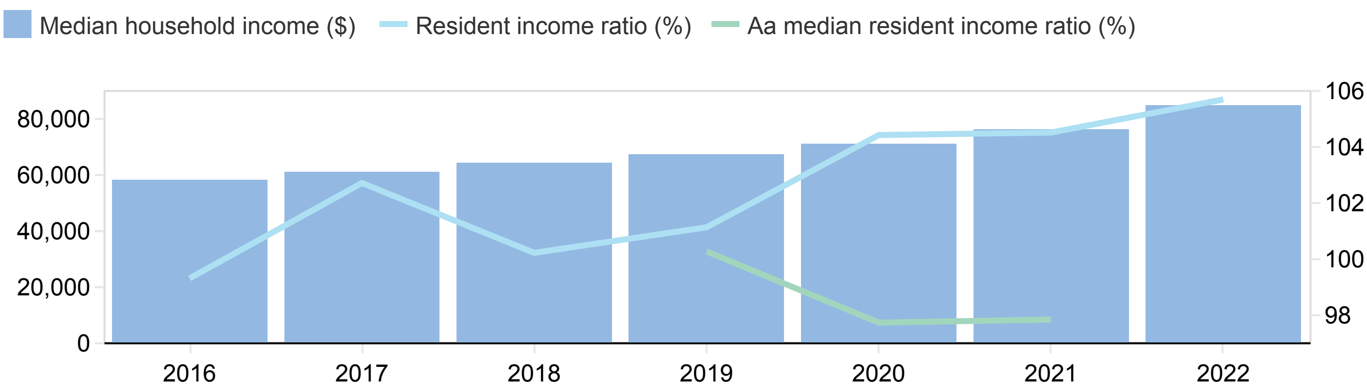
The large tax base of $413 billion in assessed valuation (AV) as of FY24 greatly exceeds medians for similarly rated counties and will continue to grow. Over the past five years, annual increases in AV have averaged a favorable 7.3%. The county expects that this rate of growth is likely to continue, supported by favorable transportation linkages to major employment centers, expansion of the local distribution industry, and ongoing housing development to support continued population growth.

The tax base is very diverse with the top 10 taxpayers constituting less than 1% of AV. Major property owners in the county include medical centers, a university, and commercial and industrial owners. The county benefits from capacity for additional development and continued population shifts from California's more costly coastal communities. Despite home prices that are rising at a rate that is outpacing the national average, they remain lower than neighboring counties along the coast. Positively, the county indicates annual building permits are above pre-pandemic levels.

The industrial logistics sector continues to drive new development in the county and job growth. Given the county's proximity to large population centers, major highways and ports, it is expected that the logistics industry will continue to expand in the county. The county's resident income is 106% of the US, while full value per capita of $170,189 is stronger than the national median for rated peers. The county's unemployment rate, 5.1% as of March 2024, has been declining since 2020 and is on par with that of the state of California at 5.3%, but above the national rate of 3.9%.

Exhibit 2

Resident Income



Source: Moody's Ratings

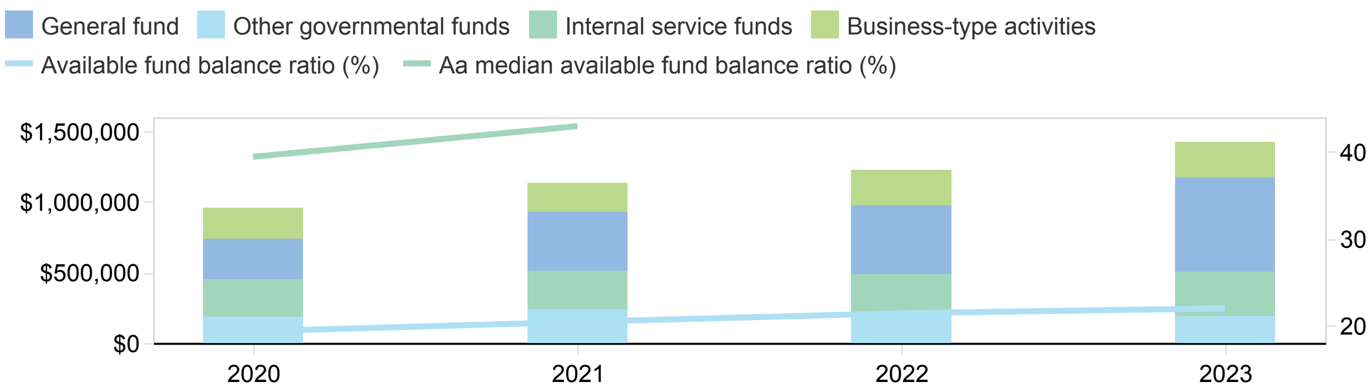
Financial operations

Reserves will remain stable supported by favorable revenue growth in local and state shared revenue, conservative budgeting practices and adopted financial policies. Fiscal 2023 (June 30 year-end) audited results indicate a $1.4 billion operating available fund balance or 23% of operating revenues. Operating fund balance continues to improve year over year, but it remains below the medians for Aa2 rated counties in the state and nation.

The county has a formal policy of maintaining an unassigned general fund balance of no less than 25% of discretionary revenue. Fiscal 2023 unassigned total general fund balance improved to $590 million (up $151 million from the prior year), which is equal to 58% of discretionary general fund revenues per the county. The county anticipates ending FY24 with $677 million in general fund balance or 60% of discretionary revenues. The county has been committed to growing reserves and has doubled the ending general fund balance over the last five years.

The county operates Riverside University Health System “RUHS” medical center, which has historically relied on a modest amount of annual general fund contribution of around $20 million in fiscal 2023 for operations (less than 1% of general fund revenue). Upon the completion of the Mead Valley Wellness Village in 2027, which will be operated by RUHS-Behavior Health, the county anticipates no general fund contribution will be needed to support the operations through the first three years of the center. The center is expected to be self supporting by patient revenues (50%), the Prop 63 Mental Health Services Act or“MHSA” Funds (31%) and 2011 Realignment Funds, state funds realigned to local governments to fund Medi-Cal Specialty Mental Health (19%). Debt service payments are payable from the general fund, and are expected to be about $32-35M throughout the life of the bonds or 3% of the expected FY24 ending general fund discretionary revenues.

Exhibit 3
Fund Balance



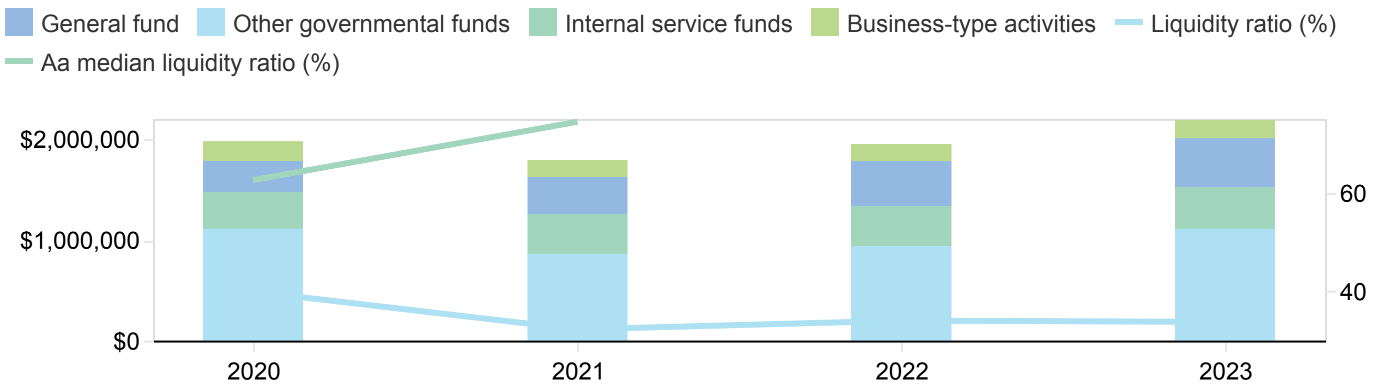
Source: Moody's Ratings

Liquidity
The county ended fiscal 2023 with a very healthy $2.2 billion in total net unrestricted cash and investments, equal to 34% of revenue.

The county has issued Tax and Revenue Anticipation Notes (TRANs) annually for over twenty consecutive years to smooth the mismatch between its periodic revenue receipt and ongoing general fund expenditures, including current expenses, capital expenditures and pension contributions. It also issues Teeter Plan Obligation Notes annually to fund Teeter program advances for the upcoming year, as well as to roll over a portion of prior year notes.

Should market access for TRANs and Teeter notes be limited, the county has substantial internal liquidity that it can borrow from in various special revenue funds, capital project funds, enterprise, and internal service funds. In addition, the county can use the Riverside County Treasurer's Pooled Investment Fund (TPIF, rated Aaa-bf) to fund any required advances to Teeter program participants and to redeem maturing Teeter notes. The TPIF had a book value of $15.3 billion as of March 29, 2024.

Exhibit 4
Cash



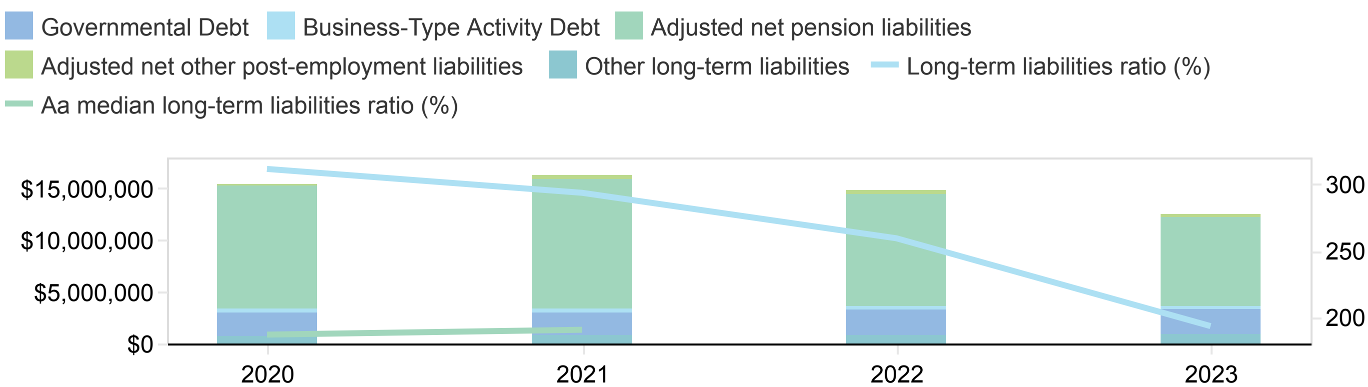
Source: Moody's Ratings

Leverage

Post issuance of the $547 million of Riverside County Lease Revenue Bonds (Mead Valley Wellness Village Project) the county's governmental debt will include $671 million of pension obligation bonds, $686 million of general fund obligation debt, $51.2 million in capital leases, $103 million of Teeter notes, and $360 million of Tax and Revenue Anticipation Notes (TRAN).

The county's long term liabilities ratio is a manageable 193% of revenues; post sale it will increase to approximately 201% of FY23 operating revenues. FY23 fixed costs are a low 8.9% of budget.

Exhibit 5
Total Primary Government - Long Term Liabilities



Source: Moody's Ratings

Legal security

The 2024 bonds, pursuant to the Facilities Lease, are secured by a pledge of lease payments made by the county to the Landlord, P3 Riverside Holdings, LLC. The Landlord is a sole purpose LLC, created for this financing and is bankruptcy remote. P3 assigns its rights, under the Facilities Lease, to receive payments to the Trustee, pursuant to the Lease Assignment Agreement. The County has covenanted in the Facilities Lease to take such action as may be necessary to include the Lease Payments in its annual budget and to make necessary annual appropriations. Lease payments are payable from the county's General Fund and subject to abatement.

Parity lease revenue bonds are payable from lease payments made by the county for use and occupancy of various leased assets that we view “more essential.” Lease rental payments are payable from any source of legally available funds of the county.

The county's obligation to make all pension obligation bonds (POB) payments of interest and principal are imposed by law and are absolute and unconditional. The POBs are payable from any source of legally available funds of the county, including the county's general fund. The assets of CalPERS will not secure or be available to pay debt service on the POBs.

The 2023 Series A Teeter Plan Obligation Notes are a senior pledge of delinquent property taxes levied in fiscal 1994 through fiscal 2022 by taxing entities participating in the county's Teeter program and all amounts received by the county upon the redemption or sale of property to recover such property taxes or assessments. Exclusive of fiscal 2023 taxes receivable, the total unpaid taxes securing the notes exceed the 2023 note amount by $8.2 million.

Debt structure
The county's POBs and lease revenue bonds are long term obligations, with final maturities in 2038 and 2059, respectively.

Debt-related derivatives
The county has no debt-related derivatives.

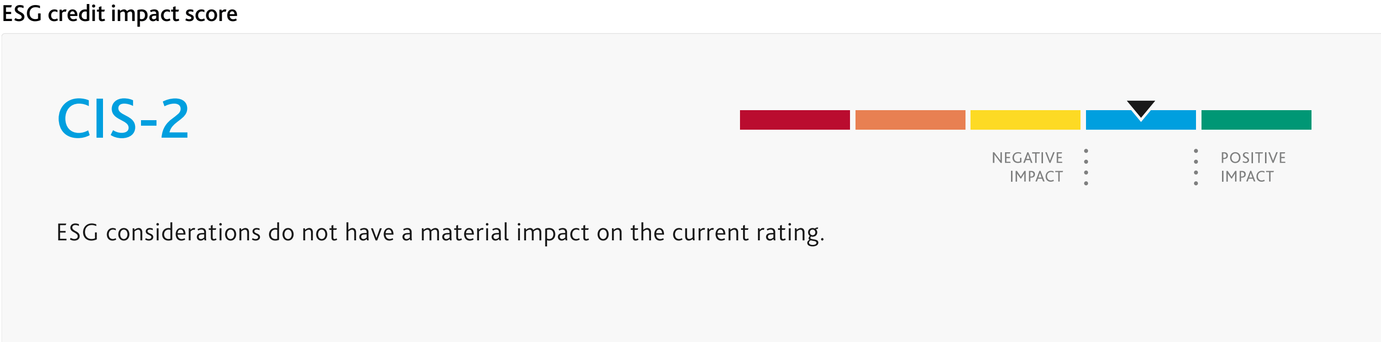
Pensions and OPEB
Riverside County has an improved and manageable pension burden at 1.32x operating revenue. The county participates in CalPERS multi-employer defined benefit pension plans. It also manages a part-time and temporary employees' defined benefit retirement plan. The county's adjusted net pension liabilities constitute most its total leverage and will remain elevated for the foreseeable future. The county does have an additional trust established to offset its pension liability with savings from its 2020 POB issuance. The county's $8.5B ANPL is higher than reported pension liabilities because the market discount rate Moody's uses to value pension liabilities are lower than the reported discount rate. The county's $285M other post-employment benefits (OPEB) liability is moderate as it has been proactively pre-funding these libilities in an OPEB trust. As the Pension and OPEB trusts grow, we expect it will help mitigate the county's long-term liabilities.

Fixed costs, including implied debt service, pension tread water indicator, OPEB contributions, and implied carrying costs for other long term liabilities totaled a low 8.9% of total revenue in 2023.

ESG considerations

Riverside (County of) CA's ESG credit impact score is CIS-2

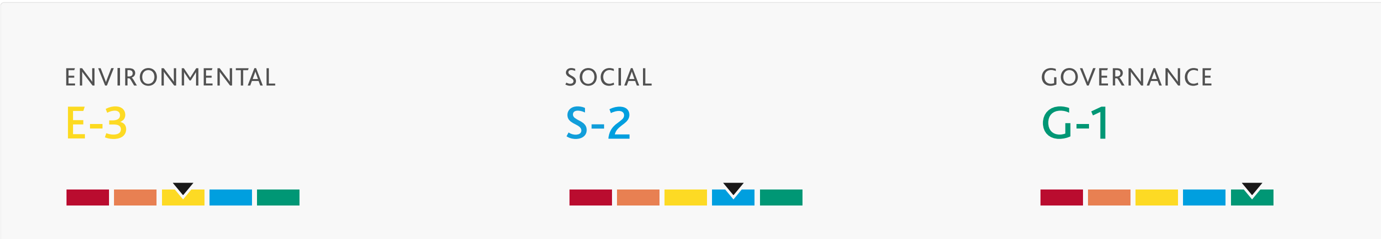
Exhibit 6
ESG credit impact score



Source: Moody's Ratings

Riverside County's ESG Credit Impact Score (**CIS-2**) reflects low exposure to both environmental and social risks and strong governance, which supports the county's credit rating, resilience and capacity to respond to shocks.

Exhibit 7
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Riverside county's environmental issuer profile score (**E-3**) is due to exposure from drought and wildfires. The county is heavily reliant on groundwater, which may hinder future developments long term. The county has low risks of carbon transition, water management, natural capital, and waste and pollution risks.

Social

The county's issuer profile score (**S-2**), reflects low exposure to social risks in most categories including demographics, labor and income, education and access to basic services even though affordable housing is moderately negative. The county benefits from favorable demographics with a growing population that supports a stable work force and ongoing economic development.

Governance

The county's very strong governance profile supports its rating, as captured by a positive G issuer profile score (**G-1**), which reflects both demonstrated policy effectiveness and budget management. The county has several conservative fiscal management policies which they have a demonstrated history of meeting and exceeding.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8
Riverside (County of) CA

	Measure	Weight	Score
Economy			
Resident income ratio	105.7%	10.0%	Aa
Full value per capita	170,189	10.0%	Aa
Economic growth metric	0.6%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	22.0%	20.0%	A
Liquidity ratio	33.8%	10.0%	Aa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	193.1%	20.0%	Aa
Fixed-costs ratio	8.9%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			**Aa2**

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.
Sources: US Census Bureau, Riverside (County of) CA's financial statements and Moody's Ratings

Appendix

Exhibit 9

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the US Cities and Counties Methodology .

Source: Moody's Ratings

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EMEA	44-20-7772-5454

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