

# QUARTERLY FINANCIAL REPORT

March 31, 2017



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## **MARCH FINANCIAL REPORT EXECUTIVE SUMMARY**

### **BACKGROUND:**

These financial statements provide the Public Utilities Board with information about the operating performance and financial condition of Riverside Public Utilities. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows are presented in the Annual Report format. The Income Statement Analysis schedule which displays the relationship between revenues, expenses and the budget is also included. Each quarter, this analysis compares current year activity to the budget and the prior year. Attached is a PowerPoint graphic presentation of the financial results for the nine months ended March 31, 2017.

### **Electric Utility: Comparison to prior year**

Retail sales were \$237.9 million and were \$2.4 million (1.0%) higher than prior year due to a 0.8% overall increase in consumption as a result of warmer weather during the summer season. (Graphs A-2 and A-5)

Transmission revenue of \$26.6 million was \$2.3 million (9.1%) higher than prior year due to an increase in Riverside's high voltage utility specific rate per the annual filing with Federal Energy Regulatory Commission, effective January 1, 2016. (Page 3 and 6)

Power supply costs of \$147.2 million were \$6.5 million (4.6%) higher than prior year primarily due to an increase in customer consumption as a result of warmer weather and new renewable energy projects coming online. (Graph A-3)

Distribution operating expenses of \$41.0 million were \$1.0 million (2.5%) higher than prior year primarily due to an increase in general operating costs. (Graph A-4)

Capital contributions of \$1.6 million were \$5.3 million lower than prior year primarily due to a prior year donated easement made by California Baptist University for general access to electrical system assets. (Pages 3 and 6)

Other non-operating revenue of \$4.6 million were \$8.2 million lower than prior year mainly due to the \$7.2 million SONGS insurance settlement received in the prior year. (Pages 3 and 6)

For fiscal year 2016/17, the cash reserve policy provides a target minimum balance of \$124 million and a maximum of \$196.4 million in the undesignated reserve to mitigate risk and maintain financial stability. The Electric Utility's unrestricted, undesignated reserve of \$193.8 million is within these limits. (Graph A-6)

Total unrestricted and restricted cash balances of \$399.9 million increased by \$12.0 million primarily due to settlement recoveries and liquidated damages received in the last quarter of the prior year and positive operating results. This is partially offset by the funding of capital projects with undesignated reserves. The City Council approved Reimbursement Resolution allows the current use of undesignated reserves for capital projects, which may be reimbursed by a future bond issuance. (Graph A-6)

Utility plant assets increased by \$6.9 million primarily due to donated easements for access to electrical systems, as well as the completion of significant capital projects such as substation improvements, technology upgrades and distribution line extensions and replacements, offset by current year depreciation. (Page 4)

Regulatory assets decreased by \$6.4 million primarily due to the recognition of SONGS replacement power as an expense as of June 30, 2016. (Page 4)

Deferred outflows of resources increased by \$3.1 million primarily due to an increase of \$14.7 million in deferred outflows related to pension accounting as prescribed by generally accepted accounting principles partially offset by a decrease of \$10.5 million in deferred changes in derivative values relating to interest rate swaps. (Page 4)

Total net position increased by \$30.5 million primarily due to positive operating results, non-cash capital contributions and settlement recoveries recognized in the prior fiscal year. (Page 5)

Long-term obligations, including the current portion, decreased by \$14.2 million primarily due to principal payments made and amortization of bond premiums. (Page 5)

### **Electric Utility: Comparison to budget**

Retail sales were \$0.5 million (0.2%) higher than budget due to higher residential consumption as a result of warmer temperatures during the summer season. (Graphs A-2 and A-5)

Power supply costs were \$14.3 million (8.9%) lower than budget primarily due to lower than anticipated market prices offset by higher than anticipated California Independent System Operator transmission access charges. (Graph A-3)

Distribution operating expenses were \$10.2 million (20.0%) below budget mainly due to timing of expenditures and savings in personnel costs and other general operating expenses. (Graph A-4)

With 75% of the year completed, the Electric Utility spent 65% of its authorized operating budget. (Page 3)

**Electric Utility: Overall financial condition**

Comparative financial ratios are shown in Graphs A-8 through A-11. Overall, the Electric Utility financial metrics are stable and liquidity levels are strong.

**Water Utility: Comparison to prior year**

Retail sales of \$40.7 million were \$2.8 million (7.4%) higher than prior year due to a 5.9% increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season. (Graphs A-13 and A-15)

Distribution operating expenses of \$27.1 million are \$1.2 million (4.7%) higher than prior year due to an increase in production costs resulting from higher consumption and general operating expenses. (Graph A-14)

For fiscal year 2016/17, the cash reserve policy provides a target minimum balance of \$25.8 million and a maximum balance of \$40.2 million in the undesignated reserve to mitigate risk and maintain financial stability. The Water Utility's unrestricted, undesignated reserve of \$33.8 million is within these limits. (Graph A-16)

Total unrestricted and restricted cash balances of \$82.3 million decreased by \$1.0 million primarily due to the use of undesignated reserves for capital projects offset by positive operating results and an increase in recycled water reserve resulting from the receipt of \$3.3 million on June 30, 2016 from the final payment from a settlement agreement with the City. The City Council approved Reimbursement Resolution allows the current use of undesignated reserve for capital projects, which may be reimbursed by a future bond issuance. (Graph A-16)

Utility plant assets increased by \$3.8 million due to the completion of transmission and distribution system assets and facilities rehabilitation, offset by current year depreciation. (Page 11)

Other current receivables decreased by \$3.3 million, reflecting the final payment received on June 30, 2016 from the settlement agreement against the City. The funds received, reduced by related legal costs, have been set aside in an unrestricted, designated reserve for recycled water projects. The offsetting deferred regulatory charge also decreased by \$3.3 million. (Pages 11, 12 and 15)

Deferred outflows of resources increased by \$1.2 million primarily due to an increase of \$5.3 million related to pension accounting as prescribed by generally accepted accounting principles, offset by decrease of \$3.6 million in deferred changes in derivative values relating to interest rate swaps. (Page 11)

Long-term obligations, including the current portion, decreased by \$5.6 million due to principal payments made on outstanding debt. (Page 12)

Total net position increased by \$5.2 million primarily due to positive operating results and an increase in investment in capital assets. (Page 12)

**Water Utility: Comparison to budget**

Retail sales were \$2.2 million (5.6%) higher than budget due to an increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season. (Graphs A-13 and A-15)

Distribution operating expenses were \$5.1 million (15.9%) lower than anticipated levels due to timing of expenditures and savings in personnel costs and other general operating expenses. (Graph A-14)

With 75% of the year completed, the Water Utility spent 64% of its authorized operating budget. (Page 10)

**Water Utility: Overall financial condition**

Comparative financial ratios are shown in Graphs A-18 through A-21. The Water Utility financial metrics are stable and liquidity levels remain strong.

***ELECTRIC UTILITY***

**CITY OF RIVERSIDE  
ELECTRIC UTILITY  
INCOME STATEMENT ANALYSIS  
FOR THE PERIOD ENDED MARCH 31, 2017  
(75% of the year completed)**

	QUARTERLY (in thousands)					YEAR-TO-DATE (in thousands)		
	CURRENT	BUDGET	PRIOR	TOTAL	CURRENT	CURRENT	BUDGET	PRIOR
	Jan - Mar 2017	Jan - Mar 2017	Jan - Mar 2016	BUDGET FY 16/17	AS % OF TOTAL BUDGET	Mar 2017	Mar 2017	Mar 2016
<b>OPERATING REVENUES:</b>								
RESIDENTIAL SALES	\$ 24,992	\$ 25,410	\$ 24,523	\$ 112,809	82%	\$ 92,678	\$ 88,102	\$ 93,275
COMMERCIAL SALES	15,763	16,651	15,705	72,431	75%	54,252	54,567	53,171
INDUSTRIAL SALES	25,595	27,448	25,978	121,017	72%	87,412	91,242	85,512
OTHER SALES	1,180	1,181	1,175	4,730	76%	3,576	3,551	3,588
WHOLESALE SALES	1	-	2	-	0%	9	-	3
TRANSMISSION REVENUE	7,831	7,902	7,465	35,062	76%	26,550	26,821	24,337
OTHER OPERATING REVENUE	3,716	2,269	2,117	8,757	104%	9,123	6,691	6,021
PUBLIC BENEFIT PROGRAMS	1,921	2,033	1,958	8,942	77%	6,859	6,828	6,823
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	80,999	82,894	78,923	363,748	77%	280,459	277,802	272,730
ESTIMATED UNCOLLECTIBLES	(300)	(299)	(300)	(1,196)	75%	(900)	(897)	(894)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	80,699	82,595	78,623	362,552	77%	279,559	276,905	271,836
<b>OPERATING EXPENSES:</b>								
MANAGEMENT SERVICES	1,927	2,511	1,207	10,046	59%	5,920	7,534	3,890
WORK FORCE DEVELOPMENT	145	130	-	519	55%	287	390	-
OFFICE OPS TECHNOLOGY	159	275	-	1,099	38%	421	824	-
UTILITY BUS SUPPORT	321	509	512	2,034	52%	1,067	1,526	1,532
BILLING SERVICES	127	165	118	660	55%	366	495	349
FIELD SERVICES	799	1,039	858	4,158	60%	2,495	3,118	2,495
CUSTOMER SERVICES	757	1,007	913	4,028	61%	2,464	3,021	2,880
MARKETING/COMMUNICATIONS	359	489	490	1,955	58%	1,135	1,466	1,531
PRODUCTION AND OPERATIONS	1,813	2,228	2,013	8,912	67%	5,932	6,684	5,972
FIELD OPERATIONS	3,262	4,298	3,267	17,193	54%	9,314	12,895	9,452
ENERGY DELIVERY ENGINEERING	1,698	1,873	1,728	7,491	70%	5,245	5,618	5,019
POWER RESOURCES	1,936	2,563	2,465	10,254	62%	6,386	7,690	6,907
PURCHASED POWER:								
TRANSMISSION	13,830	14,488	13,921	57,950	78%	45,018	43,463	43,075
GENERATION	29,800	35,919	28,457	157,858	65%	102,182	118,079	97,622
PUBLIC BENEFIT PROGRAMS	1,623	4,430	1,049	17,720	23%	4,050	13,290	3,081
DEPRECIATION	8,106	8,106	7,554	32,425	75%	24,319	24,319	22,661
TOTAL OPERATING EXPENSES	66,662	80,030	64,552	334,302	65%	216,601	250,412	206,466
OPERATING INCOME	14,037	2,565	14,071	28,250	223%	62,958	26,493	65,370
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
INVESTMENT INCOME	1,140	1,333	1,041	5,333	54%	2,876	4,000	2,730
INTEREST EXPENSE	(6,482)	(7,349)	(6,532)	(29,394)	66%	(19,519)	(22,046)	(19,612)
GENERAL FUND CONTRIBUTIONS	(9,622)	(9,807)	(9,105)	(39,230)	75%	(29,422)	(29,422)	(28,770)
GAIN ON SALE OF ASSETS	85	121	91	482	68%	326	362	361
OTHER	2,273	1,083	3,038	4,333	106%	4,614	3,250	12,801
TOTAL NON-OPERATING EXPENSES	(12,606)	(14,619)	(11,467)	(58,476)	70%	(41,125)	(43,856)	(32,490)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,431	(12,054)	2,604	(30,226)	-72%	21,833	(17,363)	32,880
CAPITAL CONTRIBUTIONS	537	1,662	551	6,648	24%	1,621	4,986	6,870
NET INCOME (LOSS)	\$ 1,968	\$ (10,392)	\$ 3,155	\$ (23,578)	-99%	\$ 23,454	\$ (12,377)	\$ 39,750

**City of Riverside Electric Utility**

**STATEMENTS OF NET POSITION**

	March 31	
	2017	2016
	(in thousands)	
<b>Assets and deferred outflows of resources</b>		
<b>Noncurrent assets:</b>		
Utility plant:	\$ 1,024,990	\$ 989,357
Less accumulated depreciation	(368,389)	(341,560)
	656,601	647,797
Land	21,833	17,012
Intangibles	10,651	10,651
Construction in progress	58,900	65,626
Total utility plant	747,985	741,086
Restricted assets:		
Cash and investments at fiscal agent	92,626	99,139
Other non-current assets:		
Advances to other funds of the City	5,113	5,131
Unamortized purchased power	8,292	6,443
Regulatory assets	4,230	10,639
Total other non-current assets	17,635	22,213
Total non-current assets	858,246	862,438
<b>Current assets:</b>		
Unrestricted assets:		
Cash and cash equivalents	257,715	244,642
Accounts receivable, less allowance for doubtful accounts		
2017 \$1,057; 2016 \$1,010	31,925	31,381
Advances to other funds of the City	155	248
Accrued interest receivable	1,065	1,102
Inventory	1,097	1,097
Prepaid expenses	19,563	18,599
Unamortized purchased power	248	496
Total unrestricted current assets	311,768	297,565
Restricted assets:		
Cash and cash equivalents	33,697	29,617
Public Benefit Programs - cash and cash equivalents	15,839	14,516
Public Benefit Programs receivable	799	918
Total restricted current assets	50,335	45,051
Total current assets	362,103	342,616
Total assets	1,220,349	1,205,054
<b>Deferred outflows of resources:</b>		
Deferred outflows related to pension	26,232	11,541
Changes in derivative values	15,594	26,128
Loss on refunding	10,026	11,076
Total deferred outflows of resources	51,852	48,745
Total assets and deferred outflows of resources	\$ 1,272,201	\$ 1,253,799

**City of Riverside Electric Utility**

**STATEMENTS OF NET POSITION**

	March 31	
	2017	2016
	(in thousands)	
<b>Net position, liabilities, and deferred inflows of resources</b>		
<b>Net position:</b>		
Net investment in capital assets	\$ 208,605	\$ 198,655
Restricted for :		
Regulatory requirements	14,910	10,794
Debt service	18,787	18,823
Public Benefit Programs	16,627	15,293
Unrestricted	210,139	194,922
Total net position	469,068	438,487
<b>Long-term obligations, less current portion</b>	547,325	561,997
<b>Other non-current liabilities:</b>		
Compensated absences	764	578
Net pension liability	77,907	71,773
Capital leases payable	3,248	677
Derivative instruments	22,082	31,639
Nuclear decommissioning liability	60,276	63,799
Advances from other funds of the City-pension obligation	9,372	10,084
Net other postemployment benefits payable	7,264	6,617
Total other non-current liabilities	180,913	185,167
<b>Current liabilities payable from restricted assets:</b>		
Accrued interest payable	11,464	10,109
Public Benefit Programs payable	23	158
Nuclear decommissioning liability	6,126	5,714
Current portion of long-term obligations	13,795	13,320
Total current liabilities payable from restricted assets	31,408	29,301
<b>Current liabilities:</b>		
Accounts payable and other accruals	12,970	12,618
Customer deposits	6,113	5,209
Unearned revenue	200	337
Total current liabilities	19,283	18,164
Total liabilities	778,929	794,629
<b>Deferred inflows of resources:</b>		
Deferred inflows related to pension	24,204	20,683
Total deferred inflows of resources	24,204	20,683
Total net position, liabilities, and deferred inflows of resources	\$ 1,272,201	\$ 1,253,799



**City of Riverside Electric Utility**

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the Nine Months Ended**

	March 31	
	2017	2016
	(in thousands)	
<b>Operating revenues:</b>		
Residential sales	\$ 92,678	\$ 93,275
Commercial sales	54,252	53,171
Industrial sales	87,412	85,512
Other sales	3,576	3,588
Wholesale sales	9	3
Transmission revenue	26,550	24,337
Other operating revenue	9,123	6,021
Public Benefit Programs	6,859	6,823
Total operating revenues before uncollectibles	280,459	272,730
Estimated uncollectibles, net of bad debt recovery	(900)	(894)
Total operating revenues net of uncollectibles	279,559	271,836
<b>Operating expenses:</b>		
Production and purchased power	103,110	99,078
Transmission	45,018	43,075
Distribution	40,104	38,571
Public Benefit Programs	4,050	3,081
Depreciation	24,319	22,661
Total operating expenses	216,601	206,466
Operating income	62,958	65,370
<b>Non-operating revenues (expenses):</b>		
Investment income	2,876	2,730
Interest expense and fiscal charges	(19,519)	(19,612)
Gain on sale of assets	326	361
Other	4,614	12,801
Total non-operating expenses	(11,703)	(3,720)
Income before capital contributions and transfers out	51,255	61,650
Capital contributions	1,621	6,870
Transfers out - contributions to the City's general fund	(29,422)	(28,770)
Total capital contributions and transfers out	(27,801)	(21,900)
Increase in net position	23,454	39,750
<b>Net position, July 1</b>	445,614	398,737
<b>Net position, March 31</b>	\$ 469,068	\$ 438,487

# City of Riverside Electric Utility

## STATEMENTS OF CASH FLOWS For the Nine Months Ended

	March 31	
	2017	2016 (in thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 283,284	\$ 275,712
Cash paid to suppliers and employees	(201,237)	(198,250)
Other receipts	4,614	12,801
Net cash provided by operating activities	<u>86,661</u>	<u>90,263</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers out - contributions to the City's general fund	(29,422)	(28,770)
Payment on advances from other funds of the City - pension obligation	(712)	(635)
Cash received on advances to other funds of the City	263	1,082
Net cash used by non-capital financing activities	<u>(29,871)</u>	<u>(28,323)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(17,610)	(56,337)
Proceeds from the sale of utility plant	326	361
Principal paid on long-term obligations	(13,977)	(16,361)
Interest paid on long-term obligations	(13,139)	(14,846)
Capital contributions	1,539	1,828
Net cash used by capital and related financing activities	<u>(42,861)</u>	<u>(85,355)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment securities	(233)	(828)
Income from investments	2,461	2,513
Net cash provided by investing activities	<u>2,228</u>	<u>1,685</u>
Net increase (decrease) in cash and cash equivalents	16,157	(21,730)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>291,094</u>	<u>317,525</u>
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<u>\$ 307,251</u>	<u>295,795</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 62,958	\$ 65,370
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	24,319	22,661
Increase in allowance for uncollectible accounts	437	201
Decrease in accounts receivable	2,215	2,978
Decrease in inventory	-	105
Decrease in prepaid expenses	2,636	2,232
Increase in unamortized purchased power	(1,080)	(1,396)
Decrease in accounts payable and other accruals	(6,071)	(11,245)
Decrease in Public Benefit Programs payable	(1,824)	(236)
Decrease in unearned revenue	(125)	(131)
Increase in customer deposits	1,073	697
Decrease in decommissioning liability	(2,491)	(3,774)
Other receipts	4,614	12,801
Net cash provided by operating activities	<u>\$ 86,661</u>	<u>90,263</u>

**SCHEDULES OF CASH AND CASH EQUIVALENTS**

	March 31	
	2017	2016
	(in thousands)	
<b>Unrestricted cash and cash equivalents:</b>		
Undesignated reserve	\$ 193,826	\$ 190,348
Customer deposits reserve	3,764	3,569
Capital repair and replacement reserve	2,000	2,000
Electric reliability fund reserve	51,712	43,939
Mission Square improvement fund reserve	240	240
Additional decommissioning liability reserve	6,173	4,546
	<u>257,715</u>	<u>244,642</u>
Total unrestricted cash and cash equivalents		
	<u>257,715</u>	<u>244,642</u>
<b>Legally restricted cash and cash equivalents:</b>		
Reserved for debt service	18,787	18,823
Reserved for bond construction	-	7,020
Reserved for regulatory requirements	14,910	10,794
Reserved for Public Benefit Programs	15,839	14,516
	<u>49,536</u>	<u>51,153</u>
Total legally restricted cash and cash equivalents		
	<u>49,536</u>	<u>51,153</u>
Total cash and cash equivalents	<u>307,251</u>	<u>295,795</u>
<b>Cash and investments at fiscal agent:</b>		
Reserved for decommissioning liability	79,861	79,289
Reserved for other cash at fiscal agent	1,958	2,025
Reserved for debt service	10,807	10,805
	<u>92,626</u>	<u>92,119</u>
Total cash and investments at fiscal agent		
	<u>92,626</u>	<u>92,119</u>
Total unrestricted and restricted cash	<u>\$ 399,877</u>	<u>\$ 387,914</u>

TABLE I  
CITY OF RIVERSIDE - ELECTRIC UTILITY  
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	03/31/17	03/31/16	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12
Operating Ratio	70.9%	68.8%	67.6%	71.0%	73.5%	72.5%	67.7%	69.6%
Unrestricted Current Ratio **	2.0	16.2	16.4	12.6	14.4	13.0	10.9	10.8
Debt to Total Assets Ratio	53.0%	48.0%	49.5%	49.0%	52.2%	52.5%	53.9%	53.7%
Debt Service Coverage	1.79	2.94	3.14	2.99	2.39	2.16	2.73	2.24

\* Industry median obtained from the APPA Survey (November 2016).

\*\* Includes Unrestricted Cash Reserves.

See graphs A-8 thru A-11 for additional information.

## ***WATER UTILITY***

**CITY OF RIVERSIDE  
WATER UTILITY  
INCOME STATEMENT ANALYSIS  
FOR THE PERIOD ENDED March 31, 2017  
(75% of the year completed)**

**QUARTERLY**  
(in thousands)

**YEAR-TO-DATE**  
(in thousands)

	QUARTERLY (in thousands)			TOTAL BUDGET FY 16/17	CURRENT YTD AS % OF TOTAL BUDGET	YEAR-TO-DATE (in thousands)		
	CURRENT Jan-Mar 2017	BUDGET Jan-Mar 2017	PRIOR Jan-Mar 2016			CURRENT Mar 2017	BUDGET Mar 2017	PRIOR Mar 2016
<b>OPERATING REVENUES:</b>								
RESIDENTIAL SALES	\$ 5,636	\$ 6,187	\$ 6,203	\$ 32,386	80%	\$ 26,000	\$ 24,414	\$ 23,993
COMMERCIAL SALES	2,879	3,089	3,153	16,800	80%	13,415	12,805	12,643
OTHER SALES	314	358	342	1,762	73%	1,285	1,318	1,273
WATER CONVEYANCE REVENUE	542	798	960	3,191	102%	3,244	2,393	2,804
WATER CONSERVATION PROGRAMS	143	194	152	1,076	87%	931	882	1,079
OTHER OPERATING REVENUE	742	844	(690)	3,376	66%	2,235	2,532	1,575
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	10,256	11,470	10,120	58,591	80%	47,110	44,344	43,367
ESTIMATED UNCOLLECTIBLES	(53)	(52)	(53)	(209)	75%	(157)	(157)	(156)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	10,203	11,418	10,067	58,382	80%	46,953	44,187	43,211
<b>OPERATING EXPENSES:</b>								
FIELD OPERATIONS	3,244	3,865	3,449	15,460	64%	9,892	11,595	10,217
PRODUCTION AND OPERATIONS	3,892	4,173	2,700	18,297	66%	12,150	13,464	10,387
ENGINEERING	1,682	2,392	1,857	9,568	53%	5,068	7,176	5,281
WATER CONSERVATION PROGRAMS	352	600	174	2,400	32%	778	1,800	1,688
DEPRECIATION	3,558	3,558	3,343	14,232	75%	10,674	10,674	10,030
TOTAL OPERATING EXPENSES	12,728	14,588	11,523	59,957	64%	38,562	44,709	37,603
OPERATING INCOME	(2,525)	(3,170)	(1,456)	(1,575)	-533%	8,391	(522)	5,608
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
INVESTMENT INCOME	235	234	156	937	59%	554	703	497
INTEREST EXPENSE	(2,305)	(2,184)	(2,208)	(8,738)	75%	(6,573)	(6,553)	(6,410)
GENERAL FUND CONTRIBUTIONS	(1,517)	(1,418)	(1,570)	(5,673)	75%	(4,254)	(4,254)	(4,822)
GAIN ON SALE OF ASSETS	19	19	28	77	69%	53	58	81
OTHER	435	468	517	1,872	68%	1,264	1,404	1,337
TOTAL NON-OPERATING EXPENSES	(3,133)	(2,881)	(3,077)	(11,525)	78%	(8,956)	(8,642)	(9,317)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(5,658)	(6,051)	(4,533)	(13,100)	4%	(565)	(9,164)	(3,709)
CAPITAL CONTRIBUTIONS	976	844	887	2,556	58%	1,490	2,010	1,911
NET INCOME (LOSS)	\$ (4,682)	\$ (5,207)	\$ (3,646)	\$ (10,544)	-9%	\$ 925	\$ (7,154)	\$ (1,798)

**City of Riverside Water Utility**

**STATEMENTS OF NET POSITION**

	March 31	
	2017	2016
	(in thousands)	
<b>Assets and deferred outflows of resources</b>		
<b>Noncurrent assets:</b>		
Utility plant	\$ 631,187	\$ 607,088
Less accumulated depreciation	<u>(215,056)</u>	<u>(201,643)</u>
	416,131	405,445
Land	20,484	20,484
Construction in progress	15,484	22,361
Intangibles	<u>10,841</u>	<u>10,841</u>
Total utility plant	<u>462,940</u>	<u>459,131</u>
Other non-current assets:		
Regulatory assets	<u>648</u>	<u>525</u>
Total other non-current assets	<u>648</u>	<u>525</u>
Total non-current assets	<u>463,588</u>	<u>459,656</u>
<b>Current assets:</b>		
Unrestricted assets:		
Cash and cash equivalents	70,803	73,469
Accounts receivable, less allowance for doubtful accounts 2017 \$268; 2016 \$204	6,688	7,420
Accrued interest receivable	295	329
Advances to other funds of the City	67	106
Prepaid expenses	143	-
Other receivables	-	3,333
Total unrestricted current assets	<u>77,996</u>	<u>84,657</u>
Restricted assets:		
Cash and cash equivalents	8,866	6,555
Water Conservation Programs -cash and cash equivalents	2,636	3,315
Water Conservation Programs receivable	<u>87</u>	<u>101</u>
Total restricted current assets	<u>11,589</u>	<u>9,971</u>
Total current assets	<u>89,585</u>	<u>94,628</u>
Total assets	<u>553,173</u>	<u>554,284</u>
<b>Deferred outflows of resources:</b>		
Deferred outflows related to pension	9,515	4,186
Changes in derivative values	2,976	6,614
Loss on refunding	<u>6,796</u>	<u>7,294</u>
Total deferred outflows of resources	<u>19,287</u>	<u>18,094</u>
Total assets and deferred outflows of resources	<u>\$ 572,460</u>	<u>\$ 572,378</u>

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	March 31	
	2017	2016
	(in thousands)	
<b>Net position, liabilities and deferred inflows of resources</b>		
<b>Net position:</b>		
Net investment in capital assets	\$ 265,899	\$ 259,358
Restricted for:		
Debt service	6,561	6,555
Water Conservation Programs	2,378	3,375
Unrestricted	31,300	31,600
Total net position	306,138	300,888
<b>Long-term obligations, less current portion</b>	185,831	191,657
<b>Other non-current liabilities:</b>		
Advances from other funds of the City - pension obligation	4,032	4,338
Net other postemployment benefits payable	3,032	2,787
Net pension liability	28,257	26,032
Compensated absences	195	308
Derivative instrument	8,028	11,467
Capital lease payable	2,305	-
Note payable	13,166	10,839
Total other non-current liabilities	59,015	55,771
<b>Current liabilities payable from restricted assets:</b>		
Accrued interest payable	3,695	3,801
Water Conservation Programs payable	13	13
Current portion of long-term obligations	5,415	5,180
Total current liabilities payable from restricted assets	9,123	8,994
<b>Current liabilities:</b>		
Accounts payable and other accruals	1,897	2,694
Current portion of long-term obligations	150	150
Unearned revenue	25	-
Customer deposits	700	547
Note payable	802	843
Total current liabilities	3,574	4,234
Total liabilities	257,543	260,656
<b>Deferred inflows of resources:</b>		
Deferred inflows related to pension	8,779	7,501
Regulatory charges	-	3,333
Total deferred inflows of resources	8,779	10,834
Total net position, liabilities and deferred inflows of resources	\$ 572,460	\$ 572,378



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**City of Riverside Water Utility**

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**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
For the Nine Months Ended**

	March 31	
	2017	2016
	(in thousands)	
<b>Operating revenues:</b>		
Residential sales	\$ 26,000	\$ 23,993
Commercial sales	13,415	12,643
Other sales	1,285	1,273
Water conveyance revenue	3,244	2,804
Water Conservation Programs	931	1,079
Other operating revenue	2,235	1,575
	<hr/>	<hr/>
Total operating revenues before uncollectibles	47,110	43,367
Estimated uncollectibles, net of bad debt recovery	(157)	(156)
	<hr/>	<hr/>
Total operating revenues, net of uncollectibles	46,953	43,211
	<hr/>	<hr/>
<b>Operating expenses:</b>		
Operations	20,058	19,373
Maintenance	3,451	3,179
Purchased energy	3,601	3,333
Water Conservation Programs	778	1,688
Depreciation	10,674	10,030
	<hr/>	<hr/>
Total operating expenses	38,562	37,603
	<hr/>	<hr/>
Operating income	8,391	5,608
	<hr/>	<hr/>
<b>Non-operating revenues (expenses):</b>		
Investment income	554	497
Interest expense and fiscal charges	(6,573)	(6,410)
Gain on sale of assets	53	81
Other	1,264	1,337
	<hr/>	<hr/>
Total non-operating revenues (expenses)	(4,702)	(4,495)
	<hr/>	<hr/>
Income before capital contributions and transfers	3,689	1,113
	<hr/>	<hr/>
Capital contributions	1,490	1,911
Transfers out - contributions to the City's general fund	(4,254)	(4,822)
	<hr/>	<hr/>
Total capital contributions and transfers	(2,764)	(2,911)
	<hr/>	<hr/>
Increase in net position	925	(1,798)
	<hr/>	<hr/>
<b>Net position, July 1</b>	305,213	302,686
	<hr/>	<hr/>
<b>Net position, March 31</b>	<u>\$ 306,138</u>	<u>\$ 300,888</u>

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**City of Riverside Water Utility**

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**STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended**

	March 31	
	2017	2016
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 49,841	\$ 47,239
Cash paid to suppliers and employees	(29,849)	(30,791)
Other receipts	484	557
Net cash provided by operating activities	<u>20,476</u>	<u>17,005</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers out - contributions to the City's general fund	(4,254)	(4,822)
Cash received on advances to other funds of the City	112	155
Payment on advances from other funds of the City-pension obligation	(306)	(274)
Net cash used for non-capital financing activities	<u>(4,448)</u>	<u>(4,941)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(10,466)	(11,805)
Proceeds from the sale of utility plant	53	81
Principal paid on long-term obligations	(5,181)	(5,261)
Interest paid on long-term obligations	(4,243)	(4,132)
Proceeds from capital lease loan payable	2,305	-
Capital contributions	1,336	1,986
Net cash used for capital and related financing activities	<u>(16,196)</u>	<u>(19,131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Income from investments	441	479
Net cash provided by investing activities	<u>441</u>	<u>479</u>
Net increase (decrease) in cash and cash equivalents	273	(6,588)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	82,032	89,927
<b>CASH AND CASH EQUIVALENTS, MARCH 31</b>	<u>\$ 82,305</u>	<u>\$ 83,339</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 8,391	\$ 5,608
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,674	10,030
Increase in allowance for uncollectible accounts	99	53
Decrease in accounts receivable	2,470	3,717
Decrease in prepaid expenses	25	2
Decrease in accounts payable and other accruals	(1,779)	(2,555)
Increase in unearned revenue	25	-
Decrease in Water Conservation Programs payable	(74)	(517)
Decrease in Water Conservation Programs prepaid expenses	-	8
Increase in customer deposits	161	102
Other receipts	484	557
Net cash provided by operating activities	<u>\$ 20,476</u>	<u>\$ 17,005</u>

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**City of Riverside Water Utility**

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**SCHEDULES OF CASH AND CASH EQUIVALENTS**

	March 31	
	2017	2016
	(in thousands)	
<b>Unrestricted cash and cash equivalents :</b>		
Undesignated reserve	33,799	\$ 39,927
Operating cash reserve	-	-
Recycled water cash reserve	9,800	6,467
Property reserve	26,021	26,004
Customer deposits reserve	433	321
Capital repair and replacement reserve	750	750
Total unrestricted cash and cash equivalents	70,803	73,469
<b>Legally restricted cash and cash equivalents:</b>		
Reserved for debt service	6,561	6,555
Reserved for equipment lease	2,305	-
Water Conservation Programs	2,636	3,315
Total legally restricted cash and cash equivalents	11,502	9,870
Total unrestricted and restricted cash	\$ 82,305	\$ 83,339

TABLE I  
CITY OF RIVERSIDE - WATER UTILITY  
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	3/31/17	3/31/16	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12
Operating Ratio	66.0%	59.4%	63.8%	62.6%	62.5%	56.2%	54.2%	55.7%
Unrestricted Current Ratio **	4.6	21.8	20.0	16.1	14.4	15.3	18.1	12.6
Debt to Total Assets Ratio	32.0%	38.1%	38.4%	38.3%	39.3%	39.8%	39.6%	41.4%
Debt Service Coverage	1.57	2.12	1.87	1.93	2.22	2.56	2.61	2.82

\* Industry median obtained from 2016 American Water Works Association Report.

\*\* Includes Unrestricted Cash Reserves. Ratio from Fitch 2017 Water & Sewer Medians Special Report.

See graphs A-18 through A-21 for additional information.

## ***GRAPHICS***

**Electric Utility**  
**Flow of Funds - Actual**  
(For the Nine Months Ended March 31, 2017)

**BEGINNING CASH BALANCES - \$291.1M**



**SOURCES - \$292.2M**

Cash Sales - \$283.3M  
Investment Income - \$2.2M  
Other - \$5.2M  
Capital Contributions - \$1.5M



**OPERATING EXPENSES, PURCHASED  
POWER, & OTHER PAYMENTS - \$(201.2)M**



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**BALANCE - \$91.0 M**



**DEBT SERVICE - \$(27.8)M**



**CAPITAL/EQUIPMENT - \$(17.6)M**

Bonds \$(0.0)M  
Cash \$(17.6)M



**GENERAL FUND TRANSFER - \$(29.4)M**



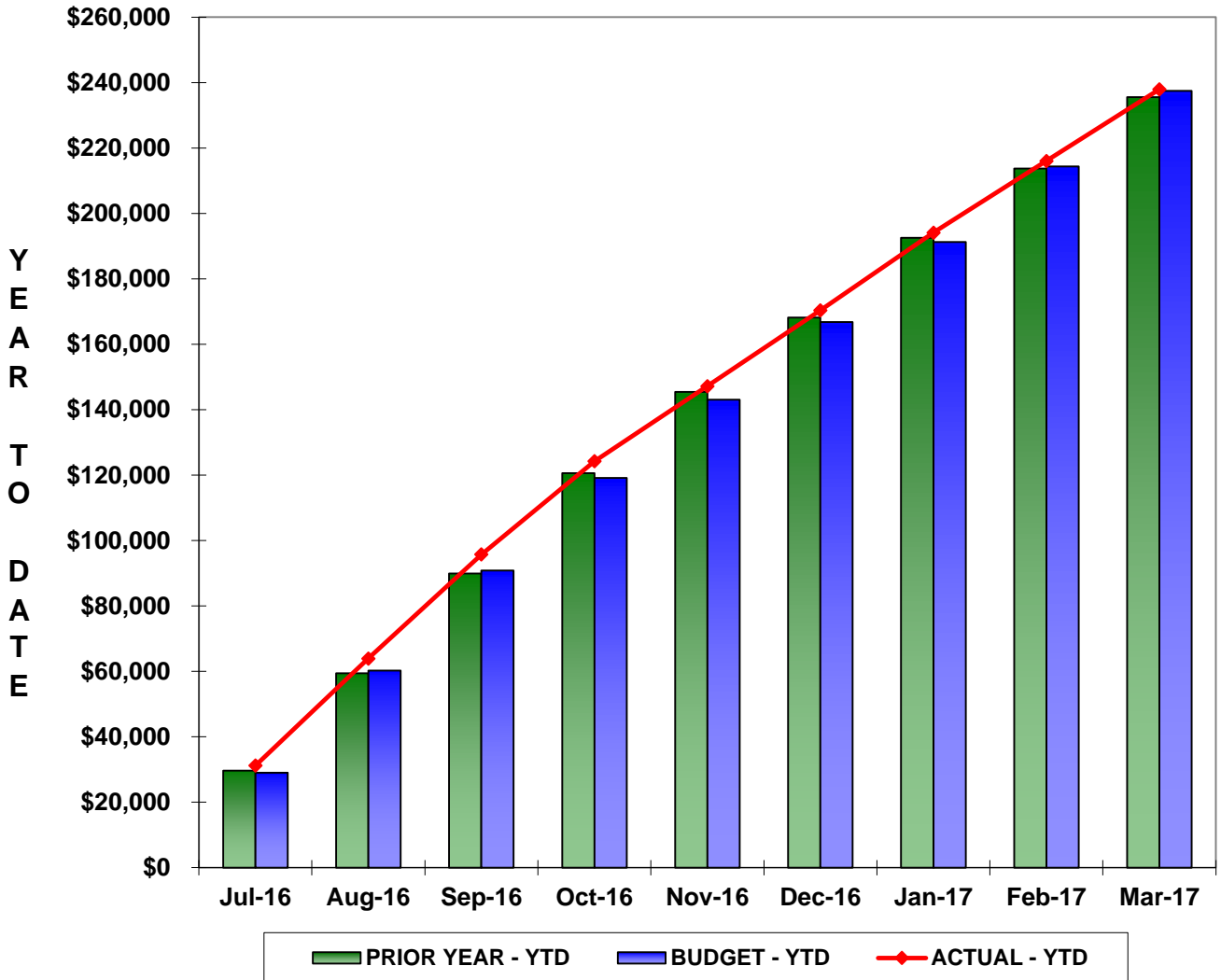
**NET INCREASE TO CASH BALANCES - \$16.2M**

Unrestricted - \$8.5M  
\*Restricted - \$7.7M

**ENDING CASH BALANCES - \$307.3M**

\*Excludes legally restricted cash and investments at fiscal agent of \$92.6M

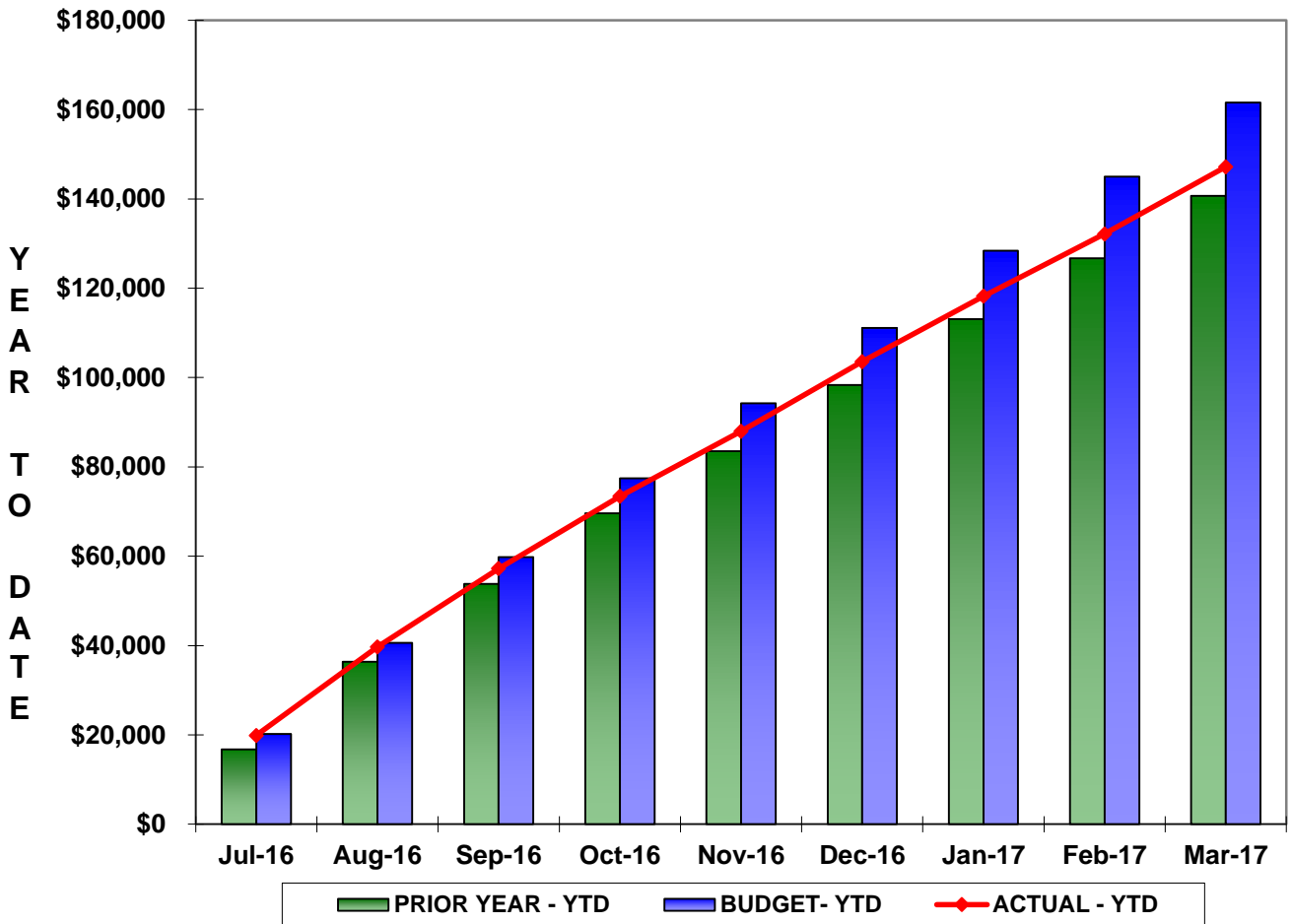
# ELECTRIC UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED MARCH 31, 2017 (In Thousands)



**Actual to Prior:** Year-to-date retail sales of \$237.9M are \$2.4M (1.0%) higher than prior year due to a 0.8% increase in consumption as a result of warmer weather during the summer season.

**Actual to Budget:** Year-to-date actual retail sales are \$0.5M (0.2%) higher than budget due to higher residential consumption as a result of warmer weather.

# ELECTRIC UTILITY POWER SUPPLY EXPENSES FOR THE PERIOD ENDED MARCH 31, 2017 (In Thousands)

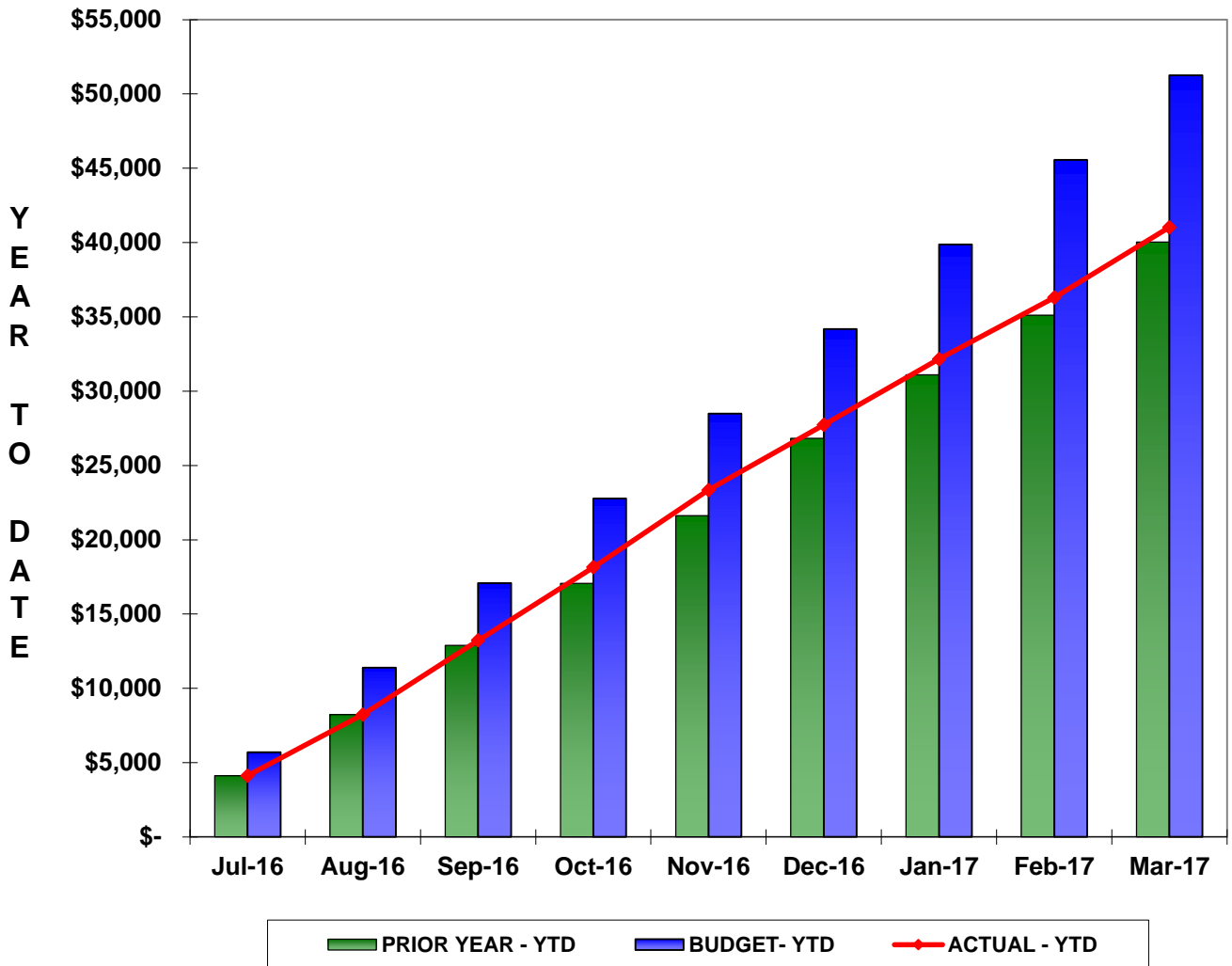


**Actual to Prior:** Year-to-date power supply costs of \$147.2M are \$6.5M (4.6%) higher than prior year primarily due to increase in customer consumption as a result of warmer weather during the summer season and new renewable energy projects coming online.

**Actual to Budget:** Year-to-date power supply costs are \$14.3M (8.9%) below budget due to lower than anticipated market prices offset by higher than anticipated CAISO transmission access charges.



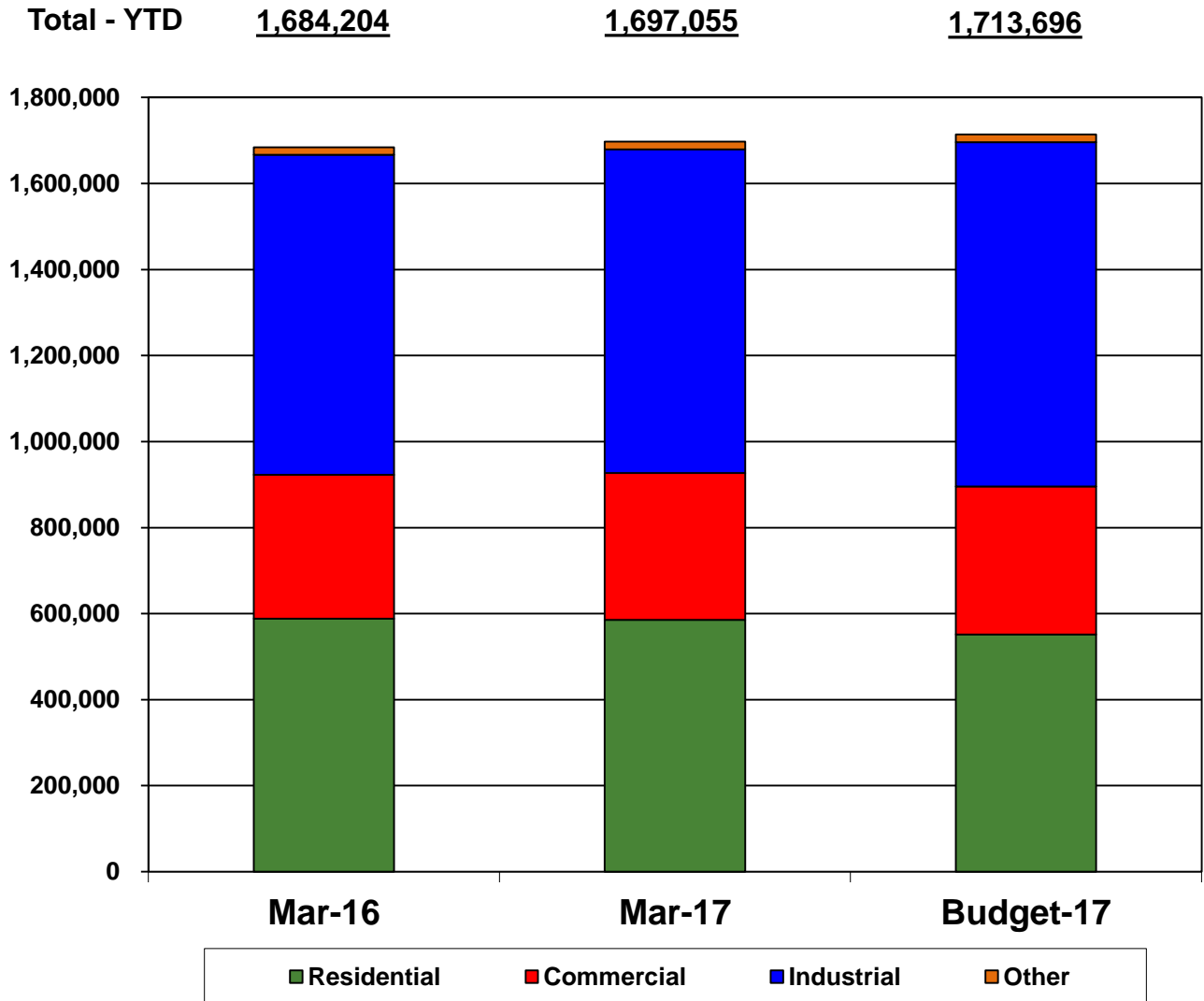
# ELECTRIC UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED MARCH 31, 2017 (In Thousands)



**Actual to Prior:** Year-to-date distribution operating expenses of \$41.0M are \$1.0M (2.5%) higher than prior year primarily due to an increase in general operating expenses.

**Actual to Budget:** Year-to-date operating expenses are \$10.2M (20.0%) below anticipated levels primarily due to timing of expenditures and savings in personnel costs and other general operating expenses.

# ***ELECTRIC UTILITY RETAIL KWH SALES (In Thousands) FOR THE PERIOD ENDED MARCH 31, 2017***

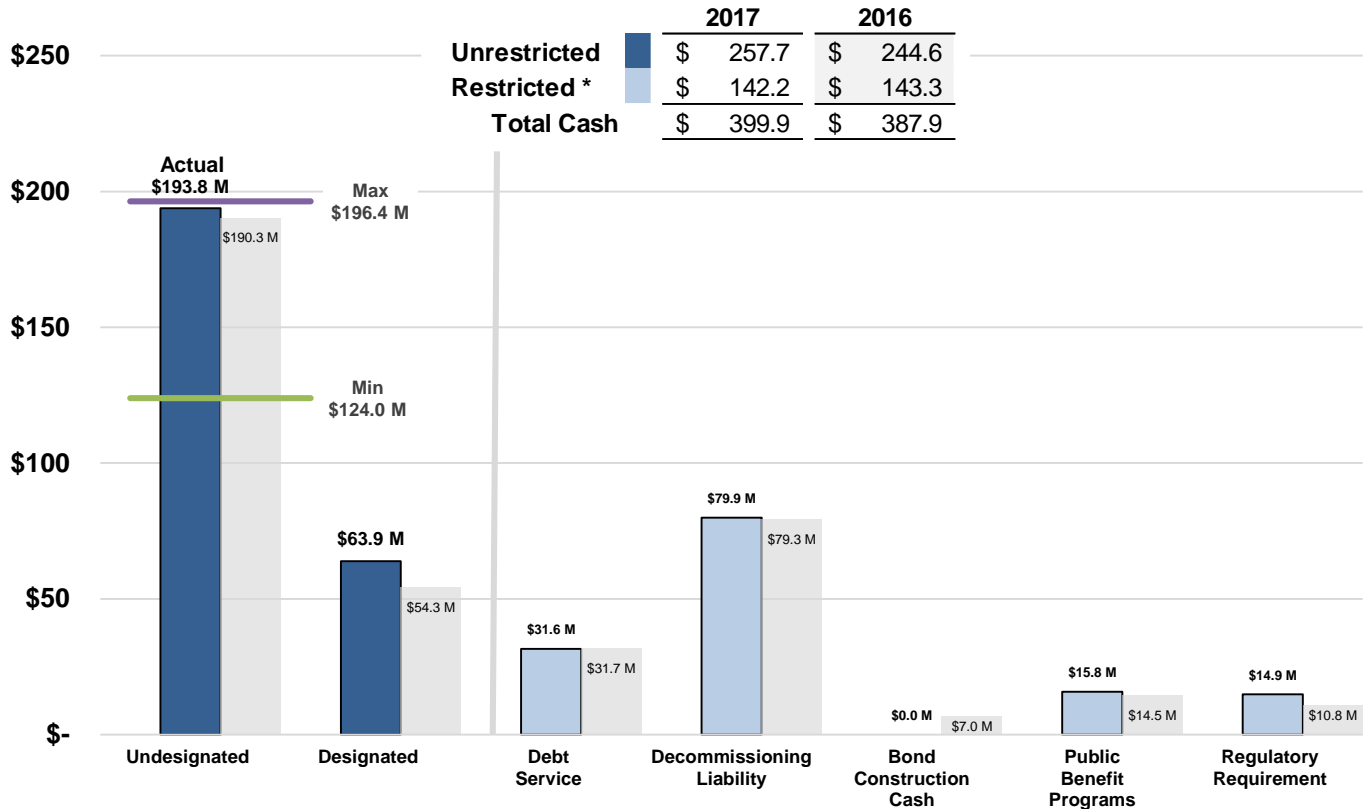


**Actual to Prior:** Retail kWh sales are 0.8% higher than prior year due to an increase in consumption as a result of warmer weather during the summer season.

**Actual to Budget:** Retail kWh sales are 1.0% below budget primarily due to lower than anticipated industrial consumption, partially offset by higher than anticipated residential consumption.

# ELECTRIC UTILITY CASH BALANCE MARCH 31, 2017 AND 2016 (In Millions)

Total Cash as of March 31:



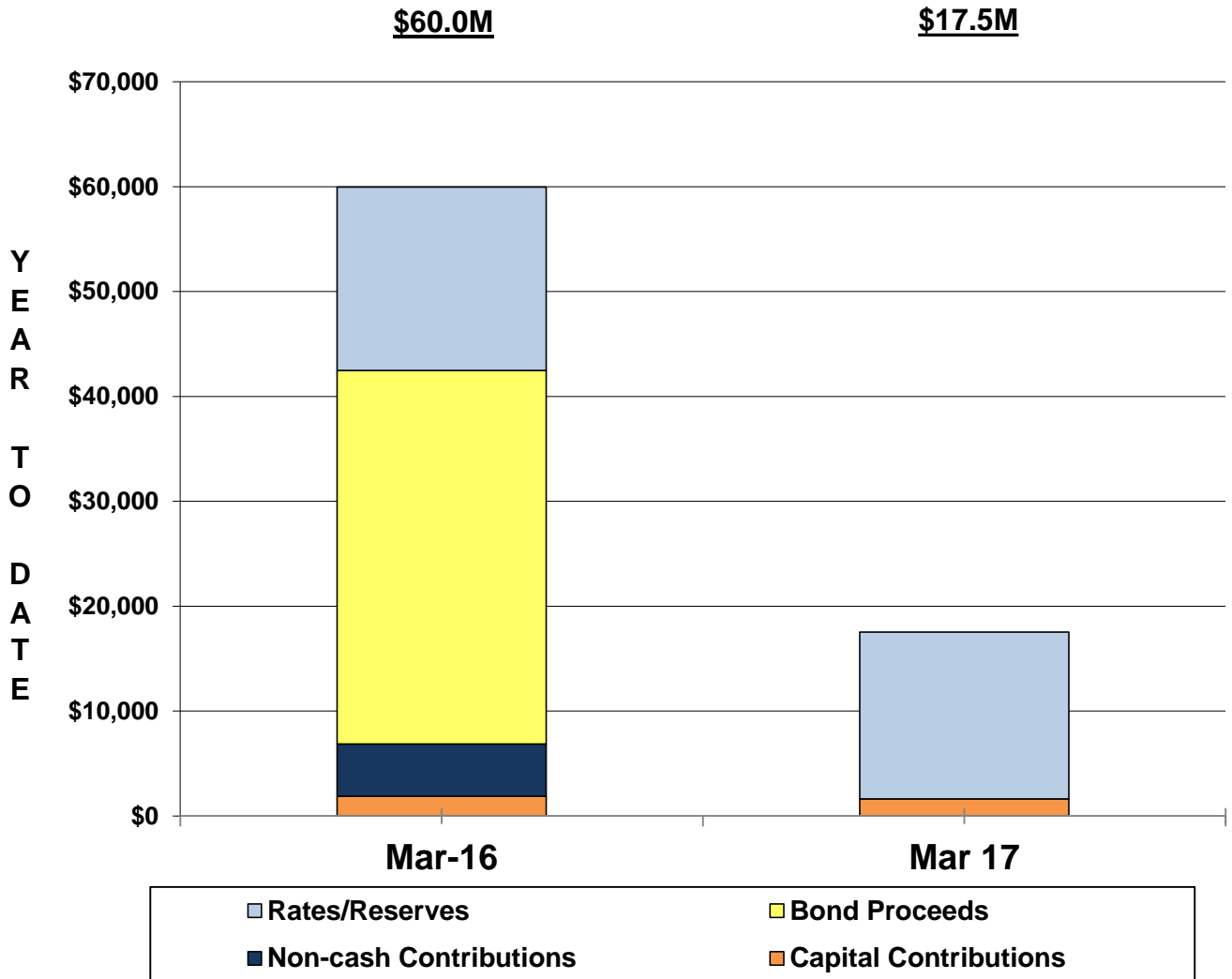
\* Legally restricted for specific purposes.

The components of Unrestricted Designated Reserves are:

	FY 16/17	FY 15/16
Electric Reliability Fund	\$ 51.7	\$ 43.9
Add'l Decommissioning Liability Reserve	\$ 6.2	\$ 4.5
Customer Deposits Reserve	\$ 3.8	\$ 3.7
Capital Repair/Replacement Reserve	\$ 2.0	\$ 2.0
Mission Square Improvement Fund	\$ 0.2	\$ 0.2
<b>Total Designated Reserves</b>	<b>\$ 63.9</b>	<b>\$ 54.3</b>

Overall cash balances are \$12M higher than prior year and the unrestricted, undesignated reserve balance of \$193.8M is within target levels. The increase in total cash over prior year is primarily due to the settlement recoveries and liquidated damages received in the last quarter of the prior fiscal year and positive operating results. This is offset by the funding of capital projects with undesignated reserves.

# ELECTRIC UTILITY CAPITAL/EQUIPMENT FUNDING MARCH 31, 2016 AND 2017 (In Thousands)

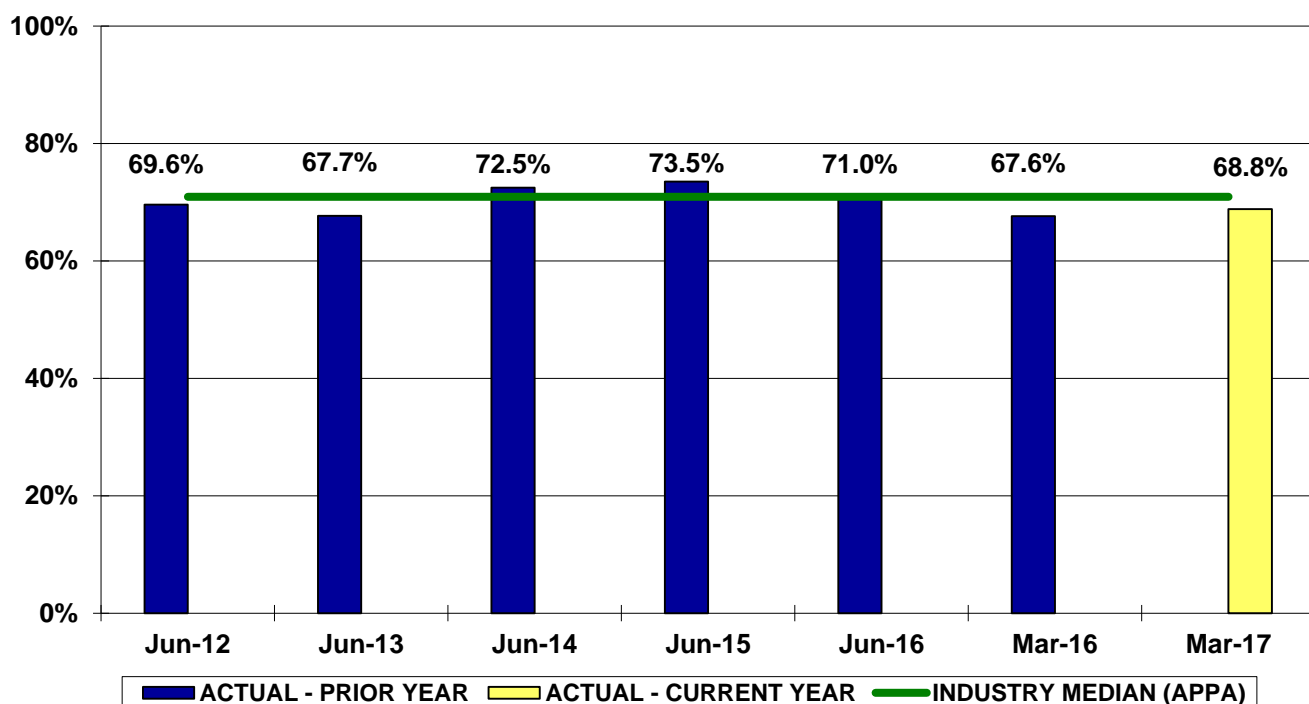


Current year capital expenses (projects + equipment) of \$17.5M are \$42.5M lower than prior year primarily due to the \$38M acquisition of the Mission Square building in October 2015.

In addition, in November 2015 the Electric Utility received a \$5M easement donation from California Baptist University, recognized as a non-cash contribution, for general access to electric system assets.

## ***ELECTRIC UTILITY OPERATING RATIO***

The Operating Ratio reflects the Utility's Operating and Maintenance costs to operating revenues. A lower ratio indicates positive results.  
Industry Median = 70.9%

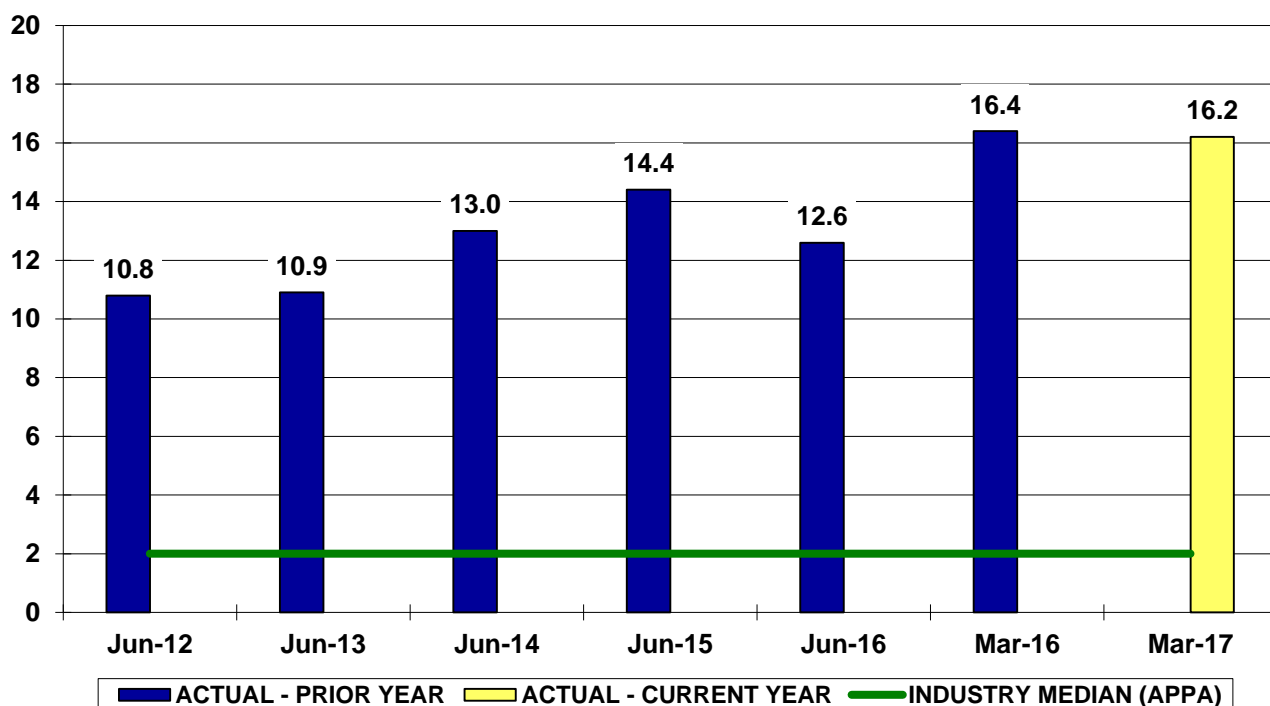


The Utility's Operating Ratio of 68.8% reflects a 1.2 point (unfavorable) change from prior year primarily due to an increase in power supply costs. This ratio is 2.1 points lower (favorable) than the industry median of 70.9%.

The Operating Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.

## ELECTRIC UTILITY UNRESTRICTED CURRENT RATIO

The Unrestricted Current Ratio indicates the Utility's ability to meet short-term liabilities. A higher ratio indicates positive results.  
Industry Median = 2.0

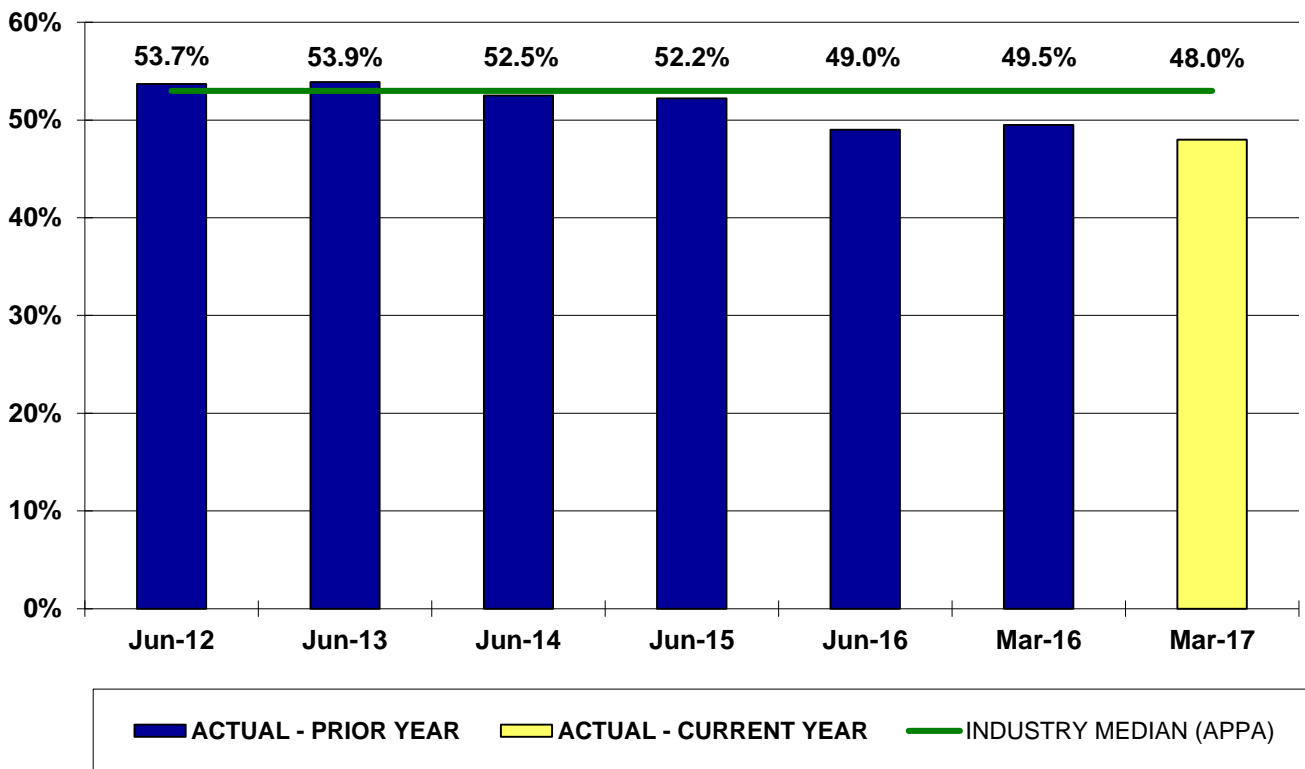


The Utility's Unrestricted Current Ratio of 16.2 reflects a 0.2 point (unfavorable) change compared to prior year primarily due to a slight increase in current liabilities. This ratio is also 14.2 points higher (favorable) than the industry median of 2.0, which indicates strong liquidity and positive operating results.

The Unrestricted Current Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.

## ***ELECTRIC UTILITY DEBT TO TOTAL ASSETS RATIO***

The Debt Ratio indicates what proportion of debt the Utility has in relation to Utility assets. This ratio is favorable when it is lower.  
Industry Median = 53.0%

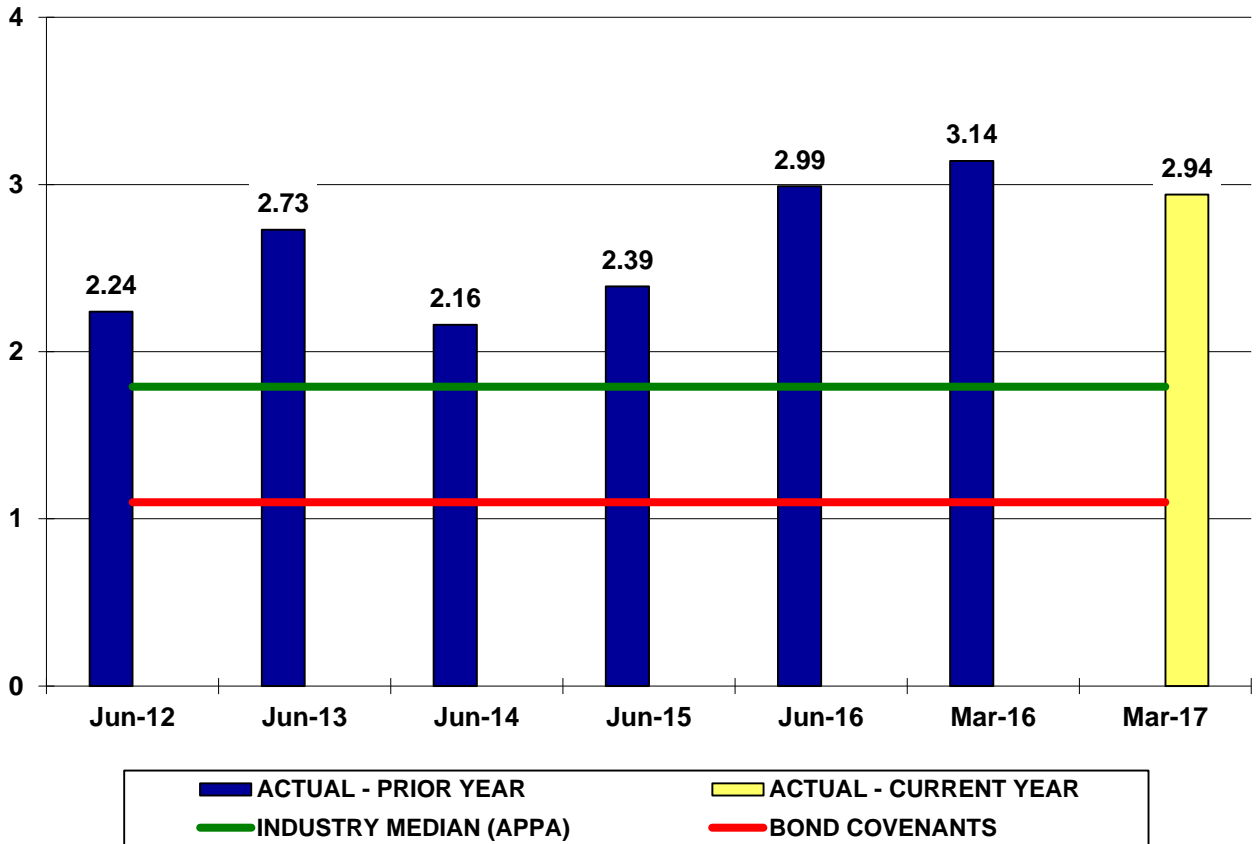


The Utility's Debt Ratio of 48.0% reflects a 1.5 point (favorable) change from prior year primarily due to principal payments on outstanding debt. This ratio is 5.0 points lower (favorable) than the industry median of 53.0%.

The Debt Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.

## ***ELECTRIC UTILITY DEBT SERVICE COVERAGE RATIO***

The Debt Service Coverage Ratio is used as a benchmark to measure the Utility's ability to produce enough cash to cover our debt service payments. A higher ratio is more favorable.  
Industry Median = 1.79



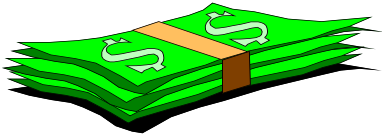
The Utility's Debt Service Coverage Ratio of 2.94 indicates that sufficient revenues are available to cover debt service. This ratio is lower than prior year primarily due to settlement recoveries received in fiscal year 15/16 and higher operating expense including power supply expenses in the current year. This ratio is also higher than the industry median of 1.79.

The Debt Service Coverage Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.



Water Utility  
Flow of Funds - Actual  
(For the Nine Months Ended March 31, 2017)

**BEGINNING CASH BALANCES - \$82.0M**



**SOURCES - \$54.5M**

Cash Sales - \$49.8M  
Other - \$3.4M  
Capital Contributions - \$1.3M



**OPERATING EXPENSES - \$(29.8)M**



**BALANCE - \$24.7**



**DEBT SERVICE - \$(9.7)M**



**CAPITAL/EQUIPMENT - \$(10.5)M**

Bonds \$(0.0)M  
Cash \$(10.5)M



**GENERAL FUND TRANSFER - \$(4.2)M**

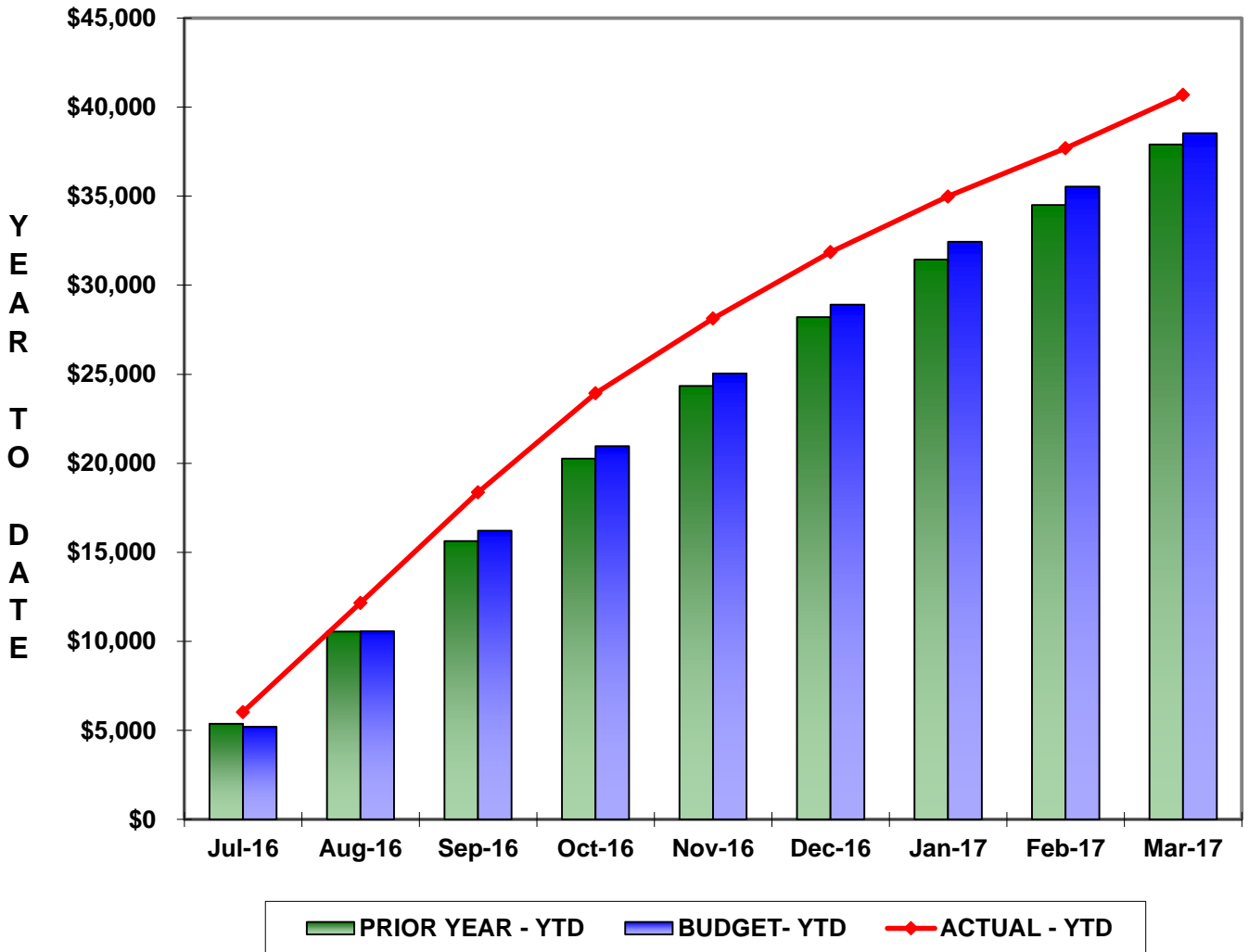


**NET INCREASE TO CASH BALANCES- \$0.3M**

Unrestricted – \$(2.7)M  
Restricted – \$3.0M

**ENDING CASH BALANCES - \$82.3M**

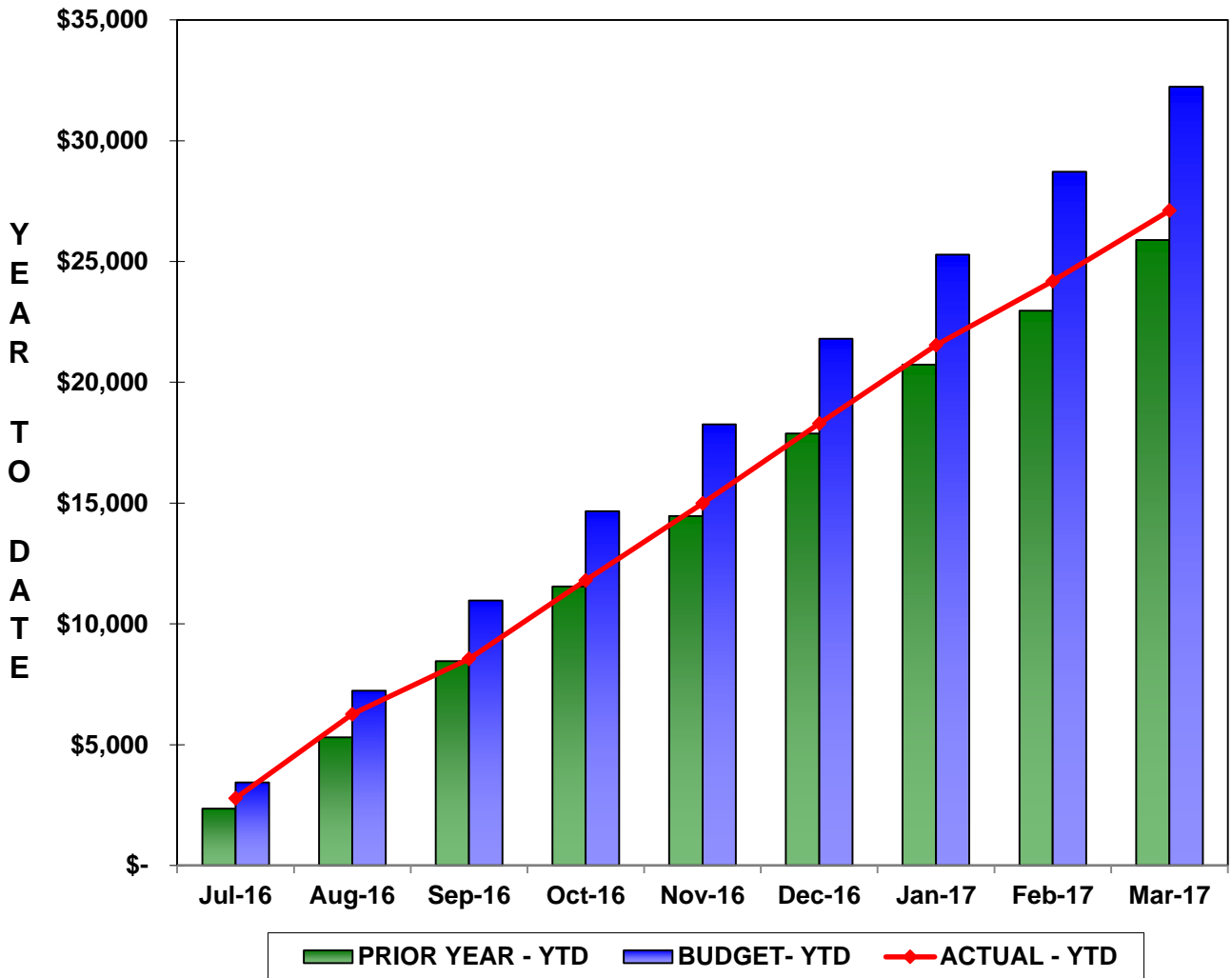
# WATER UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED MARCH 31, 2017 (In Thousands)



**Actual to Prior:** Year-to-date actual retail sales of \$40.7M are \$2.8M (7.4%) higher than prior year primarily due to a 5.9% increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season.

**Actual to Budget:** Year-to-date actual retail sales are \$2.2M (5.6%) higher than budget due to an increase in consumption levels as a result of the lifting of water restriction mandates and warmer weather.

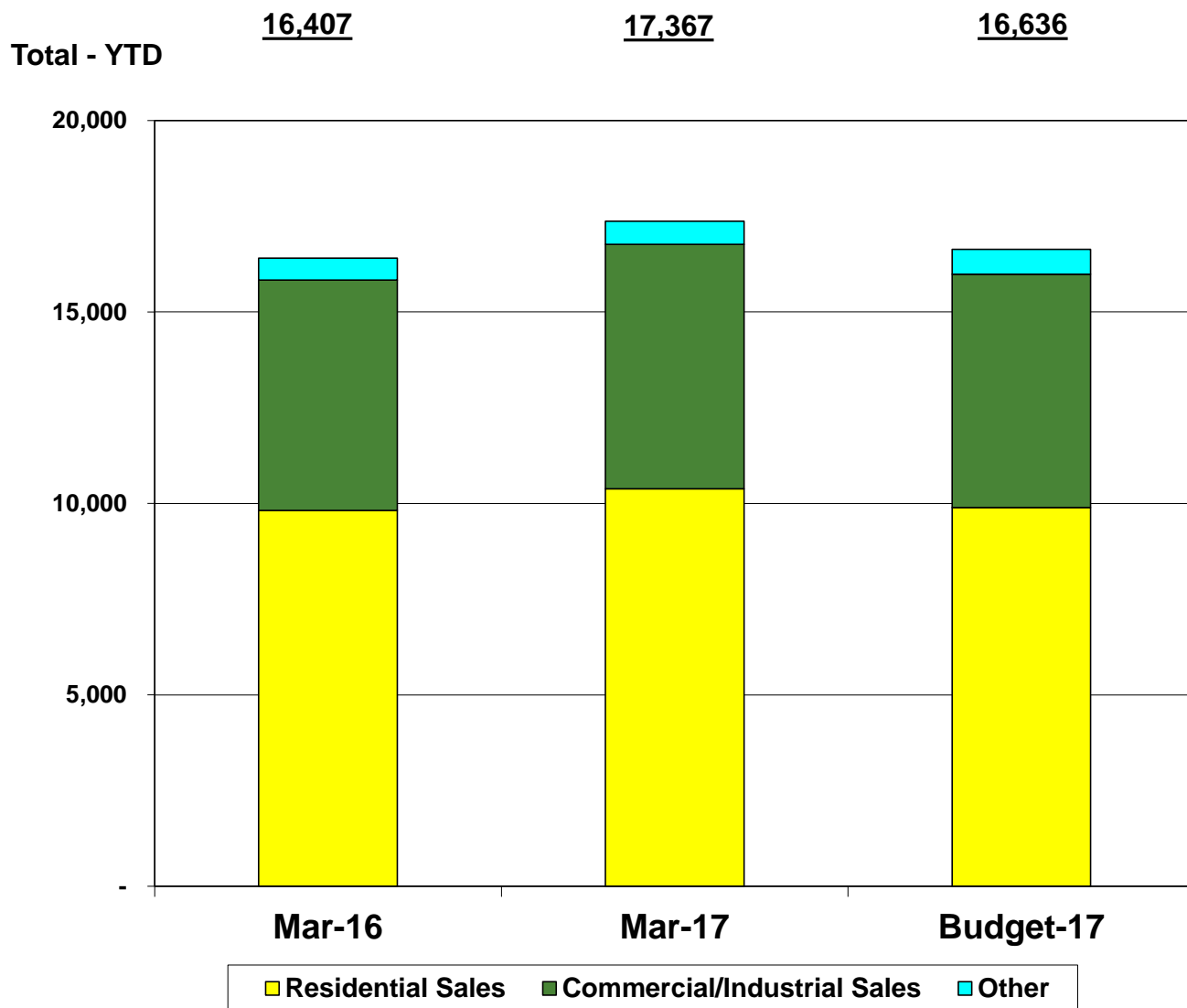
# WATER UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED MARCH 31, 2017 (In Thousands)



**Actual to Prior:** Year-to-date distribution operating expenses of \$27.1M are \$1.2M (4.7%) higher than prior year due to an increase in production costs resulting from higher consumption and general operating expenses.

**Actual to Budget:** Year-to-date operating expenses are \$5.1M (15.9%) below anticipated levels due to timing of expenditures and savings in personnel costs and other general operating expenses.

# WATER UTILITY CCF SALES (In Thousands) FOR THE PERIOD ENDED MARCH 31, 2017



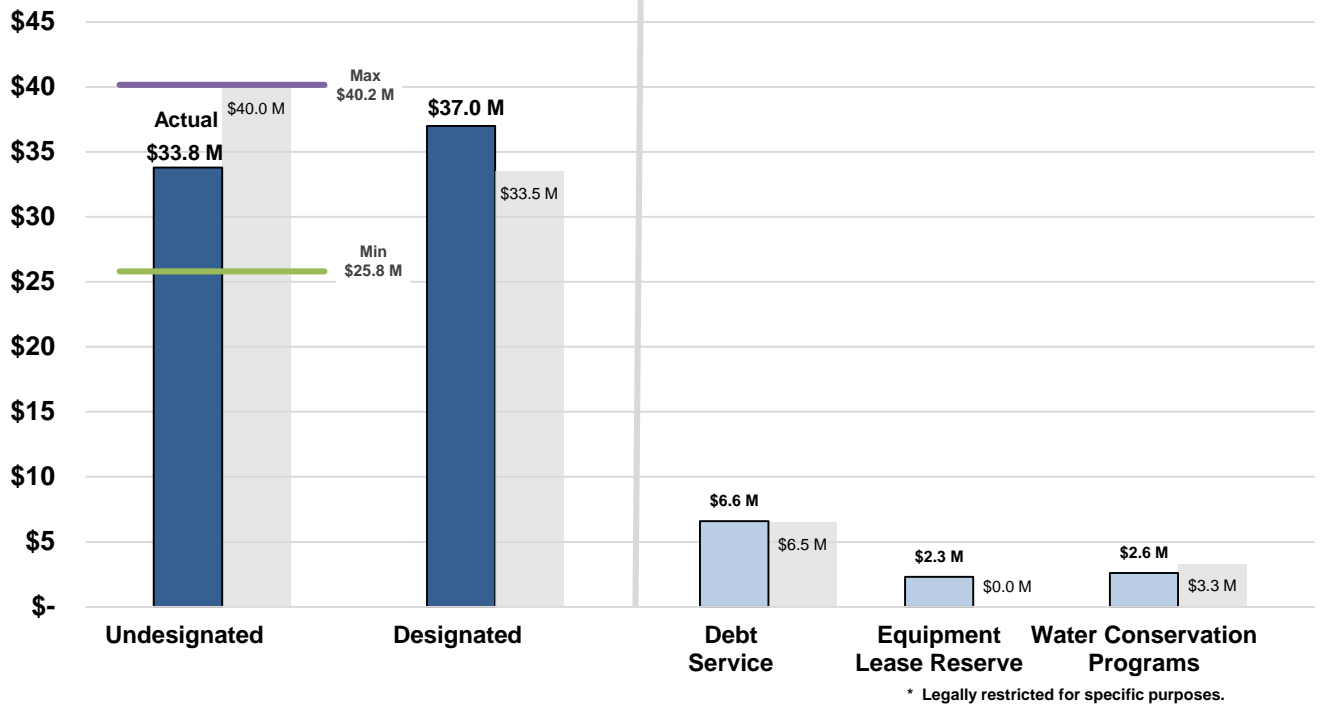
**Actual to Prior:** Retail CCF sales are 5.9% higher than prior year due to an increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season.

**Actual to Budget:** Retail CCF sales are 4.4% above budget due to increased consumption levels primarily due to the lifting of water restrictions and warmer weather.

# WATER UTILITY CASH BALANCE MARCH 31, 2017 AND 2016 (In Millions)

Total Cash as of February 28:

	2017	2016
Unrestricted	\$ 70.8	\$ 73.5
Restricted *	\$ 11.5	\$ 9.8
<b>Total Cash</b>	<b>\$ 82.3</b>	<b>\$ 83.3</b>

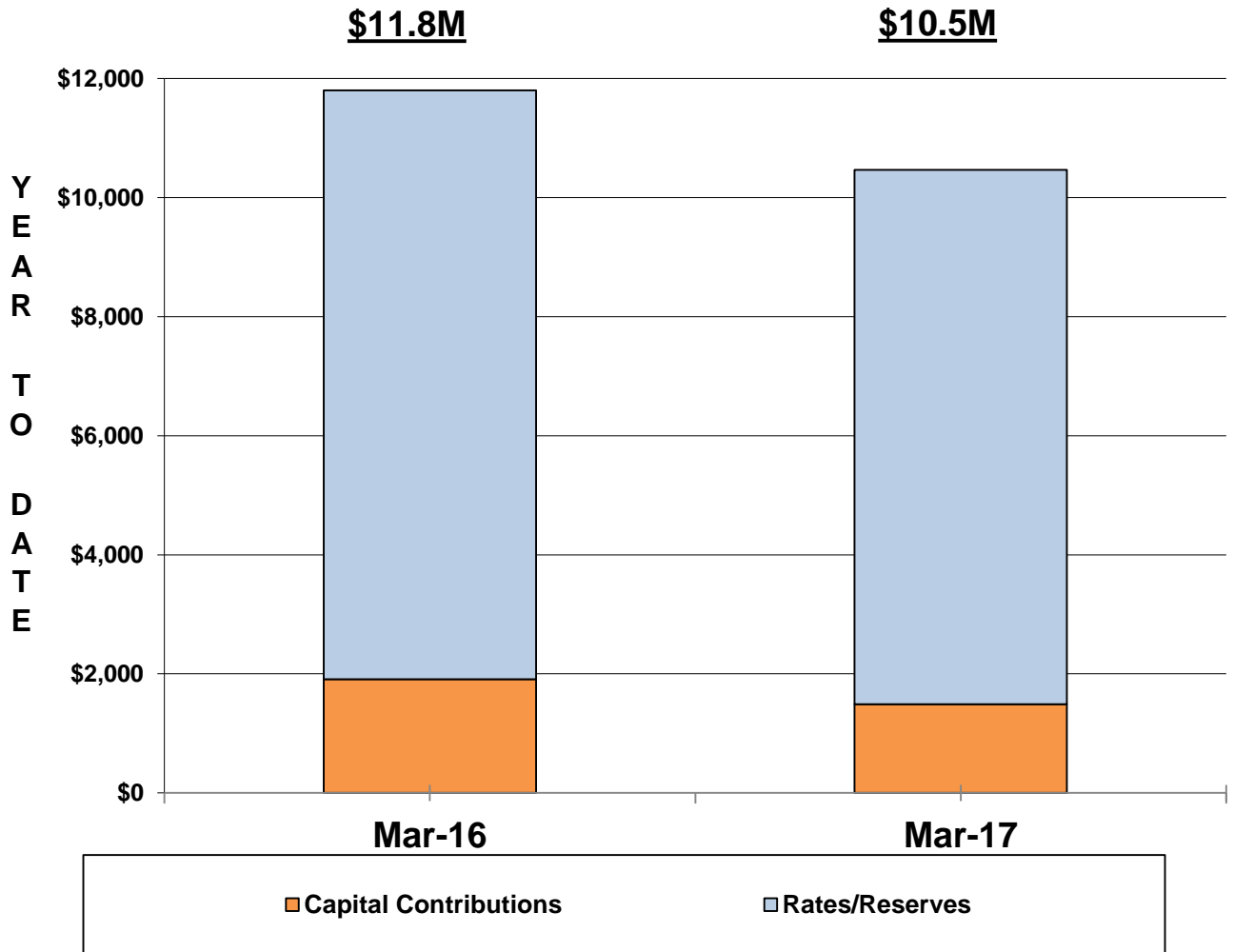


The components of Unrestricted Designated Reserves are:

	FY 16/17	FY 15/16
Property Reserve	\$ 26.0	\$ 26.0
Recycled Water Reserve	\$ 9.8	\$ 6.4
Capital Repair/Replacement Reserve	\$ 0.8	\$ 0.8
Customer Deposits Reserve	\$ 0.4	\$ 0.3
<b>Total Designated Reserves</b>	<b>\$ 37.0</b>	<b>\$ 33.5</b>

Overall cash balances are \$1.0M lower than prior year primarily due to the use of undesignated reserve for capital projects customarily funded by bonds, offset by positive operating results.

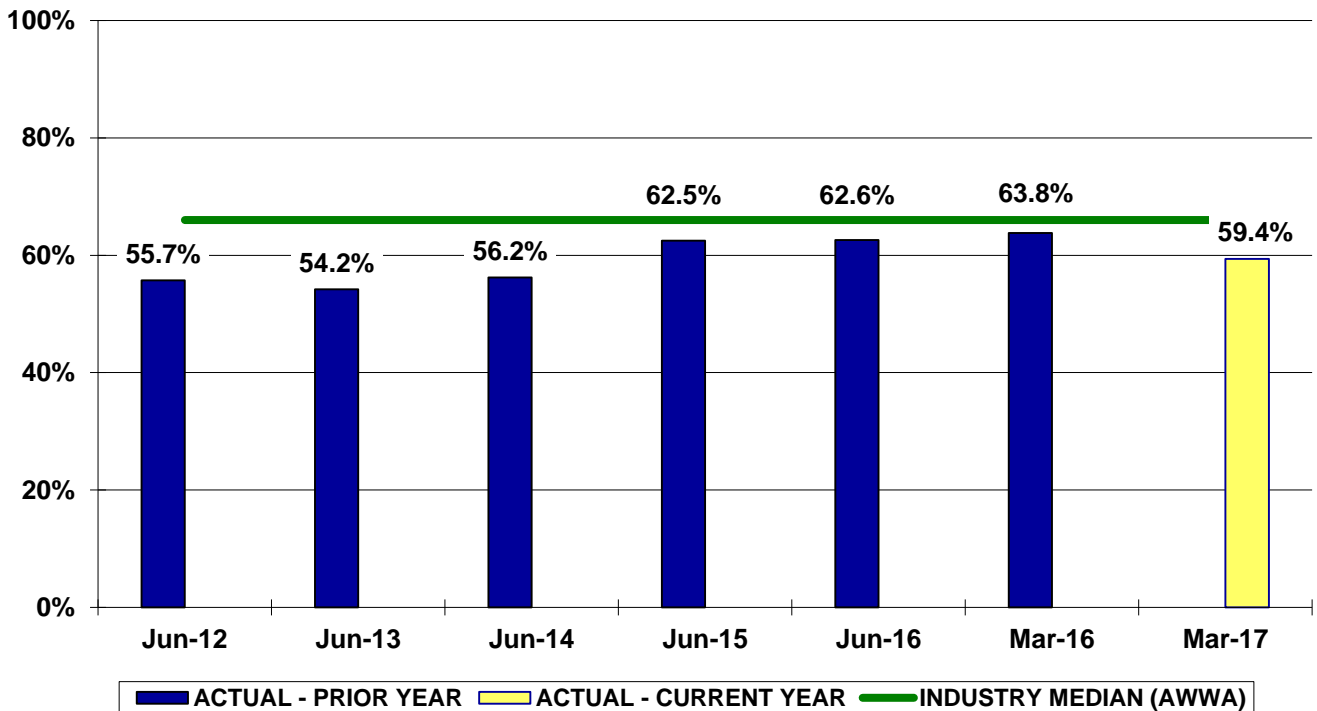
**WATER UTILITY  
CAPITAL/EQUIPMENT FUNDING  
MARCH 31, 2016 AND 2017  
(In Thousands)**



Current year capital expenses (capital projects + equipment) of \$1.3M is lower than prior year.

## WATER UTILITY OPERATING RATIO

The Operating Ratio compares the Utility's Operating and Maintenance costs to operating revenues. A lower ratio indicates positive results. Industry Median = 66.0%

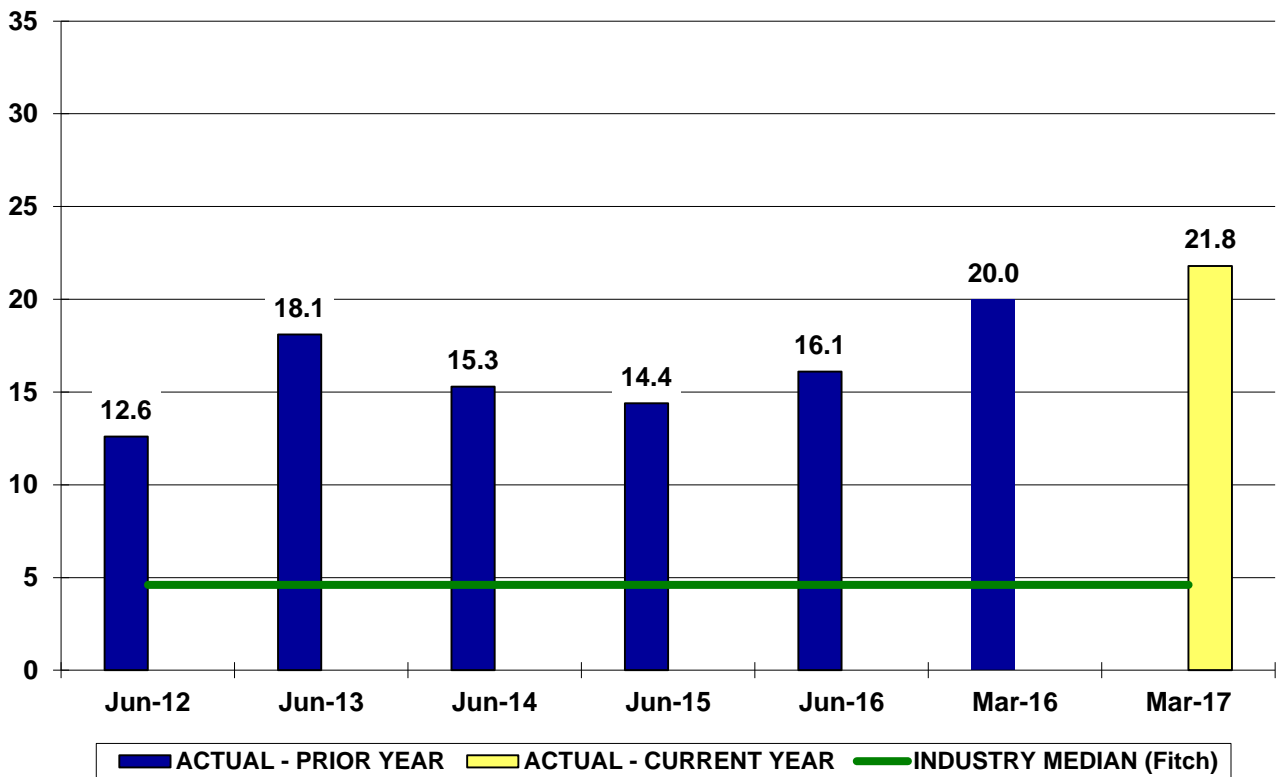


The Utility's Operating Ratio of 59.4% reflects a 4.4 point (favorable) change from prior year primarily due to an increase in operating revenues as a result of the reduction in water restrictions. This ratio is also 6.6 points lower (favorable) than the industry median of 66.0% which indicates strong operating results, as compared to other peer utilities.

The Operating Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.

## WATER UTILITY UNRESTRICTED CURRENT RATIO

The Unrestricted Current Ratio indicates the Utility's ability to meet short-term liabilities. A higher ratio indicates positive results.  
Industry Median = 4.6



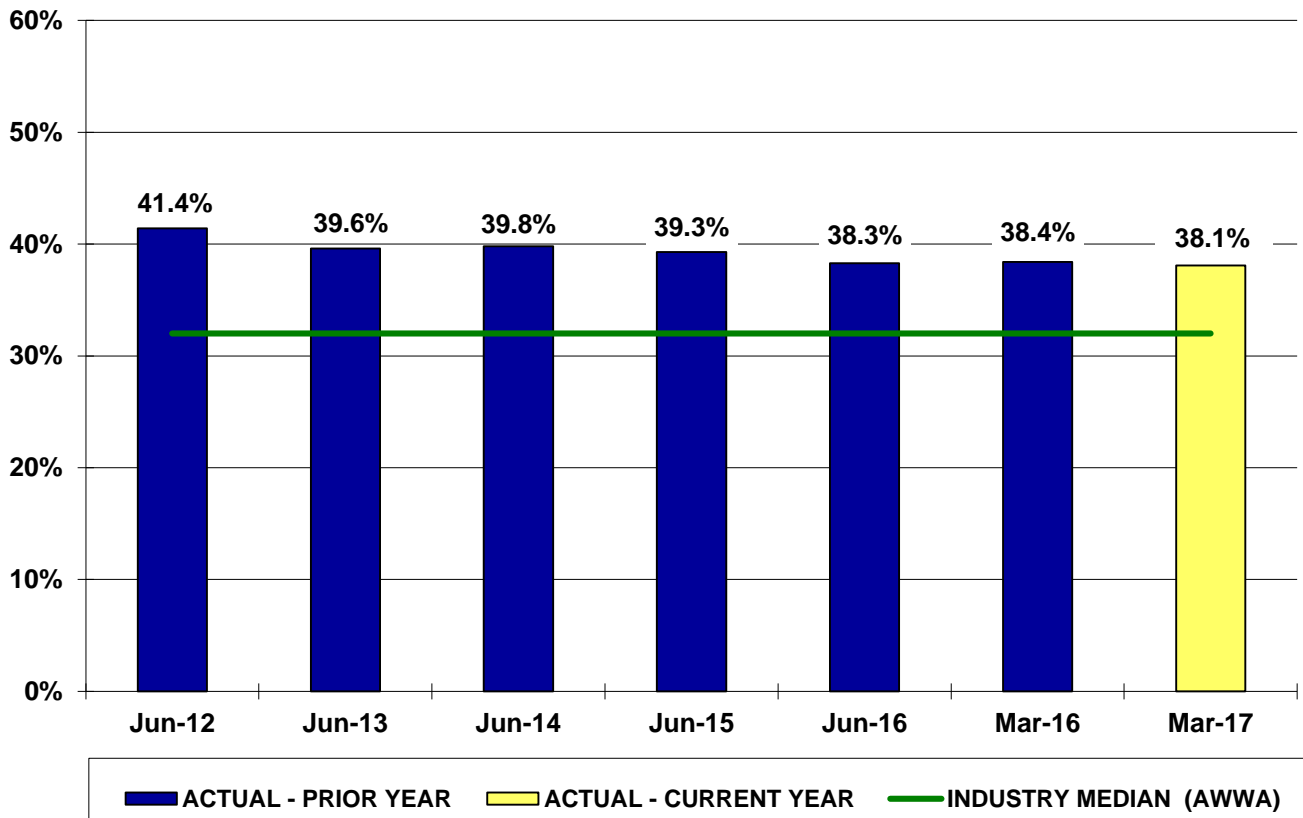
The Utility's Unrestricted Current Ratio of 21.8 reflects a 1.8 point (favorable) change from prior year due to a decrease in current liabilities. This ratio is 17.2 points higher (favorable) than the industry median of 4.6, which indicates strong liquidity and positive operating results.

The Unrestricted Current Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.



## WATER UTILITY DEBT TO TOTAL ASSETS RATIO

The Debt Ratio indicates what proportion of debt the Utility has in relation to Utility assets. This ratio is favorable when it is lower.  
Industry Median = 32.0%

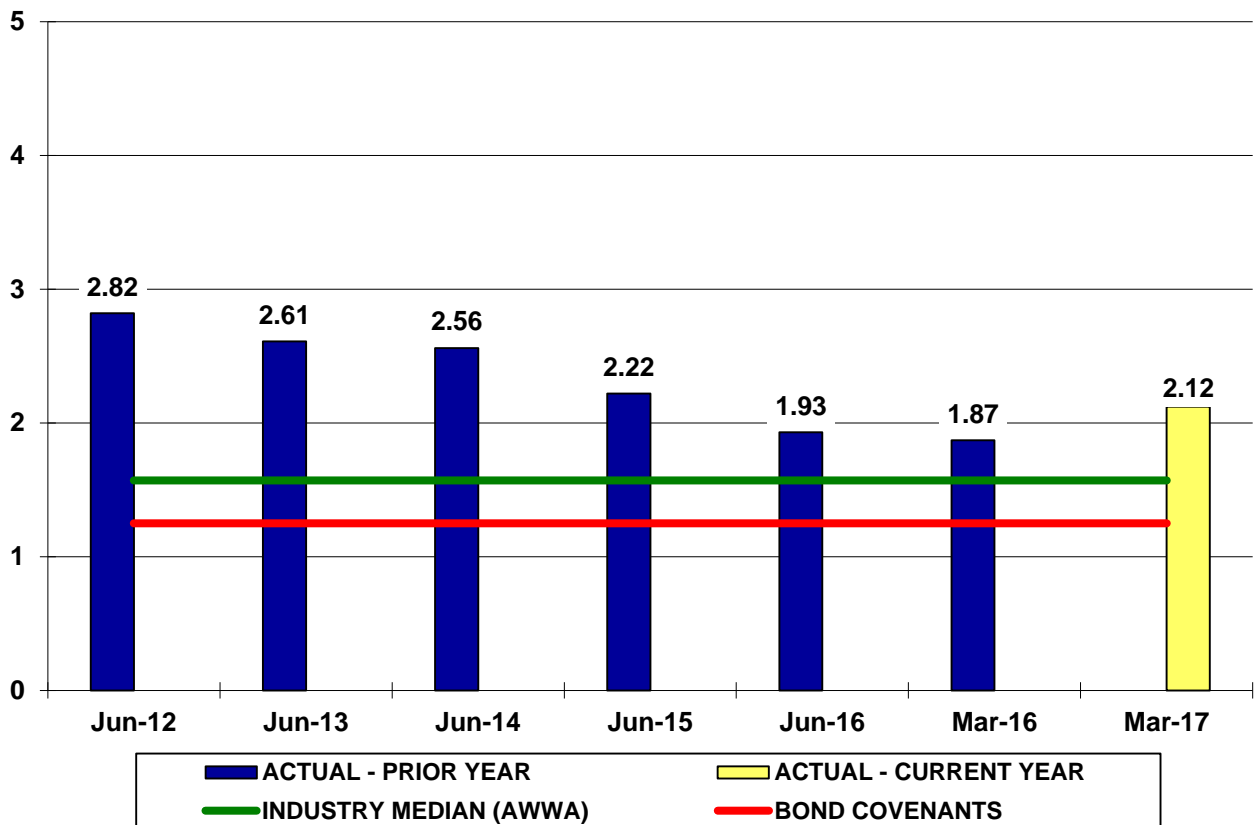


The Utility's Debt Ratio of 38.1% reflects a 0.3 point (favorable) change from prior year due to principal payments on outstanding debt. This ratio is 6.1 points higher (unfavorable) than the industry median of 32.0%, primarily due to the Utility's investment in infrastructure improvements since the adoption of the SAFE W.A.T.E.R Plan.

The Debt Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.

## WATER UTILITY DEBT SERVICE COVERAGE RATIO

The Debt Service Coverage Ratio is used as a benchmark to measure the Utility's ability to produce enough cash to cover our debt service payments. A higher ratio is more favorable.  
Industry Median = 1.57



The Debt Service Coverage Ratio of 2.12 indicates that sufficient revenues are available to cover debt service. This ratio is higher than prior year as a result of increased operating revenues due to the reduction of water restrictions. This ratio is also higher than the Utility's Bond Covenants of 1.25.

The Debt Service Coverage Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio.