

Arts & Innovation

PRELIMINARY YEAR-END FINANCIAL REPORT

**June 30, 2016
(UNAUDITED)**



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PRELIMINARY JUNE FINANCIAL REPORT (UNAUDITED) 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 unaudited financial results for the fiscal year ended June 30, 2016.

Electric Utility: Comparison to prior year

Retail sales were \$305.3 million and were \$4.6 million (1.5%) higher than prior year due to a 0.2% increase in residential and commercial consumption was due to warmer weather, partially offset by a decrease in industrial load. (Graphs A-2 and A-5)

Transmission revenue of \$32.9 million was \$2.3 million (7.6%) 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 (FERC), effective January 1, 2016, as well as a 0.2% increase in load. (Page 3 and 6)

Other non-operating revenues of \$18.2 million increased by \$14.2 million from prior year mainly due to \$9.5 million in SONGS insurance settlements and cost recovery, \$2.3 million in liquidated damages received on renewable power purchase agreements, \$1.5 million insurance settlement related to the Harvey Lynn Substation fire. (Pages 3 and 6)

Capital contributions increased by \$12.3 million primarily due to \$9.2 million in donated easements for general access to electrical system assets, \$1.8 million in donated street light equipment and \$1 million in equipment used to improve service to the Electric Utility's customers. (Pages 3 and 6)

Power supply costs of \$193.3 million were \$4.3 million (2.2%) lower than prior year primarily due to lower generation costs as a result of decreased market prices. The lower generation costs were offset by an increase in transmission costs as a result of an increase in the access charge rate applied by the California Independent System Operator (CAISO). (Graph A-3)

Distribution operating expenses of \$51.3 million are slightly higher than prior year primarily due to an increase in general operating costs offset by a decrease in pension expense due to pension accounting standards. (Graph A-4)

On March 22, 2016, the City Council adopted a new cash reserve policy providing a defined level on unrestricted designated and undesignated reserves. This policy provides a target minimum balance of \$124 million and a maximum of \$196.4 million in the undesignated reserve to migrate risk and maintain financial stability. Total cash balances of \$383.5 million decreased by \$25.3 million primarily due to the purchase of the Mission Square Building on October 13, 2015 for \$38 million as approved by the Board and City Council. The purchase was made with a combination of undesignated reserves and bond proceeds supported by the private versus public use of the building. In addition, there was an increase of \$12.7 million related to positive operating results and settlement recoveries offset by the funding of capital projects with bond proceeds. (Graph A-6)

Utility plant assets increased by \$52.3 million primarily due to the purchase of the Mission Square building and 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 \$22.5 million primarily due to an increase of \$14.7 million in deferred outflows related to pension and an increase of \$8.9 million in deferred changes in derivative values. (Page 4)

Total net position increased by \$46.9 million primarily due to positive operating results, non-cash capital contributions and settlement recoveries. (Page 5)

Long-term obligations, including the current portion, decreased by \$16.9 million primarily due to principal payments made and amortization of bond premiums. (Page 5)

Other non-current liabilities increased by \$14.1 million due to increases in net pension liability of \$6.1 million related to pension accounting standards, capital leases of \$2.7 million for nine new utility service trucks and derivative instruments of \$10 million due to a change in fair market value of the interest rate swap. The increase is offset by a decrease in nuclear decommissioning of \$4.8 million due to SONGS decommissioning payments. (Page 5)

Electric Utility: Comparison to budget

Retail sales were \$8.6 million (2.7%) lower than budget due to lower than anticipated consumption. (Graphs A-2 and A-5)

Power supply costs were \$20.6 million (9.6%) lower than budget primarily due to lower than anticipated market prices and load, offset by higher than anticipated CAISO transmission access charges. (Graph A-3)

Distribution operating expenses were \$15.6 million (23.3%) below budget mainly due to savings in personnel costs, professional services and other general operating expenses. (Graph A-4)

With 100% of the year completed, the Electric Utility spent 86% 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 \$50.3 million were \$6.8 million (11.9%) lower than prior year due to a 15.2% decrease in consumption as a result of water conservation measures enacted due to drought conditions. (Graphs A-13 and A-15)

Distribution operating expenses of \$33.8 million were \$2 million (5.5%) lower than prior year due to a reduction in professional services, expenses related to pumping and production associated with the lower consumption levels and pension expense due to pension accounting standards. (Graph A-14)

On March 22, 2016, the City Council adopted a new cash reserve policy providing a defined level on unrestricted designated and undesignated reserves. This policy provides a target minimum balance of \$25.8 million and a maximum balance of \$40.2 million in the undesignated reserve to migrate risk and maintain financial stability. Overall total cash balances of \$82 million decreased by \$7.9 million primarily due to the use of undesignated reserves for capital projects offset by an increase in recycled water reserve resulting from the receipt of \$3.3 million from the final payment from a settlement agreement with the City. (Graph A-16)

Utility plant assets increased by \$5.8 million due to the completion of transmission and distribution system assets and facilities rehabilitation, offset by current year depreciation. (Page 11)

Other receivables, including the current portion, decreased by \$3.3 million, reflecting the final payment received from the settlement agreement against the City. The funds received, reduced by related legal costs, have been set aside in an unrestricted designated account reserved 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 \$8.1 million primarily due to an increase of \$5.3 million in deferred outflows related to pension and an increase of \$3.3 million in deferred changes in derivative values. (Page 11)

Long-term obligations, less the current portion, decreased by \$5.7 million due to principal payments made on outstanding debt. (Page 12)

Other non-current liabilities increased by \$7.9 million primarily due to an increase of \$3.5 million in the negative fair value of derivative instruments, an increase of \$2.3 million in a note payable for the completion of well relocation paid for by a developer and an increase of \$2.2 million in the net pension liability. (Page 12)

Accounts payable and other accruals decreased by \$1.6 million primarily due the timing of general operating expenditures and a reduction in accrued payroll based on timing of payroll expense. (Page 12)

Water Utility: Comparison to budget

Retail sales were \$5.8 million (10.4%) lower than budget due to lower than anticipated consumption as a result of conservation measures taken by customers. (Graphs A-13 and A-15)

Distribution operating expenses were \$10.6 million (24.0%) lower than anticipated levels due to savings in water pumping and production costs as a result of lower consumption levels. In addition, staff was able to reduce controllable expenses resulting in savings in personnel costs, professional services and other general operating expenses. (Graph A-14)

With 100% of the year completed, the Water Utility spent 80% 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 JUNE 30, 2016
(100% of the year completed)**

	QUARTERLY (in thousands)					YEAR-TO-DATE (in thousands)		
	CURRENT Apr-Jun 2016	BUDGET Apr-Jun 2016	PRIOR Apr-Jun 2015	TOTAL BUDGET FY 15/16	CURRENT YTD AS % OF TOTAL BUDGET	CURRENT June 2016	BUDGET June 2016	PRIOR June 2015
OPERATING REVENUES:								
RESIDENTIAL SALES	\$ 23,722	\$ 25,832	\$ 24,490	\$ 116,283	101%	\$ 116,997	\$ 116,283	\$ 114,112
COMMERCIAL SALES	16,588	17,884	16,531	72,421	96%	69,759	72,421	68,572
INDUSTRIAL SALES	28,244	29,634	27,440	120,338	95%	113,756	120,338	112,283
OTHER SALES	1,149	1,199	1,423	4,761	100%	4,737	4,761	5,654
WHOLESALE SALES	-	-	14	-	0%	3	-	60
TRANSMISSION REVENUE	8,586	7,517	7,569	32,000	103%	32,924	32,000	30,587
OTHER OPERATING REVENUE	1,404	1,878	1,687	8,020	93%	7,425	8,020	7,654
PUBLIC BENEFIT PROGRAMS	2,106	2,132	2,027	8,973	100%	8,929	8,973	8,699
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	81,799	86,076	81,181	362,796	98%	354,530	362,796	347,621
ESTIMATED UNCOLLECTIBLES	131	(298)	(115)	(1,194)	64%	(763)	(1,194)	(1,014)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	81,930	85,778	81,066	361,602	98%	353,767	361,602	346,607
OPERATING EXPENSES:								
MANAGEMENT SERVICES	(3,031)	2,373	(1,257)	9,491	9%	859	9,491	2,454
UTILITY BUS SUPPORT	472	682	556	2,729	73%	2,004	2,729	2,001
BILLING SERVICES	177	197	130	787	67%	526	787	444
FIELD SERVICES	923	1,138	826	4,550	75%	3,418	4,550	3,270
CUSTOMER SERVICES	1,327	1,154	1,473	4,617	91%	4,207	4,617	4,414
MARKETING/COMMUNICATIONS	554	690	629	2,759	76%	2,085	2,759	2,195
PRODUCTION AND OPERATIONS	2,344	2,070	1,905	8,279	100%	8,316	8,279	7,231
FIELD OPERATIONS	3,566	3,885	3,362	15,540	84%	13,018	15,540	12,432
ENERGY DELIVERY ENGINEERING	2,639	2,001	2,220	8,005	96%	7,658	8,005	7,049
POWER RESOURCES	2,252	2,522	2,443	10,088	91%	9,159	10,088	8,919
PURCHASED POWER:								
TRANSMISSION	15,070	14,419	14,220	57,676	101%	58,145	57,676	53,356
GENERATION	37,554	40,680	36,939	156,201	87%	135,175	156,201	144,222
PUBLIC BENEFIT PROGRAMS	3,576	3,966	3,153	15,866	42%	6,657	15,866	6,870
DEPRECIATION	8,292	7,554	8,263	30,215	102%	30,953	30,215	29,328
TOTAL OPERATING EXPENSES	75,715	83,331	74,862	326,803	86%	282,182	326,803	284,185
OPERATING INCOME	6,215	2,447	6,204	34,799	206%	71,585	34,799	62,422
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	2,413	1,032	583	4,127	125%	5,143	4,127	3,821
INTEREST EXPENSE	(5,368)	(6,828)	(5,333)	(27,310)	91%	(24,980)	(27,310)	(25,311)
GENERAL FUND CONTRIBUTIONS	(9,590)	(9,590)	(9,544)	(38,360)	100%	(38,360)	(38,360)	(38,178)
GAIN ON SALE OF ASSETS	63	138	183	553	77%	424	553	343
OTHER	5,390	1,392	1,795	5,569	327%	18,191	5,569	4,033
TOTAL NON-OPERATING EXPENSES	(7,092)	(13,856)	(12,316)	(55,421)	71%	(39,582)	(55,421)	(55,292)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(877)	(11,409)	(6,112)	(20,622)	-155%	32,003	(20,622)	7,130
CAPITAL CONTRIBUTIONS	8,004	1,608	1,132	6,430	231%	14,874	6,430	2,590
NET INCOME (LOSS)	\$ 7,127	\$ (9,801)	\$ (4,980)	\$ (14,192)	-330%	\$ 46,877	\$ (14,192)	\$ 9,720

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	June 30	
	2016	2015
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant:	\$ 1,021,444	\$ 953,267
Less accumulated depreciation	(344,166)	(318,899)
	<u>677,278</u>	<u>634,368</u>
Land	21,439	8,786
Intangibles	10,651	10,651
Construction in progress	45,326	48,604
Total utility plant	<u>754,694</u>	<u>702,409</u>
Restricted assets:		
Cash and investments at fiscal agent	<u>92,393</u>	<u>144,686</u>
Other non-current assets:		
Advances to other funds of the City	5,113	5,850
Unamortized purchased power	6,964	5,047
Regulatory assets	4,395	10,822
Total other non-current assets	<u>16,472</u>	<u>21,719</u>
Total non-current assets	<u>863,559</u>	<u>868,814</u>
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	249,247	227,425
Accounts receivable, less allowance for doubtful accounts		
2016 \$750; 2015 \$809	34,397	34,423
Advances to other funds of the City	418	610
Accrued interest receivable	650	885
Inventory	1,097	1,202
Prepaid expenses	22,199	20,831
Unamortized purchased power	496	496
Total unrestricted current assets	<u>308,504</u>	<u>285,872</u>
Restricted assets:		
Cash and cash equivalents	27,091	25,790
Public Benefit Programs - cash and cash equivalents	14,756	10,916
Public Benefit Programs receivable	897	936
Public Benefit Programs prepaids	-	76
Total restricted current assets	<u>42,744</u>	<u>37,718</u>
Total current assets	<u>351,248</u>	<u>323,590</u>
Total assets	<u>1,214,807</u>	<u>1,192,404</u>
Deferred outflows of resources:		
Deferred outflows of pension	26,232	11,541
Changes in derivative values	27,713	18,788
Loss on refunding	10,790	11,937
Total deferred outflows of resources	<u>64,735</u>	<u>42,266</u>
Total assets and deferred outflows of resources	<u>\$ 1,279,542</u>	<u>\$ 1,234,670</u>

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	June 30	
	2016	2015
	(in thousands)	
Net position and liabilities		
Net position:		
Net investment in capital assets	\$ 201,651	\$ 190,271
Restricted for :		
Regulatory requirements	10,802	7,432
Debt service	16,289	18,358
Public Benefit Programs	13,822	11,555
Unrestricted	203,050	171,121
Total net position	445,614	398,737
Long-term obligations, less current portion	561,728	576,081
Other non-current liabilities:		
Compensated absences	764	578
Net pension liability	77,907	71,773
Capital leases payable	3,905	1,213
Derivative instruments	34,201	24,298
Nuclear decommissioning liability	62,767	67,573
Advances from other funds of the City-pension obligation	10,084	10,719
Postemployment benefits payable	7,264	6,617
Total other non-current liabilities	196,892	182,771
Current liabilities payable from restricted assets:		
Accounts payable and other accruals	-	9,020
Accrued interest payable	5,405	5,623
Public Benefit Programs payable	1,847	394
Nuclear decommissioning liability	6,126	5,714
Current portion of long-term obligations	13,320	15,825
Total current liabilities payable from restricted assets	26,698	36,576
Current liabilities:		
Accounts payable and other accruals	19,041	14,842
Customer deposits	5,040	4,512
Unearned revenue	325	468
Total current liabilities	24,406	19,822
Total liabilities	809,724	815,250
Deferred inflows of resources:		
Deferred inflows of pension	24,204	20,683
Total deferred inflows of resources	24,204	20,683
Total net position and liabilities	\$ 1,279,542	\$ 1,234,670

City of Riverside Electric Utility

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Years Ended**

	June 30	
	2016	2015
	(in thousands)	
Operating revenues:		
Residential sales	\$ 116,997	\$ 114,112
Commercial sales	69,759	68,572
Industrial sales	113,756	112,283
Other sales	4,737	5,654
Wholesale sales	3	60
Transmission revenue	32,924	30,587
Other operating revenue	7,425	7,654
Public Benefit Programs	8,929	8,699
Total operating revenues before uncollectibles	354,530	347,621
Estimated uncollectibles, net of bad debt recovery	(763)	(1,014)
Total operating revenues net of uncollectibles	353,767	346,607
Operating expenses:		
Production and purchased power	137,081	145,312
Transmission	58,145	53,356
Distribution	49,346	49,319
Public Benefit Programs	6,657	6,870
Depreciation	30,953	29,328
Total operating expenses	282,182	284,185
Operating income	71,585	62,422
Non-operating revenues (expenses):		
Investment income	5,143	3,821
Interest expense and fiscal charges	(24,980)	(25,311)
Gain on sale of assets	424	343
Other	18,191	4,033
Total non-operating revenues (expenses)	(1,222)	(17,114)
Income before capital contributions and transfers out	70,363	45,308
Capital contributions	14,874	2,590
Transfers out - contributions to the City's general fund	(38,360)	(38,178)
Total capital contributions and transfers out	(23,486)	(35,588)
Increase in net position	46,877	9,720
Net position, beginning of year, as previously reported	398,737	483,975
Less: Cumulative effect of change in accounting principle	-	(94,958)
Net position, beginning of year, as restated	398,737	389,017
Net position, June 30	\$ 445,614	\$ 398,737

City of Riverside Electric Utility

STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended

	June 30	
	2016	2015 (in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 354,041	\$ 349,091
Cash paid to suppliers and employees	(259,639)	(247,170)
Other receipts	18,191	4,033
Net cash provided by operating activities	112,593	105,954
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(38,360)	(38,178)
Payment on advances from other funds of the City - pension obligation	(635)	(565)
Cash received on advances to other funds of the City	929	303
Net cash used by non-capital financing activities	(38,066)	(38,440)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(65,534)	(37,987)
Proceeds from the sale of utility plant	483	343
Principal paid on long-term obligations	(16,499)	(15,632)
Interest paid on long-term obligations	(26,500)	(27,101)
Capital contributions	2,830	2,509
Net cash used by capital and related financing activities	(105,220)	(77,868)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchase of) proceeds from investment securities	(1,101)	2,808
Income from investments	5,363	4,015
Net cash provided by investing activities	4,262	6,823
Net decrease in cash and cash equivalents	(26,431)	(3,531)
CASH AND CASH EQUIVALENTS, JULY 1	317,525	321,056
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 291,094</u>	<u>317,525</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 71,585	\$ 62,422
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,953	29,328
(Increase) decrease in deferred outflows related to pension	(14,691)	20
Increase (decrease) in deferred inflows related to pension	3,521	(5,171)
Increase in net pension liability	6,134	2,558
(Decrease) increase in allowance for uncollectible accounts	(59)	162
(Increase) decrease in accounts receivable	(195)	1,652
Decrease in inventory	105	-
(Increase) decrease in prepaid expenses	(1,368)	1,996
Increase in unamortized purchased power	(1,917)	(2,028)
Decrease in regulatory assets	7,160	6,106
(Decrease) increase in accounts payable and other accruals	(5,103)	4,897
Increase (decrease) in compensated absences	186	(252)
Increase in postemployment benefits payable	647	868
Increase in Public Benefit Programs payable	1,453	240
(Decrease) increase in unearned revenue	(143)	468
Increase in customer deposits	528	667
Decrease in decommissioning liability	(4,394)	(2,012)
Other receipts	18,191	4,033
Net cash provided by operating activities	<u>\$ 112,593</u>	<u>105,954</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - capital assets	12,440	451
Borrowing under capital lease	3,648	166
Decrease in fair value of investments	(50)	(1,067)

SCHEDULES OF CASH AND CASH EQUIVALENTS

	June 30	
	2016	2015
	(in thousands)	
Unrestricted cash and cash equivalents:		
Operating cash	\$ -	\$ 36,057
Undesignated reserve	193,284	-
Regulatory risk reserve	-	15,000
Energy risk reserve	-	30,000
Customer deposits reserve	3,764	-
Capital repair and replacement reserve	2,000	-
Electric reliability fund reserve	45,008	-
Mission Square improvement fund reserve	240	-
Operating reserve	-	143,031
Additional decommissioning liability reserve	4,951	3,337
	<u>249,247</u>	<u>227,425</u>
Total unrestricted cash and cash equivalents		
Legally restricted cash and cash equivalents:		
Reserved for debt service	16,289	18,358
Reserved for bond construction	-	53,394
Reserved for regulatory requirements	10,802	7,432
Reserved for Public Benefit Programs	14,756	10,916
	<u>41,847</u>	<u>90,100</u>
Total legally restricted cash and cash equivalents		
Total cash and cash equivalents	<u>291,094</u>	<u>317,525</u>
Cash and investments at fiscal agent:		
Reserved for decommissioning liability	79,524	78,825
Reserved for other cash at fiscal agent	2,068	1,663
Reserved for debt service	10,801	10,804
	<u>92,393</u>	<u>91,292</u>
Total cash and investments at fiscal agent		
Total unrestricted and restricted cash	<u>\$ 383,487</u>	<u>\$ 408,817</u>

TABLE I
CITY OF RIVERSIDE - ELECTRIC UTILITY
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12	6/30/11
Operating Ratio	71.2%	71.0%	73.5%	72.5%	67.7%	69.6%	72.3%
Debt to Total Assets Ratio	60.5%	65.2%	67.7%	60.9%	62.3%	62.6%	63.7%
Unrestricted Current Ratio **	2.1	12.6	14.4	13.0	10.9	10.8	11.0
Debt Service Coverage	1.85	2.99	2.39	2.16	2.73	2.24	2.21

* Industry median obtained from the APPA Survey published in November 2015 (based on customer size class of more than 100,000)

** Includes Unrestricted Cash Reserves.

WATER UTILITY

**CITY OF RIVERSIDE
WATER UTILITY
INCOME STATEMENT ANALYSIS
FOR THE PERIOD ENDED June 30, 2016
(100% of the year completed)**

	QUARTERLY (in thousands)					YEAR-TO-DATE (in thousands)		
	CURRENT Apr-June 2016	BUDGET Apr-June 2016	PRIOR Apr-June 2015	TOTAL BUDGET FY 15/16	CURRENT YTD AS % OF TOTAL BUDGET	CURRENT June 2016	BUDGET June 2016	PRIOR June 2015
OPERATING REVENUES:								
RESIDENTIAL SALES	\$ 8,068	\$ 8,529	\$ 7,863	\$ 35,102	91%	\$ 32,061	\$ 35,102	\$ 36,266
COMMERCIAL SALES	3,929	4,449	4,187	19,293	86%	16,572	19,293	18,932
OTHER SALES	417	435	483	1,765	96%	1,690	1,765	1,919
WATER CONVEYANCE REVENUE	1,140	720	930	2,881	137%	3,944	2,881	2,286
WATER CONSERVATION PROGRAMS	210	387	3,221	1,548	83%	1,289	1,548	4,420
OTHER OPERATING REVENUE	119	524	478	2,098	81%	1,694	2,098	2,228
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	13,883	15,044	17,162	62,687	91%	57,250	62,687	66,051
ESTIMATED UNCOLLECTIBLES	28	(52)	24	(210)	61%	(128)	(210)	(134)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	13,911	14,992	17,186	62,477	91%	57,122	62,477	65,917
OPERATING EXPENSES:								
FIELD OPERATIONS	3,396	4,070	3,729	16,280	84%	13,613	16,280	13,548
PRODUCTION AND OPERATIONS	4,261	4,952	4,121	18,656	79%	14,648	18,656	14,983
ENGINEERING	261	2,382	1,202	9,527	58%	5,542	9,527	7,255
WATER CONSERVATION PROGRAMS	288	1,029	4,150	4,115	48%	1,976	4,115	5,434
DEPRECIATION	3,480	3,343	3,408	13,374	101%	13,510	13,374	13,088
TOTAL OPERATING EXPENSES	11,686	15,776	16,610	61,952	80%	49,289	61,952	54,308
OPERATING INCOME	2,225	(784)	576	525	1492%	7,833	525	11,609
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	578	149	235	596	180%	1,075	596	749
INTEREST EXPENSE	(1,942)	(2,897)	(1,905)	(11,590)	72%	(8,352)	(11,590)	(8,350)
TRANSFERS IN FROM GENERAL FUND	3,333	-	3,333	-	0%	3,333	-	3,333
GENERAL FUND CONTRIBUTIONS	(1,608)	(1,607)	(1,774)	(6,430)	100%	(6,430)	(6,430)	(7,098)
GAIN ON SALE OF ASSETS	51	18	(3)	71	186%	132	71	79
OTHER	465	415	404	1,661	108%	1,802	1,661	832
TOTAL NON-OPERATING EXPENSES	877	(3,922)	290	(15,692)	54%	(8,440)	(15,692)	(10,455)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	3,102	(4,706)	866	(15,167)	4%	(607)	(15,167)	1,154
CAPITAL CONTRIBUTIONS	1,142	423	1,870	1,691	185%	3,133	1,691	4,017
NET INCOME (LOSS)	\$ 4,244	\$ (4,283)	\$ 2,736	\$ (13,476)	-19%	\$ 2,526	\$ (13,476)	\$ 5,171

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	June 30	
	2016	2015
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant	\$ 629,551	\$ 605,617
Less accumulated depreciation	<u>(204,382)</u>	<u>(191,613)</u>
	425,169	414,004
Land	20,484	20,484
Construction in progress	6,655	12,028
Intangibles	<u>10,841</u>	<u>10,841</u>
Total utility plant	<u>463,149</u>	<u>457,357</u>
Other non-current assets:		
Regulatory assets	<u>705</u>	<u>580</u>
Total other non-current assets	<u>705</u>	<u>580</u>
Total non-current assets	<u>463,854</u>	<u>457,937</u>
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	73,541	83,864
Accounts receivable, less allowance for doubtful accounts		
2016 \$170; 2015 \$151	9,088	8,332
Accrued interest receivable	182	311
Advances to other funds of the City	179	261
Prepaid expenses	168	2
Other receivables	-	3,333
Total unrestricted current assets	<u>83,158</u>	<u>96,103</u>
Restricted assets:		
Cash and cash equivalents	5,949	6,063
Water Conservation Programs -cash and cash equivalents	2,542	-
Water Conservation Programs receivable	102	3,034
Water Conservation Programs prepaid	-	8
Total restricted current assets	<u>8,593</u>	<u>9,105</u>
Total current assets	<u>91,751</u>	<u>105,208</u>
Total assets	<u>555,605</u>	<u>563,145</u>
Deferred outflows of resources:		
Deferred outflows of pension	9,515	4,186
Changes in derivative values	7,346	4,008
Loss on refunding	<u>7,162</u>	<u>7,690</u>
Total deferred outflows of resources	<u>24,023</u>	<u>15,884</u>
Total assets and deferred outflows of resources	<u>\$ 579,628</u>	<u>\$ 579,029</u>

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	June 30	
	2016	2015
	(in thousands)	
Net position, liabilities and deferred inflows of resources		
Net position:		
Net investment in capital assets	\$ 260,468	\$ 252,615
Restricted for:		
Debt service	5,949	6,063
Water Conservation Programs	2,226	2,484
Unrestricted	36,569	41,524
Total net position	<u>305,212</u>	<u>302,686</u>
Long-term obligations, less current portion	<u>191,530</u>	<u>197,210</u>
Other non-current liabilities:		
Advances from other funds of the City - pension obligation	4,338	4,612
Postemployment benefits payable	3,032	2,787
Net pension liability	28,257	26,032
Compensated absences	196	309
Derivative instrument	12,398	8,861
Note payable	13,764	11,470
Total other non-current liabilities	<u>61,985</u>	<u>54,071</u>
Current liabilities payable from restricted assets:		
Accrued interest payable	1,687	1,751
Water Conservation Programs payable	87	530
Current portion of long-term obligations	5,180	5,260
Total current liabilities payable from restricted assets	<u>6,954</u>	<u>7,541</u>
Current liabilities:		
Accounts payable and other accruals	3,677	5,249
Current portion of long-term obligations	150	150
Customer deposits	539	445
Note payable	802	843
Total current liabilities	<u>5,168</u>	<u>6,687</u>
Total liabilities	<u>265,637</u>	<u>265,509</u>
Deferred inflows of resources:		
Deferred inflows of pension	8,779	7,501
Regulatory charges	-	3,333
Total deferred inflows of resources	<u>8,779</u>	<u>10,834</u>
Total net position, liabilities and deferred inflows of resources	<u>\$ 579,628</u>	<u>\$ 579,029</u>

City of Riverside Water Utility

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Fiscal Years Ended**

	June 30	
	2016	2015
	(in thousands)	
Operating revenues:		
Residential sales	\$ 32,061	\$ 36,266
Commercial sales	16,572	18,932
Other sales	1,690	1,919
Water conveyance revenue	3,944	2,286
Water Conservation Programs	1,289	4,420
Other operating revenue	1,694	2,228
Total operating revenues before uncollectibles	57,250	66,051
Estimated uncollectibles, net of bad debt recovery	(128)	(134)
Total operating revenues, net of uncollectibles	57,122	65,917
Operating expenses:		
Operations	24,707	25,793
Maintenance	4,432	4,745
Purchased energy	4,664	5,248
Water Conservation Programs	1,976	5,434
Depreciation	13,510	13,088
Total operating expenses	49,289	54,308
Operating income	7,833	11,609
Non-operating revenues (expenses):		
Investment income	1,075	749
Interest expense and fiscal charges	(8,352)	(8,350)
Gain on sale of assets	132	79
Other	1,802	832
Total non-operating revenues (expenses)	(5,343)	(6,690)
Income before capital contributions and transfers	2,490	4,919
Capital contributions	3,133	4,017
Transfers in from the City's general fund	3,333	3,333
Transfers out - contributions to the City's general fund	(6,430)	(7,098)
Total capital contributions and transfers	36	252
Increase in net position	2,526	5,171
Net position, beginning of year, as previously reported	302,686	332,730
Less: Cumulative effect of change in accounting principle	-	(35,215)
Net position, beginning of year, as restated	302,686	297,515
Net position, June 30	<u>\$ 305,212</u>	<u>\$ 302,686</u>

City of Riverside Water Utility

STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended

	June 30	
	2016	2015
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 59,367	\$ 63,708
Cash paid to suppliers and employees	(39,646)	(42,995)
Other receipts	761	832
Net cash provided by operating activities	<u>20,482</u>	<u>21,545</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(6,430)	(7,098)
Transfers in from the City's general fund	3,333	3,333
Cash received on advances to other funds of the City	82	131
Payment on advances from other funds of the City-pension obligation	(274)	(243)
Net cash used for non-capital financing activities	<u>(3,289)</u>	<u>(3,877)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(15,042)	(23,288)
Proceeds from the sale of utility plant	148	148
Principal paid on long-term obligations	(5,263)	(5,017)
Interest paid on long-term obligations	(8,406)	(8,685)
Capital contributions	2,271	3,132
Net cash used for capital and related financing activities	<u>(26,292)</u>	<u>(33,710)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Income from investments	1,204	867
Net cash provided by investing activities	<u>1,204</u>	<u>867</u>
Net decrease in cash and cash equivalents	(7,895)	(15,175)
CASH AND CASH EQUIVALENTS, JULY 1	89,927	105,102
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 82,032</u>	<u>\$ 89,927</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 7,833	\$ 11,609
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	13,510	13,088
(Increase) decrease in deferred outflows related to pension	(5,329)	6
Increase (decrease) in deferred inflows related to pension	1,278	(1,876)
Increase in net pension liability	2,225	928
Increase in allowance for uncollectible accounts	19	19
Decrease (increase) in accounts receivable	2,131	(1,872)
Increase (decrease) in prepaid expenses	(158)	7
Decrease in accounts payable and other accruals	(1,571)	(1,511)
Increase in postemployment benefits payable	245	365
Decrease in compensated absences	(113)	(24)
(Decrease) increase in Water Conservation Programs payable	(443)	464
Increase (decrease) in customer deposits	94	(490)
Other receipts	761	832
Net cash provided by operating activities	<u>\$ 20,482</u>	<u>\$ 21,545</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - capital assets	888	1,164
Well relocation with note payable	3,082	2,980

City of Riverside Water Utility

SCHEDULES OF CASH AND CASH EQUIVALENTS

	June 30	
	2016	2015
	(in thousands)	
Unrestricted cash and cash equivalents :		
Operating cash	\$ -	\$ 20,958
Undesignated reserve	36,554	-
Operating cash reserve	-	30,435
Recycled water cash reserve	9,800	6,467
Property reserve	26,004	26,004
Customer deposits reserve	433	-
Capital repair and replacement reserve	750	-
	<hr/>	<hr/>
Total unrestricted cash and cash equivalents	73,541	83,864
	<hr/>	<hr/>
Legally restricted cash and cash equivalents:		
Reserved for debt service	5,949	6,063
Water Conservation Programs	2,542	-
	<hr/>	<hr/>
Total legally restricted cash and cash equivalents	8,491	6,063
	<hr/>	<hr/>
Total unrestricted and restricted cash	<u>\$ 82,032</u>	<u>\$ 89,927</u>

TABLE I
CITY OF RIVERSIDE - WATER UTILITY
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12	6/30/11
Operating Ratio	77.8%	62.6%	62.5%	56.2%	54.2%	55.7%	58.1%
Debt to Total Assets Ratio	38.4%	47.3%	47.7%	42.9%	43.1%	44.0%	43.7%
Unrestricted Current Ratio **	1.6	16.1	14.4	15.3	18.1	12.6	11.4
Debt Service Coverage	2.30	1.93	2.22	2.56	2.61	2.82	3.49

* Industry median for California water utilities obtained from the most recent data from Moody's Investor Services.

** Includes Unrestricted Cash Reserves.

GRAPHICS

Electric Utility
Flow of Funds - Actual
(For the Year Ended June 30, 2016)

BEGINNING CASH BALANCES - \$317.5M



SOURCES - \$380.7M

Cash Sales - \$354.0M
Investment Income - \$4.3M
Other - \$19.6M
Capital Contributions - \$2.8M



**OPERATING EXPENSES, PURCHASED
POWER, & OTHER PAYMENTS - \$(259.6)M**



BALANCE - \$121.1 M



DEBT SERVICE - \$(43.6)M



CAPITAL/EQUIPMENT - \$(65.5)M

Bonds \$(48.4)M
Cash \$(17.1)M



GENERAL FUND TRANSFER - \$(38.4)M



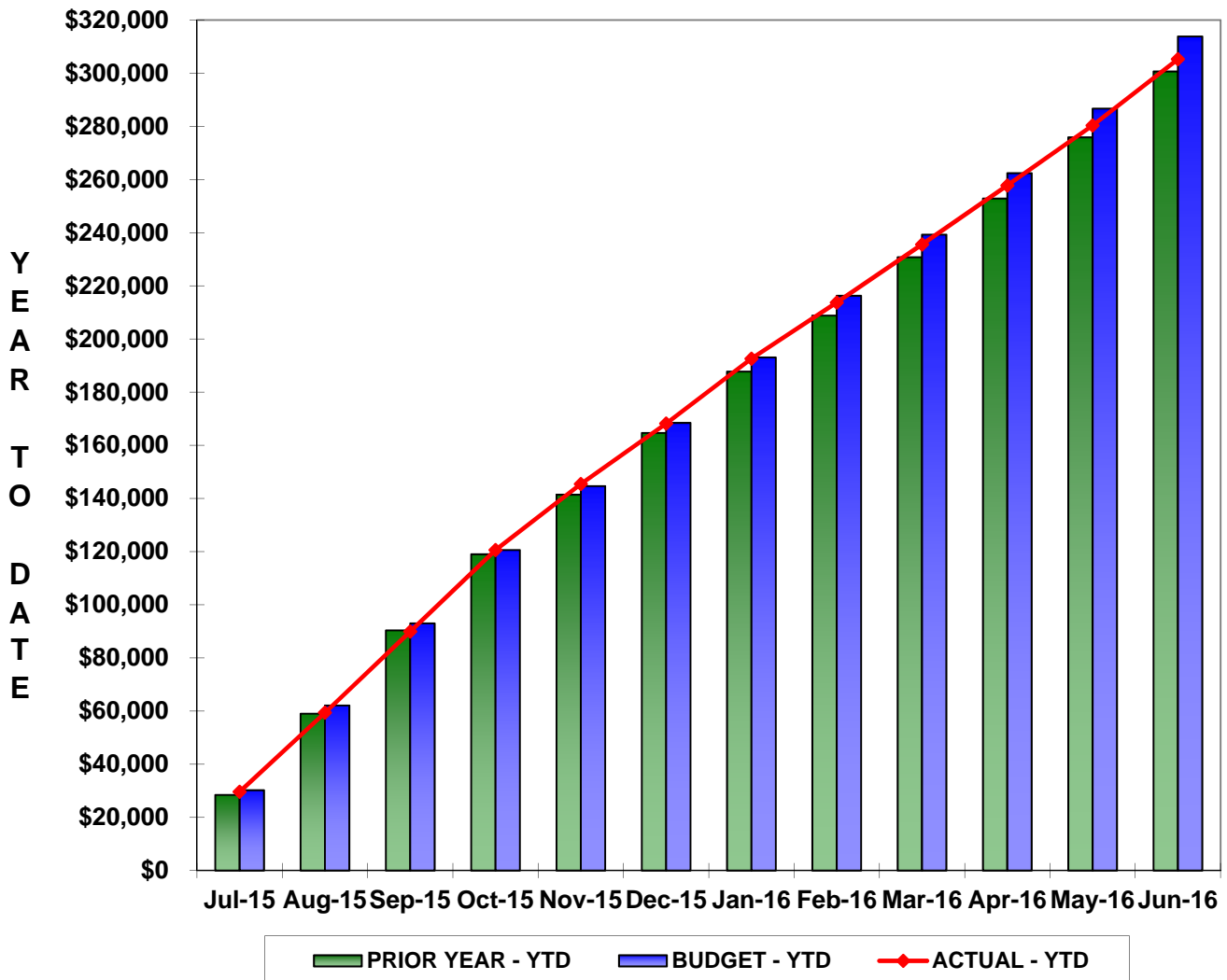
NET DECREASE TO CASH BALANCES – \$(26.4)M

Unrestricted – \$21.8M
*Restricted – \$(48.2)M

ENDING CASH BALANCES - \$291.1M

*Excludes legally restricted cash and investments at fiscal agent of \$92.4M

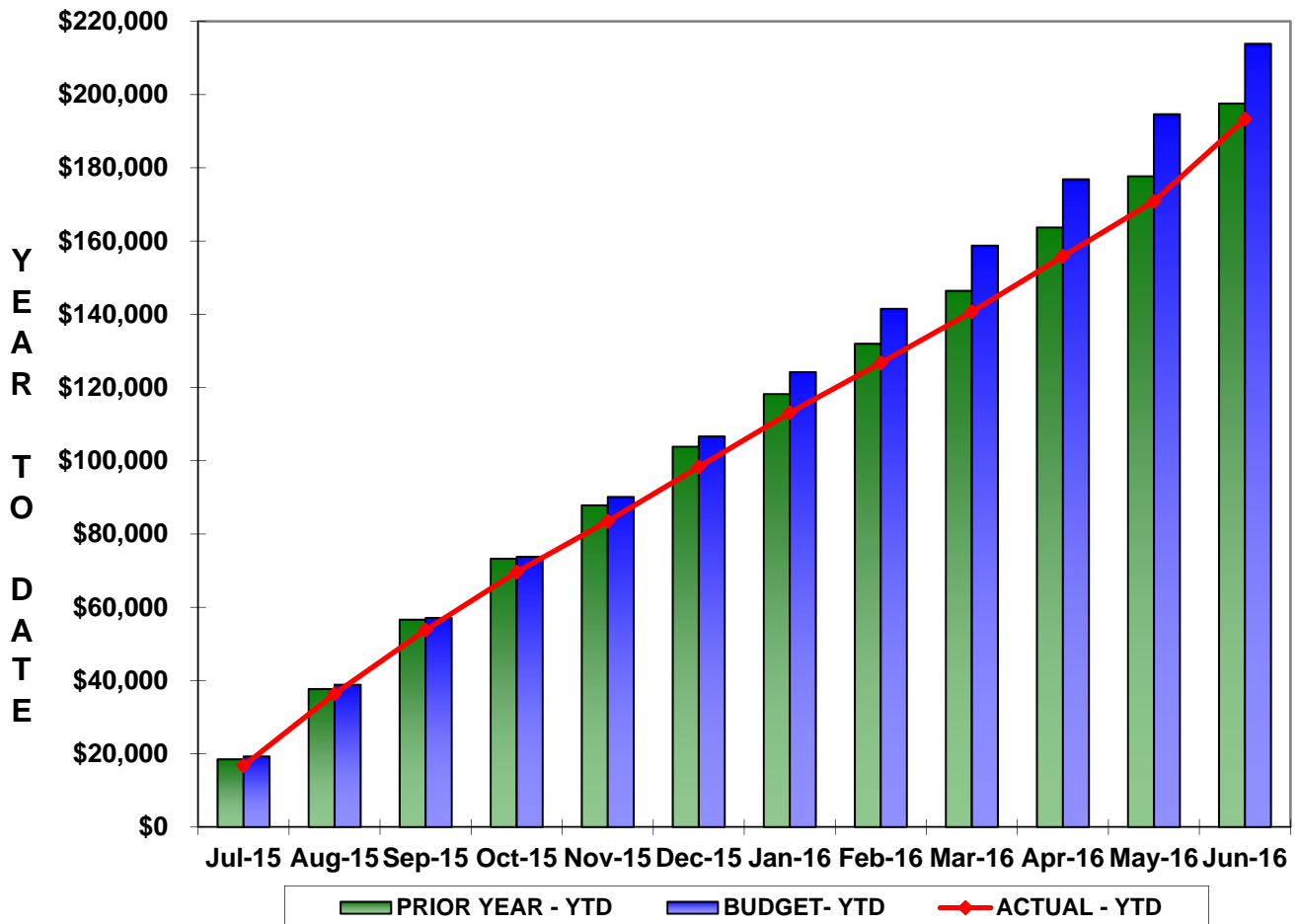
ELECTRIC UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED JUNE 30, 2016 (In Thousands)



Actual to Prior: Year-to-date retail sales of \$305.3 are \$4.6M (1.5%) higher than prior year due to a 0.2% increase in consumption.

Actual to Budget: Year-to-date actual retail sales are \$8.6M (2.7%) lower than budget due to lower than expected consumption.

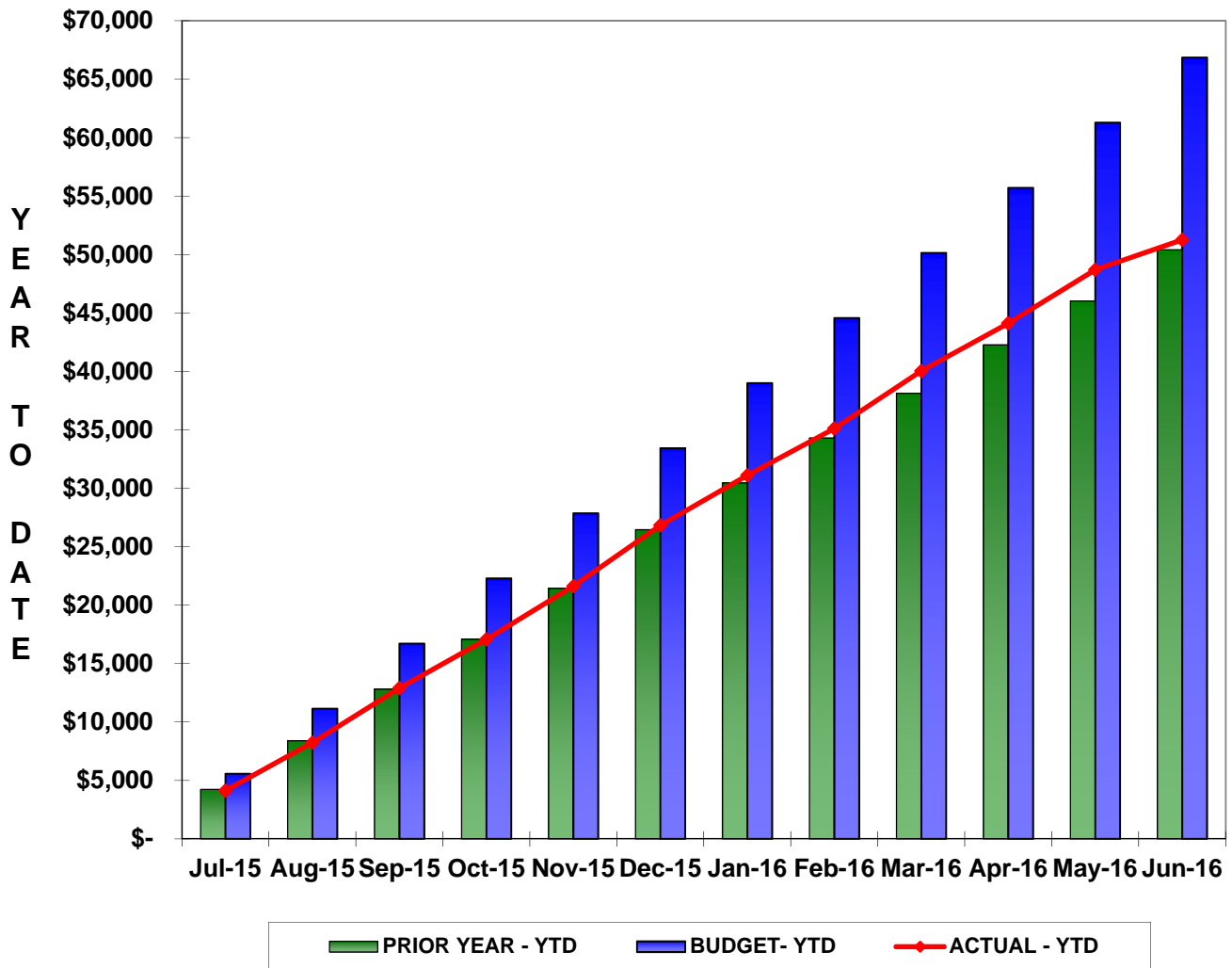
ELECTRIC UTILITY POWER SUPPLY EXPENSES FOR THE PERIOD ENDED JUNE 30, 2016 (In Thousands)



Actual to Prior: Year-to-date power supply costs of \$193.3M are \$4.3M (2.2%) lower than prior year primarily due to decreased market prices, offset by increased transmission charges.

Actual to Budget: Year-to-date power supply costs are \$20.6M (9.6%) lower than budget primarily due to lower than anticipated market prices and load.

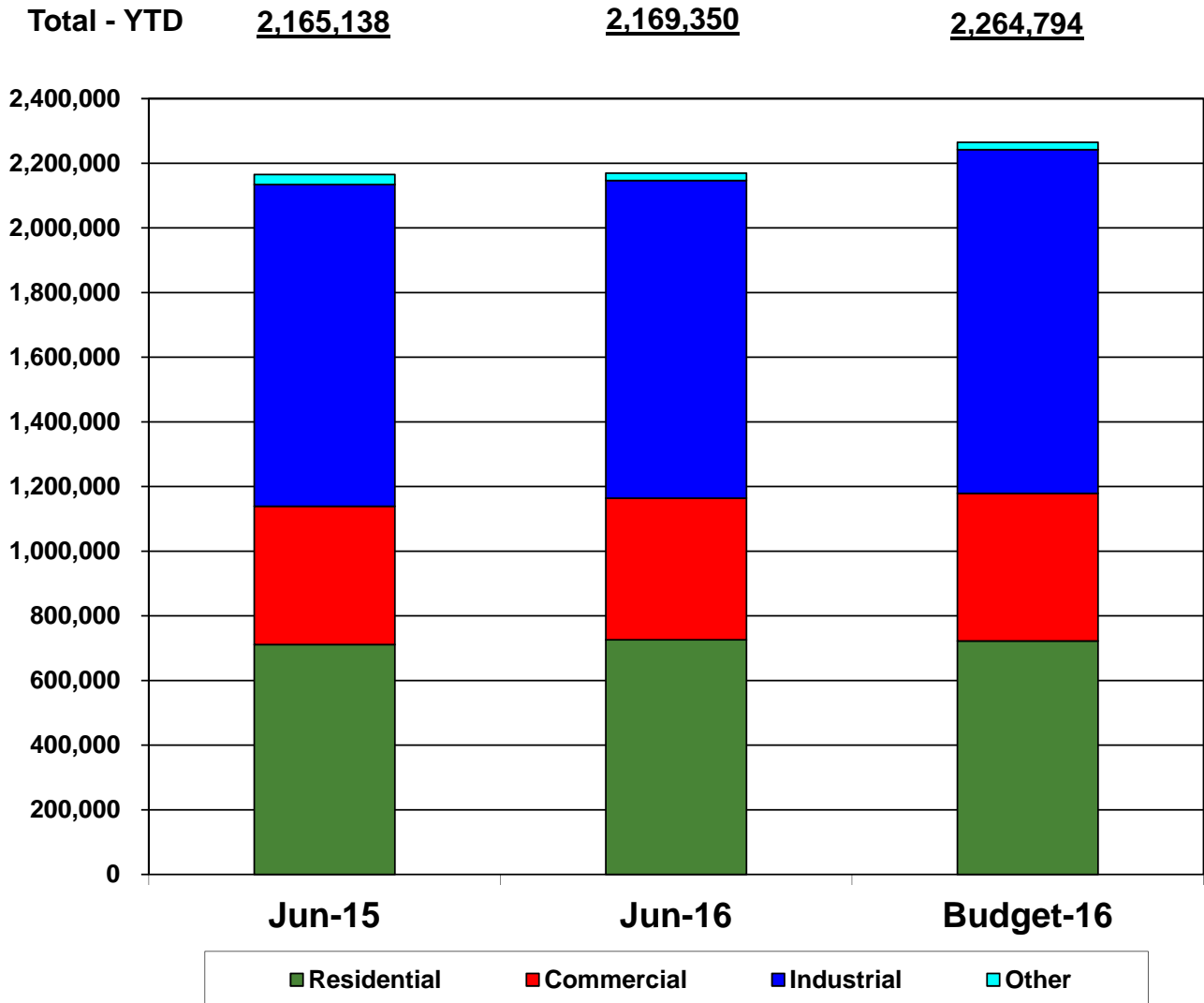
ELECTRIC UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED JUNE 30, 2016 (In Thousands)



Actual to Prior: Year-to-date distribution operating expenses of \$51.3M are \$0.9M (1.7%) higher than prior year primarily due to an increase in general operating expenses offset by a decrease in pension expense due to pension accounting standards.

Actual to Budget: Year-to-date operating expenses are \$15.6M (23.3%) below anticipated levels primarily due to savings in personnel costs, professional services, and other general operating expenses.

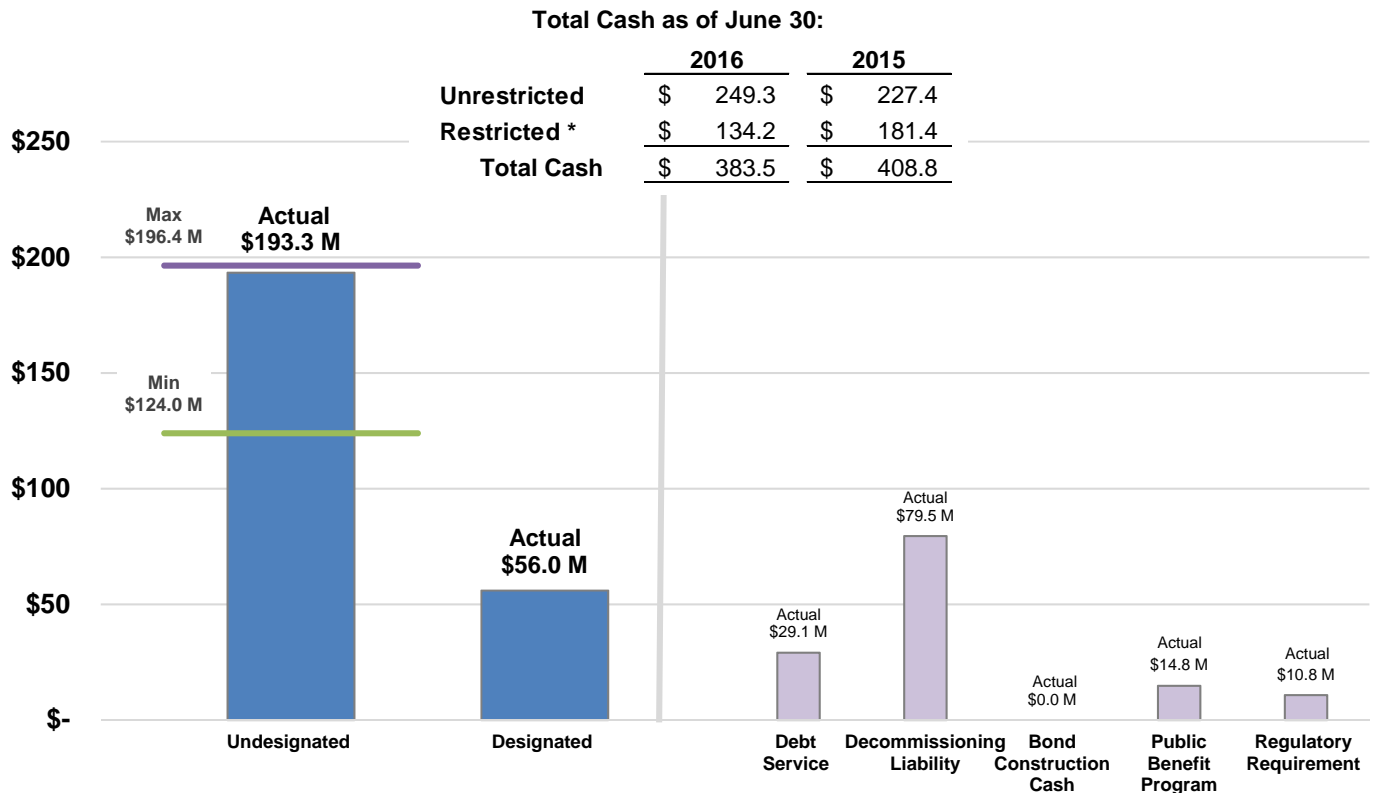
ELECTRIC UTILITY RETAIL KWH SALES (In Thousands) FOR THE PERIOD ENDED JUNE 30, 2016



Actual to Prior: Retail kWh sales are slightly higher than prior year due to an increase in consumption in residential and commercial classes.

Actual to Budget: Retail kWh sales are 4.2% below budget primarily due to lower than anticipated industrial and commercial consumption.

ELECTRIC UTILITY CASH BALANCE JUNE 30, 2016 (In Millions)



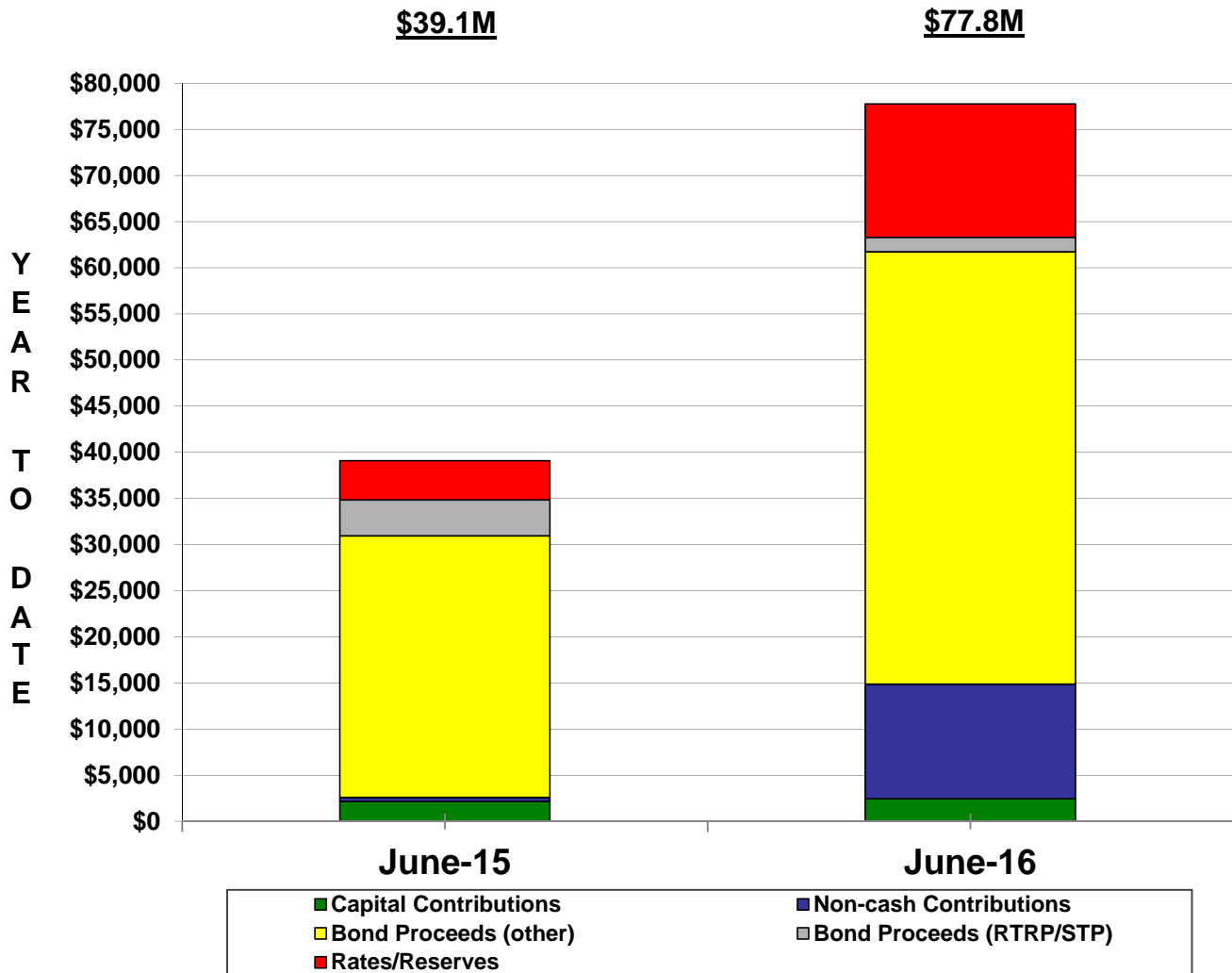
* Legally restricted for specific purposes.

The components of Unrestricted Designated Reserves are:

	FY 15/16
Electric Reliability Fund	\$ 45.0
Add'l Decommissioning Liability Reserve	\$ 5.0
Customer Deposits Reserve	\$ 3.8
Capital Repair/Replacement Reserve	\$ 2.0
Mission Square Improvement Fund	\$ 0.2
Total Designated Reserves	\$ 56.0

On March 22, 2016, the City Council approved a new cash reserve policy. Prior year amounts are not comparable in specific categories due to the new unrestricted designated and undesignated reserve structure. Overall cash balances are \$25.3M lower than prior year primarily due to the purchase of the Mission Square Building on October 13, 2015 for \$38.0M as approved by the Board and City Council. The purchase was made with a combination of undesignated reserves and bond proceeds supported by the private versus public use of the building. This was offset by a net increase of \$12.7M related to positive operating results, settlement recoveries and funding of capital projects with bond proceeds..

ELECTRIC UTILITY CAPITAL/EQUIPMENT FUNDING JUNE 30, 2015 AND 2016 (In Thousands)

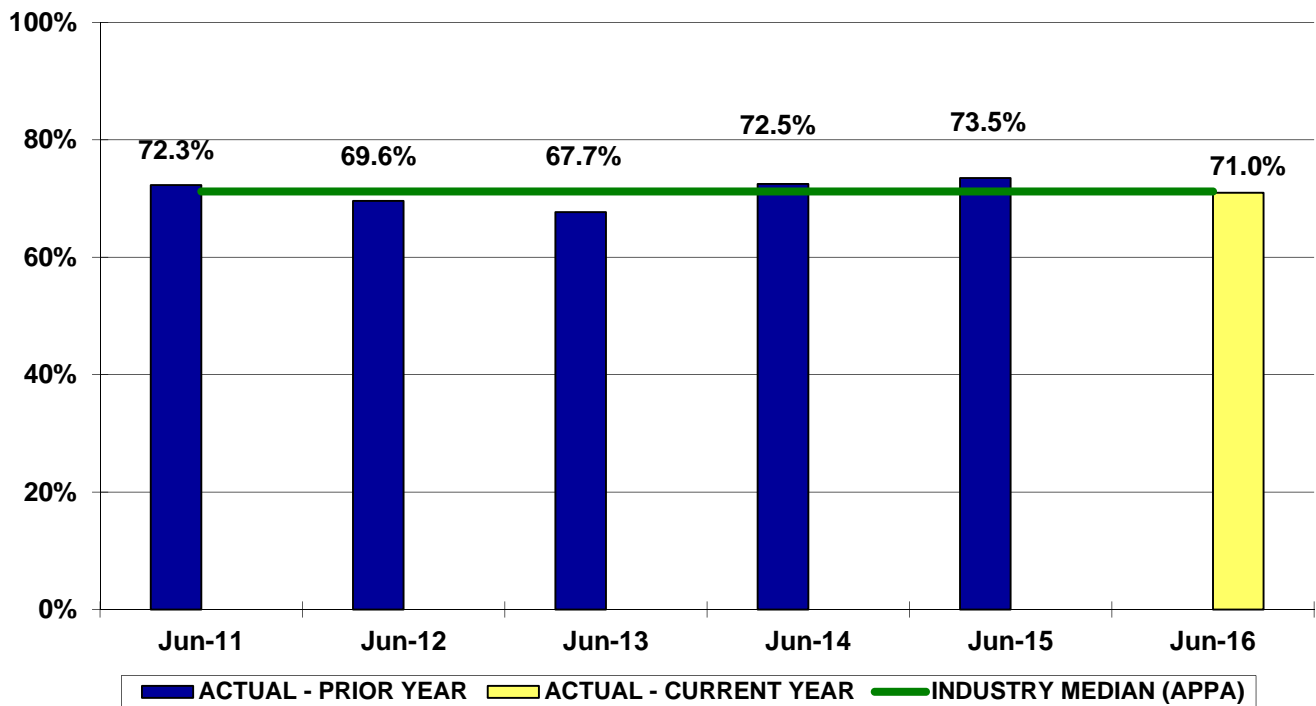


Current year capital expenses (projects + equipment) of \$77.8M are \$38.7M higher than prior year primarily due to the \$38M acquisition of the Mission Square building in October 2015, funded by a combination of bond proceeds and unrestricted, undesignated reserves supported by the private versus public use of the building.

In fiscal year 2015-16, the Electric Utility received \$9.2M in donated easements for general access to electrical system assets, \$1.8M in donated street light equipment and \$1M in equipment used to improve service to the Electric Utility's customers.

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 = 71.2%

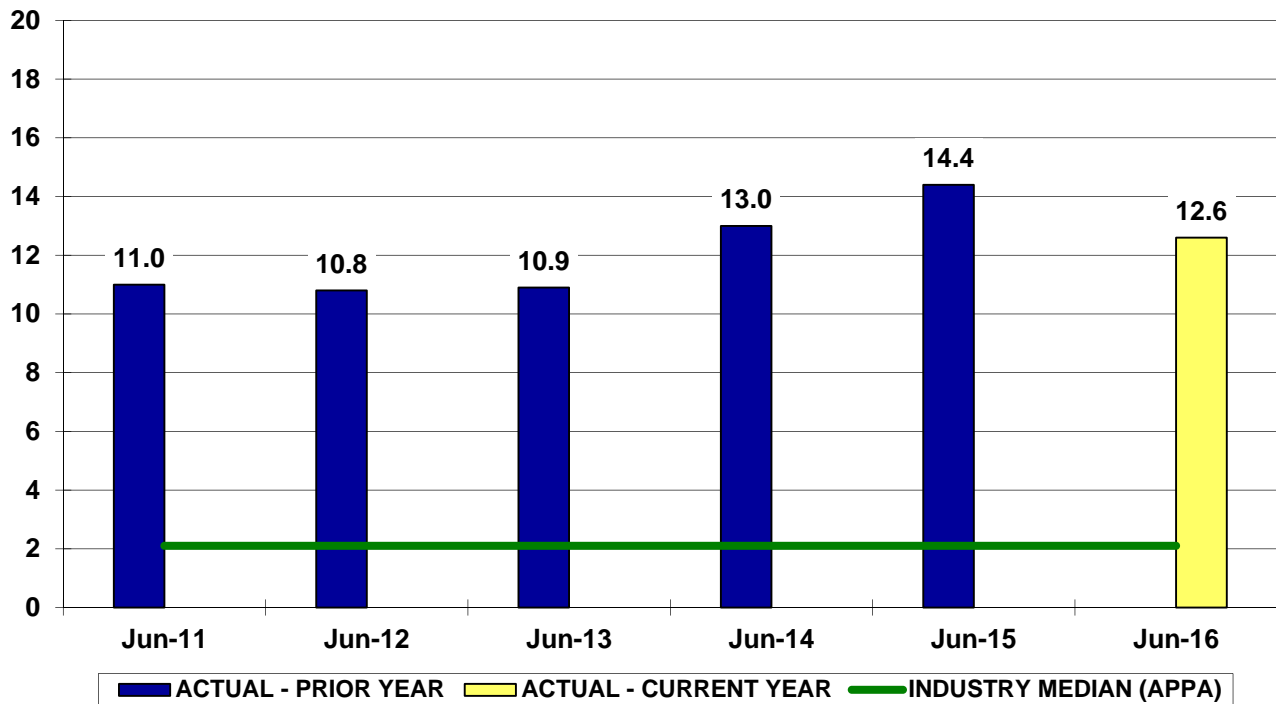


The Utility's Operating Ratio shows a 2.5 point (favorable) change from last fiscal year-end, primarily due to lower power supply costs and an increase in retail revenues.

The Operating Ratio of 71.0% is 0.2 points lower (favorable) than the industry median of 71.2%.

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 = 2.1

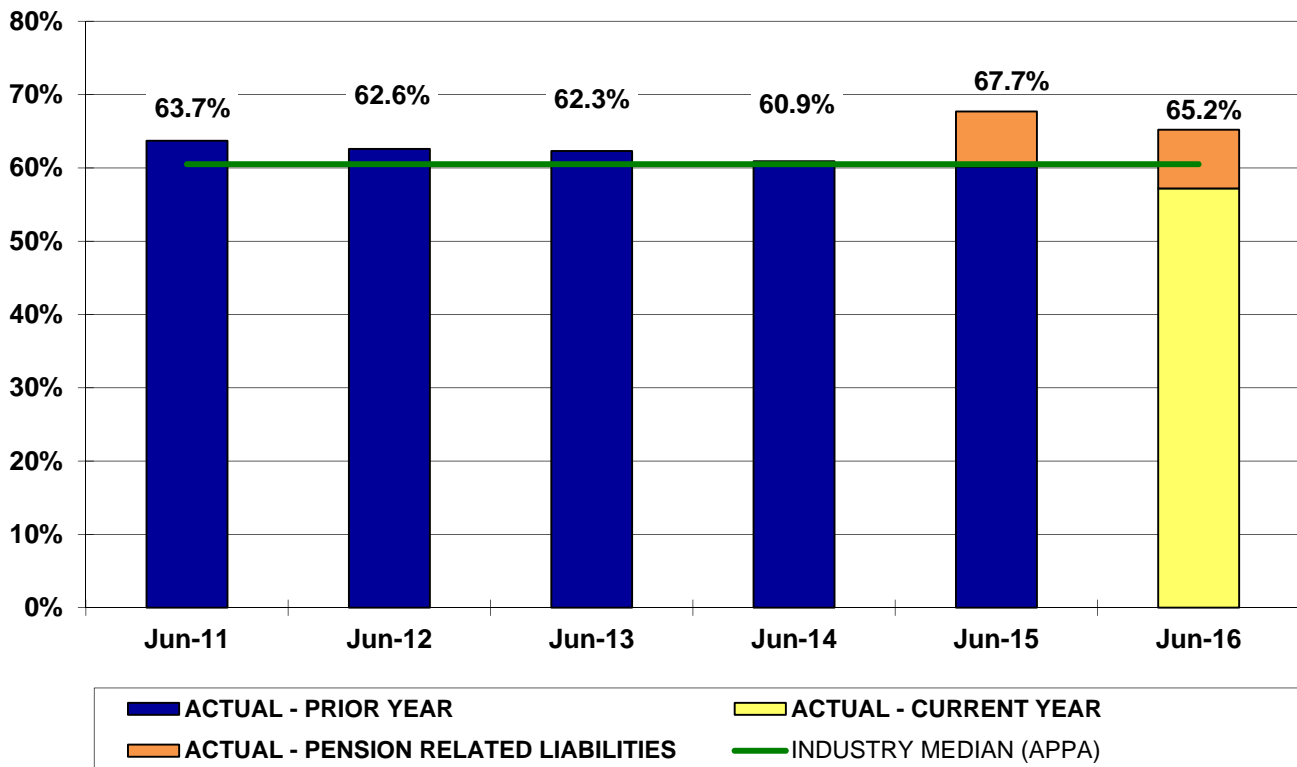


The Utility's Unrestricted Current Ratio shows a 1.8 point (unfavorable) change from last fiscal year-end primarily due to the use of unrestricted reserves to fund capital projects.

The Unrestricted Current Ratio of 12.6 is 10.5 points higher (favorable) than the industry median of 2.1, which indicates strong liquidity and positive operating results.

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 = 60.5%

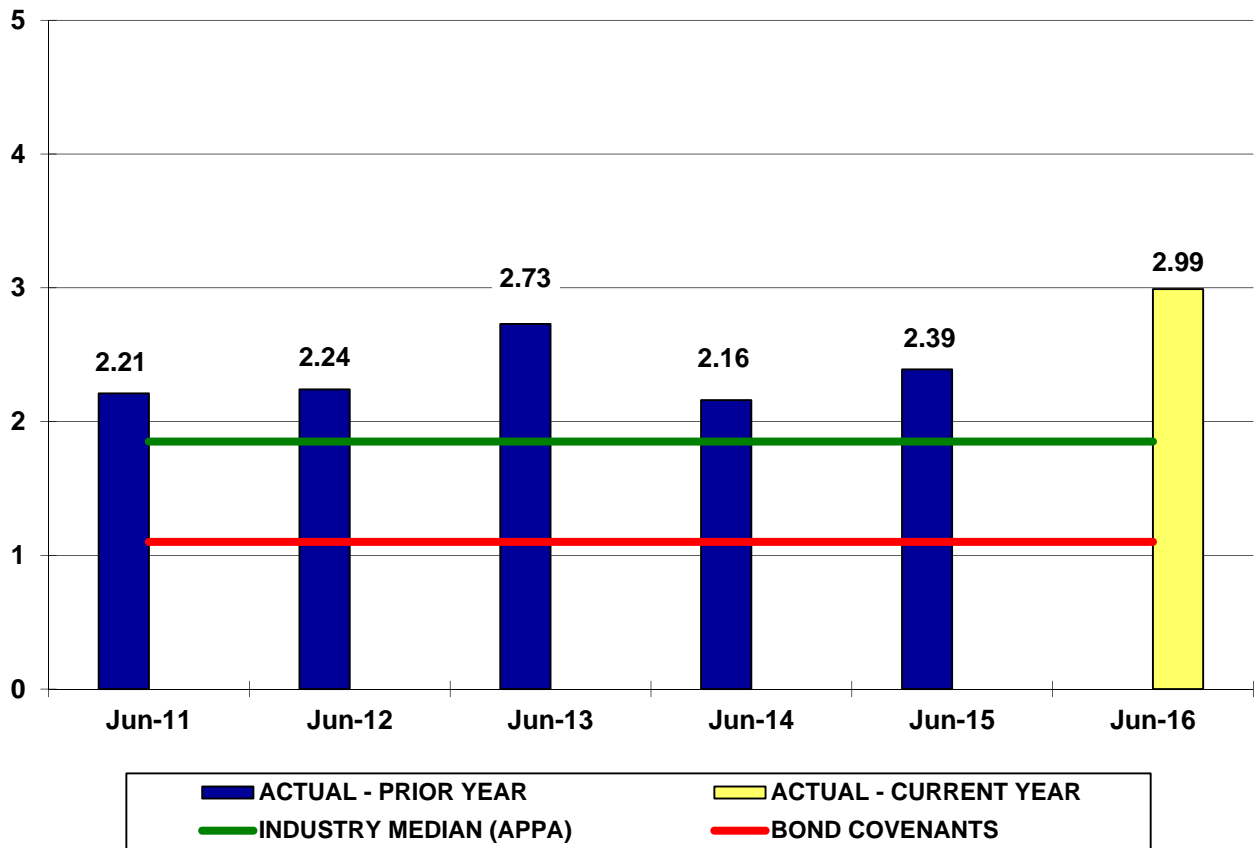


The Utility's Debt Ratio of 65.2% is 2.5 points lower (favorable) than last fiscal year-end primarily due to principal payments on outstanding debt.

The Debt Ratio of 65.2% is 4.7 points higher (unfavorable) than the industry median of 60.5%. Excluding pension liability, the ratio is below the industry median. The industry median does not reflect the effect of the addition of the net pension liability required of municipal agencies under financial accounting standards, which were effective July 1, 2014. The most recent electric industry data reflects the fiscal year 2013-14.

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 = 1.85



The Utility's Debt Service Coverage Ratio of 2.99 indicates that sufficient revenues are available to cover debt service. This ratio is higher than last fiscal year-end's ratio of 2.39 primarily due to positive operating results and the receipt of \$13.3M in insurance and project settlements. This ratio is higher than the industry median of 1.85.

*The 2003 Electric Refunding bond issue and all subsequent bond issues allowed for a new springing provision resulting in changes to the Debt Service Coverage Ratio calculation. This provision is only for the purposes of determining compliance with the Utility's Bond Covenants of 1.10. Under this method, the Debt Service Coverage Ratio would be 8.89 compared to the traditional calculation of 2.99.

Water Utility
Flow of Funds - Actual
(For the Year Ended June 30, 2016)

BEGINNING CASH BALANCES - \$89.9M



SOURCES - \$67.0 M

Cash Sales - \$59.3M
Investment Income - \$1.2M
Other - \$4.3M
Capital Contributions - \$2.2M



OPERATING EXPENSES - \$(39.6)M



BALANCE - \$27.4



DEBT SERVICE - \$(13.9)M



CAPITAL/EQUIPMENT - \$(15.0)M

Bonds \$(0.0)M
Cash \$(15.0)M



GENERAL FUND TRANSFER - \$(6.4)M

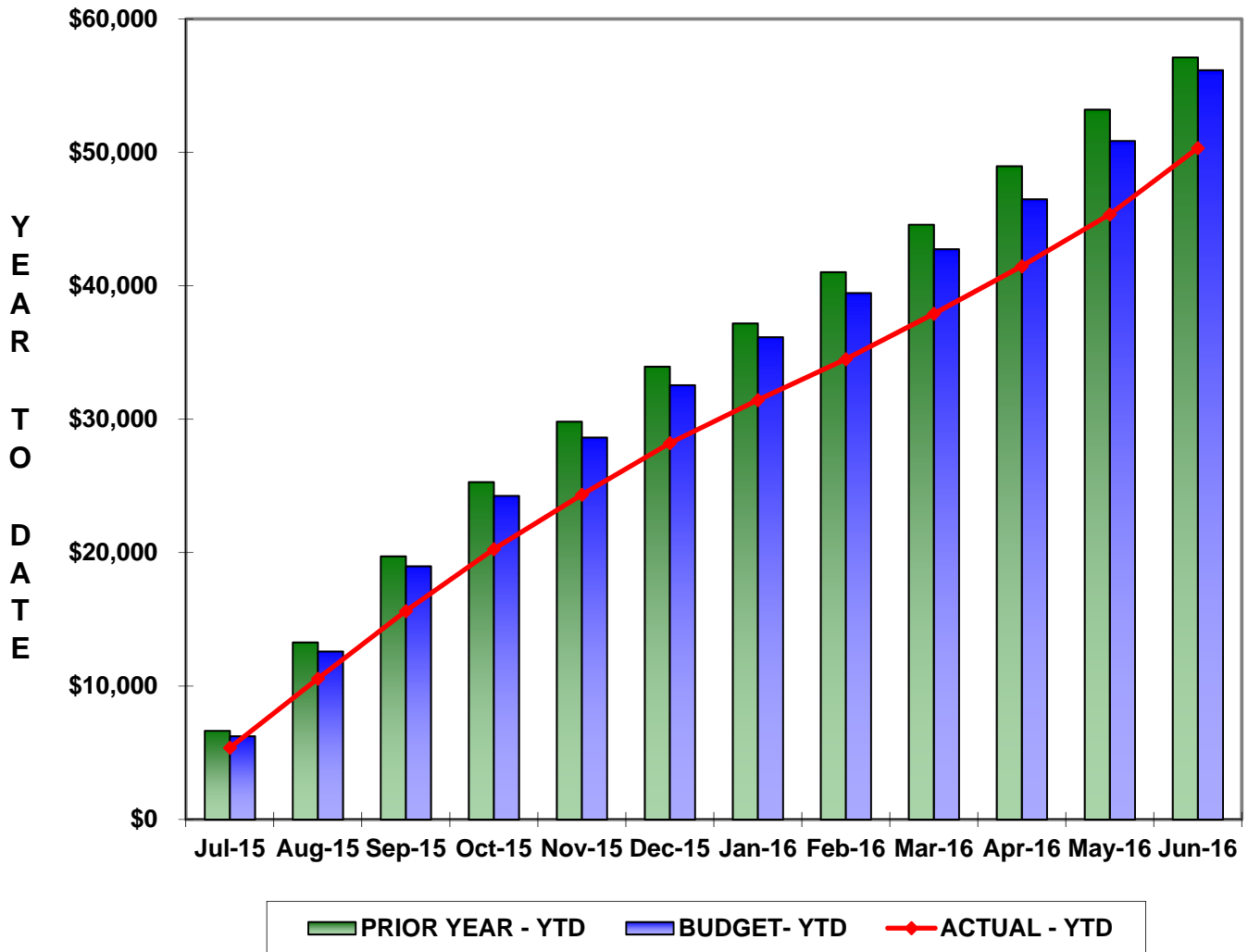


NET DECREASE TO CASH BALANCES- (\$7.9M)

Unrestricted – \$(10.3)M
Restricted – \$2.4M

ENDING CASH BALANCES - \$82.0M

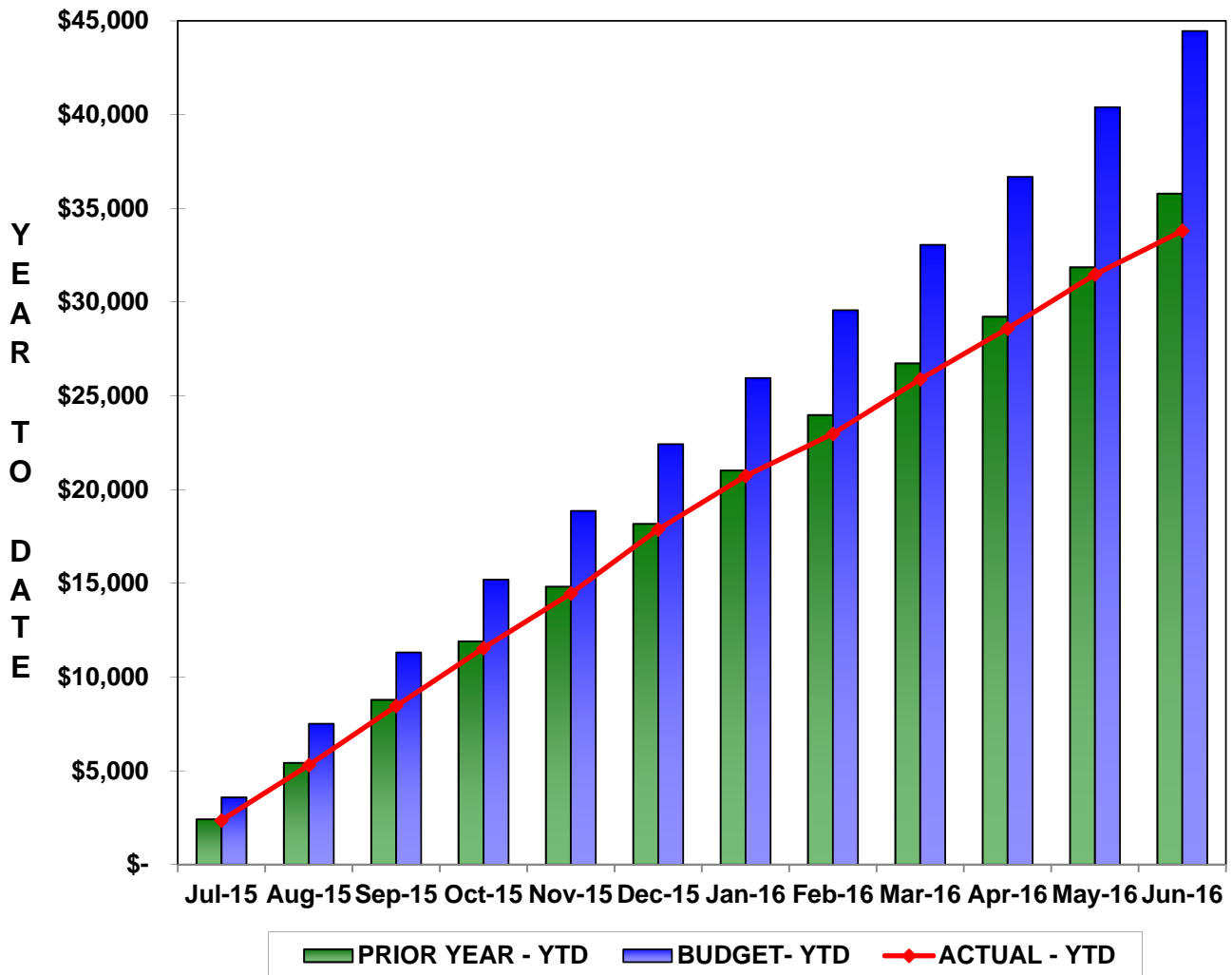
WATER UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED JUNE 30, 2016 (In Thousands)



Actual to Prior: Year-to-date actual retail sales of \$50.3M are \$6.8M (11.9%) lower than prior year primarily due to a 15.2% decrease in consumption as a result of water conservation measures enacted due to the drought conditions.

Actual to Budget: Year-to-date actual retail sales are \$5.8M (10.4%) lower than budget due to lower-than-anticipated consumption levels as a result of conservation measures taken by customers.

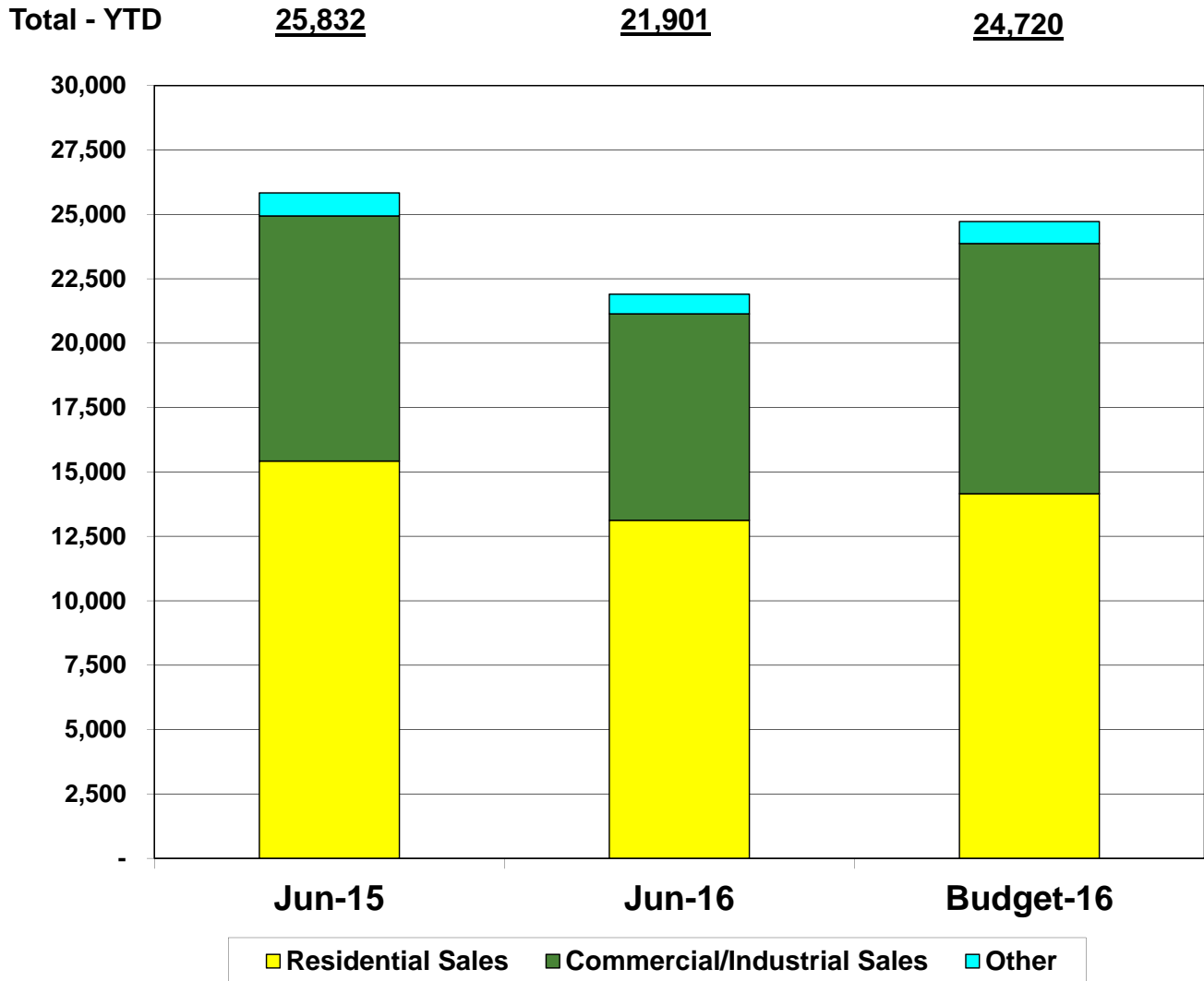
WATER UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED JUNE 30, 2016 (In Thousands)



Actual to Prior: Year-to-date distribution operating expenses of \$33.8M are \$2M (5.5%) lower than prior year due to a reduction in professional services, expenses related to water pumping and production costs associated with the lower consumption levels and pension expense due to pension accounting standards.

Actual to Budget: Year-to-date operating expenses are \$10.6M (24.0%) below anticipated levels due to savings in water pumping and production costs as a result of lower consumption levels and reducing controllable expenses resulting in savings in personnel costs, professional services, and other general operating expenses.

WATER UTILITY **CCF SALES (In Thousands)** **FOR THE PERIOD ENDED JUNE 30, 2016**



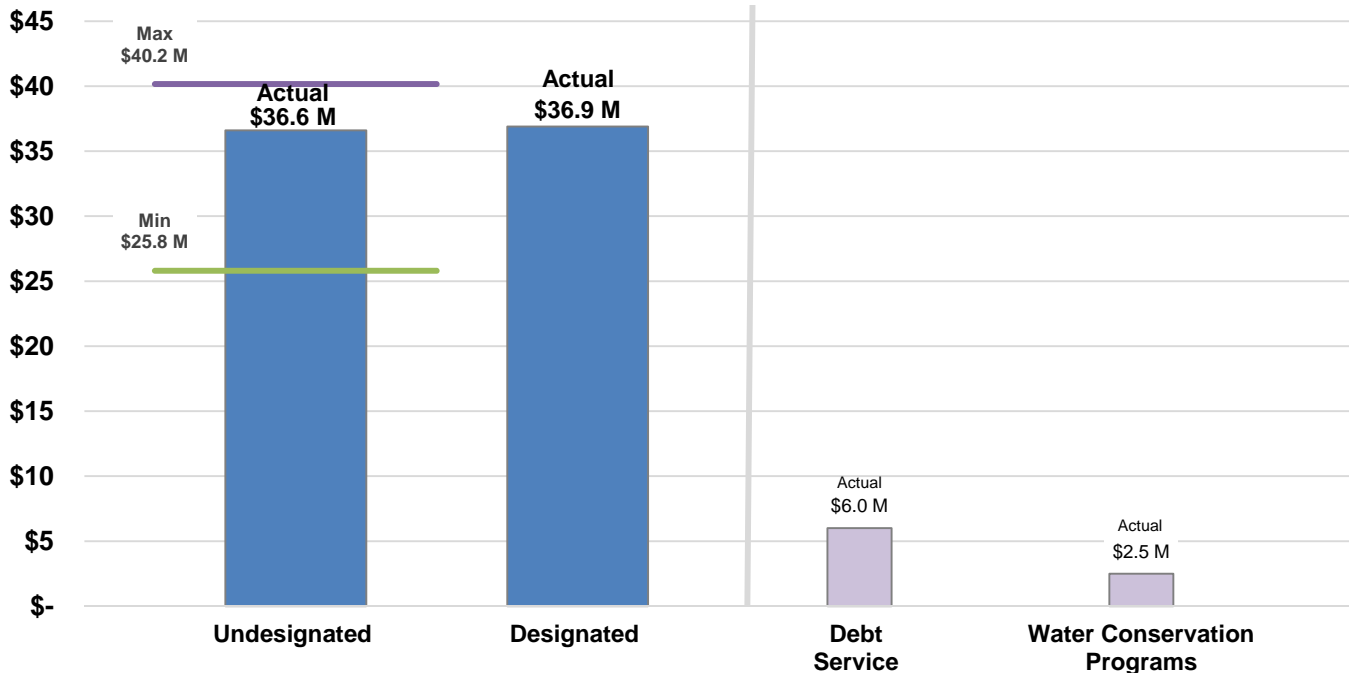
Actual to Prior: Retail CCF sales are 15.2% lower than prior year due to water conservation measures enacted for the drought conditions.

Actual to Budget: Retail CCF sales are 11.4% below budget due to lower than anticipated consumption levels as a result of conservation measures taken by customers.

WATER UTILITY CASH BALANCE JUNE 30, 2016 (In Millions)

Total Cash as of June 30 :

	2016	2015
Unrestricted	\$ 73.5	\$ 83.8
Restricted *	\$ 8.5	\$ 6.1
Total Cash	\$ 82.0	\$ 89.9



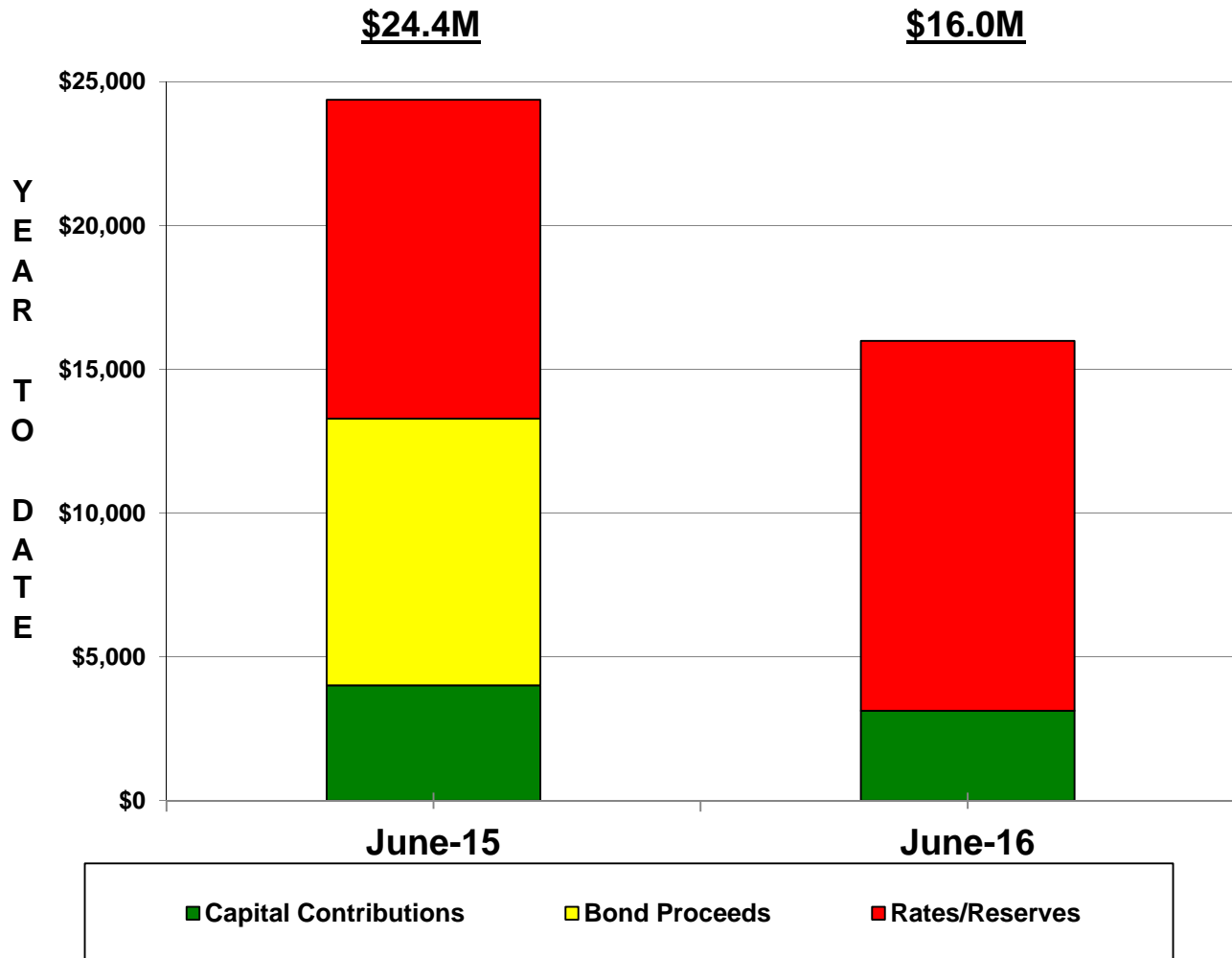
* Legally restricted for specific purposes.

The components of Unrestricted Designated Reserves are:

	FY 15/16
Property Reserve	\$ 26.0
Recycled Water Reserve	\$ 9.8
Capital Repair/Replacement Reserve	\$ 0.7
Customer Deposits Reserve	\$ 0.4
Total Designated Reserves	\$ 36.9

On March 22, 2016, the City Council approved a new cash reserve policy. Prior year amounts are not comparable due to the new unrestricted designated and undesignated structure. Overall cash balances are \$7.9M lower than prior year primarily due to the use of undesignated reserve for capital projects customarily funded by bonds. Staff is currently analyzing the Water Utility's future infrastructure needs including the source of funding. With the City Council approved Reimbursement Resolution, use of undesignated reserve currently for capital projects may be reimbursed by future bond proceeds should the City decide that a bond issuance will be beneficial for capital financing.

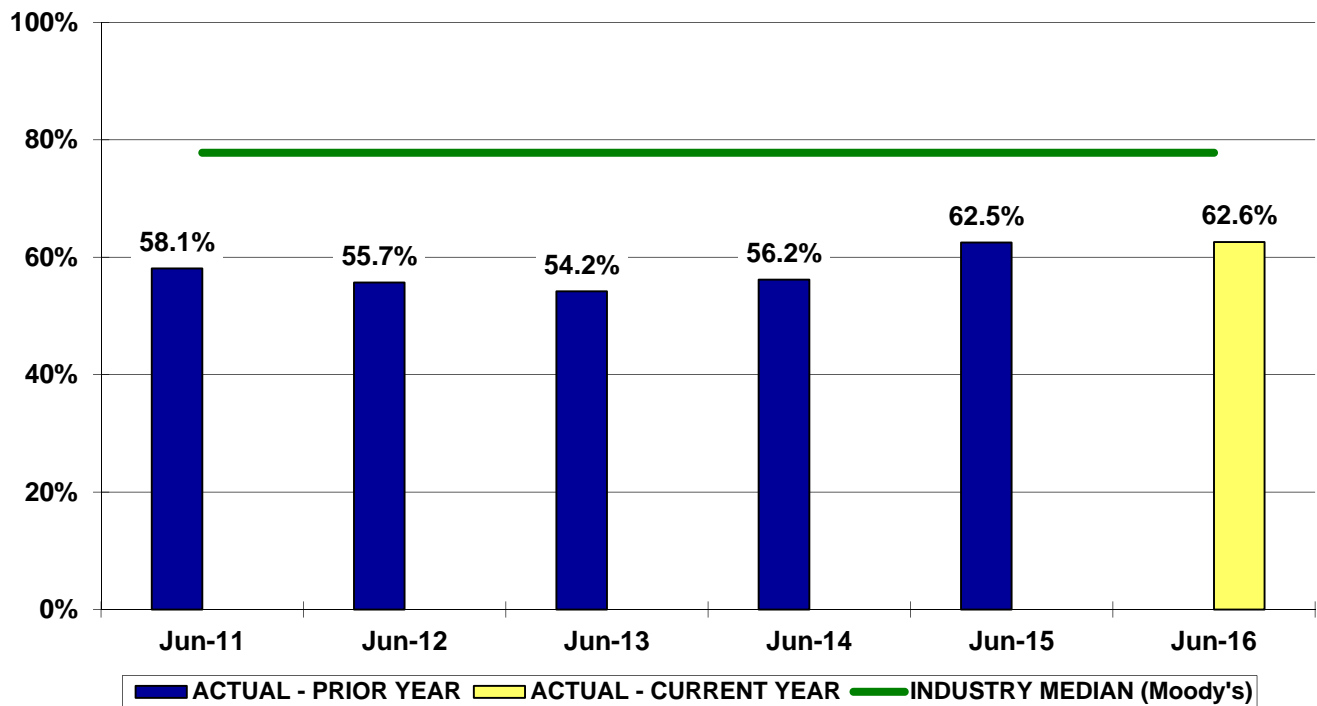
WATER UTILITY CAPITAL/EQUIPMENT FUNDING **JUNE 30, 2015 AND 2016** *(In Thousands)*



Current year capital expenses (capital projects + equipment) of \$16M are \$8.4M lower than prior year mainly due to a reduction in main replacements as staff continues to monitor cash reserve levels as a response to the decrease in revenues due to the severe drought.

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 = 77.8%

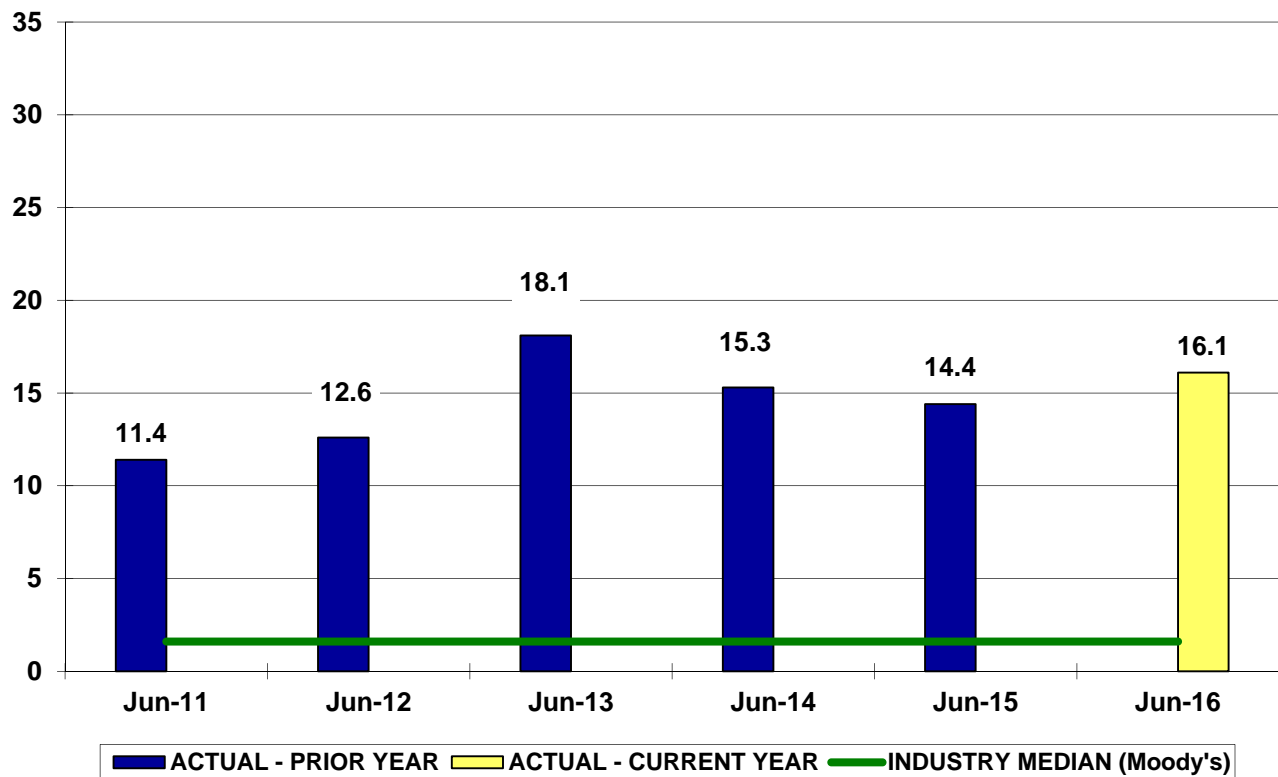


The Utility's Operating Ratio shows a 0.1 point (unfavorable) change from last fiscal year-end primarily due to a decrease in operating revenues as a result of conservation measures mandated by the State.

The Operating Ratio of 62.6% is 15.2 points lower (favorable) than the industry median of 77.8% which indicates strong operating results, as compared to other peer utilities.

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 = 1.6

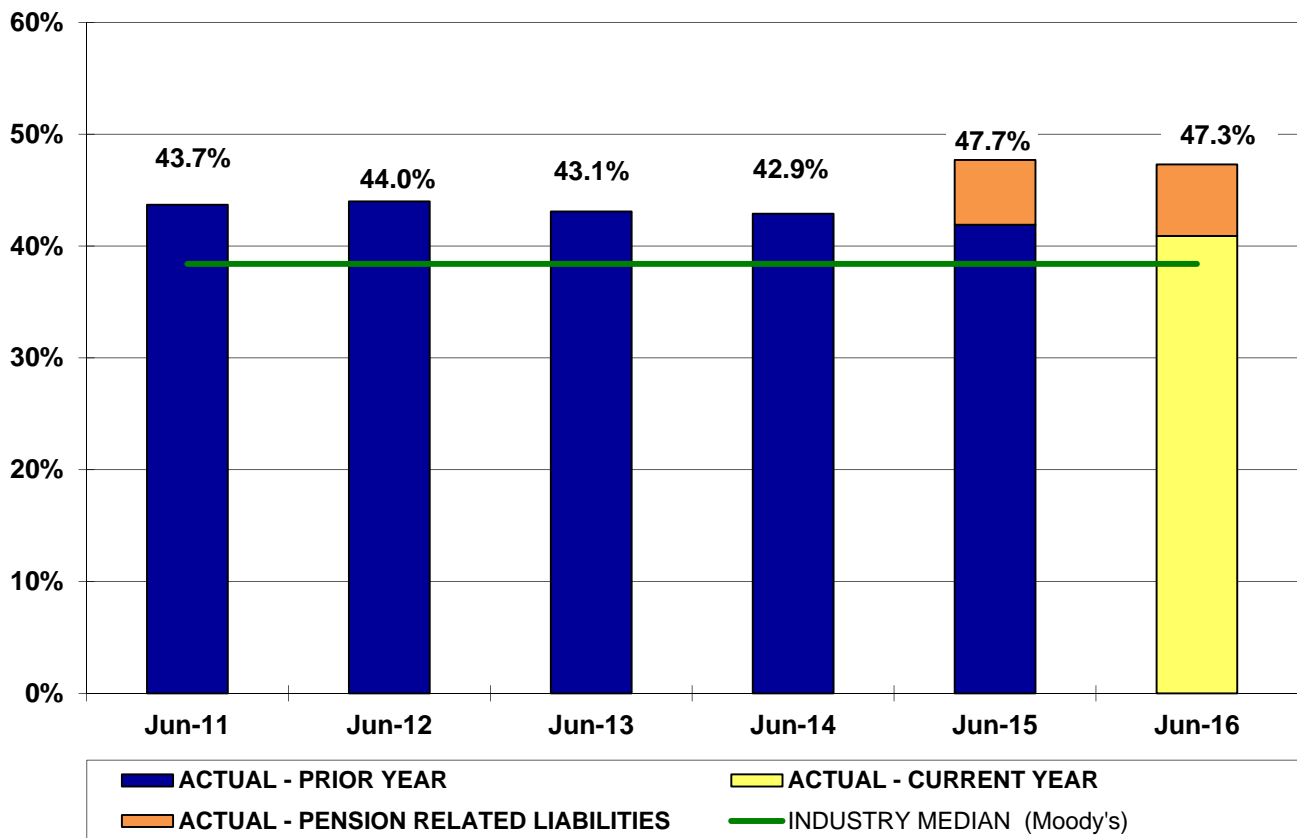


The Utility's Unrestricted Current Ratio shows a 1.7 point (favorable) increase from last fiscal year-end due to a decrease in accounts payable and other accruals.

The Unrestricted Current Ratio of 16.1 is 14.5 points higher (favorable) than the industry median of 1.6 which indicates strong liquidity and positive operating results, as compared to other peer utilities.

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 = 38.4%



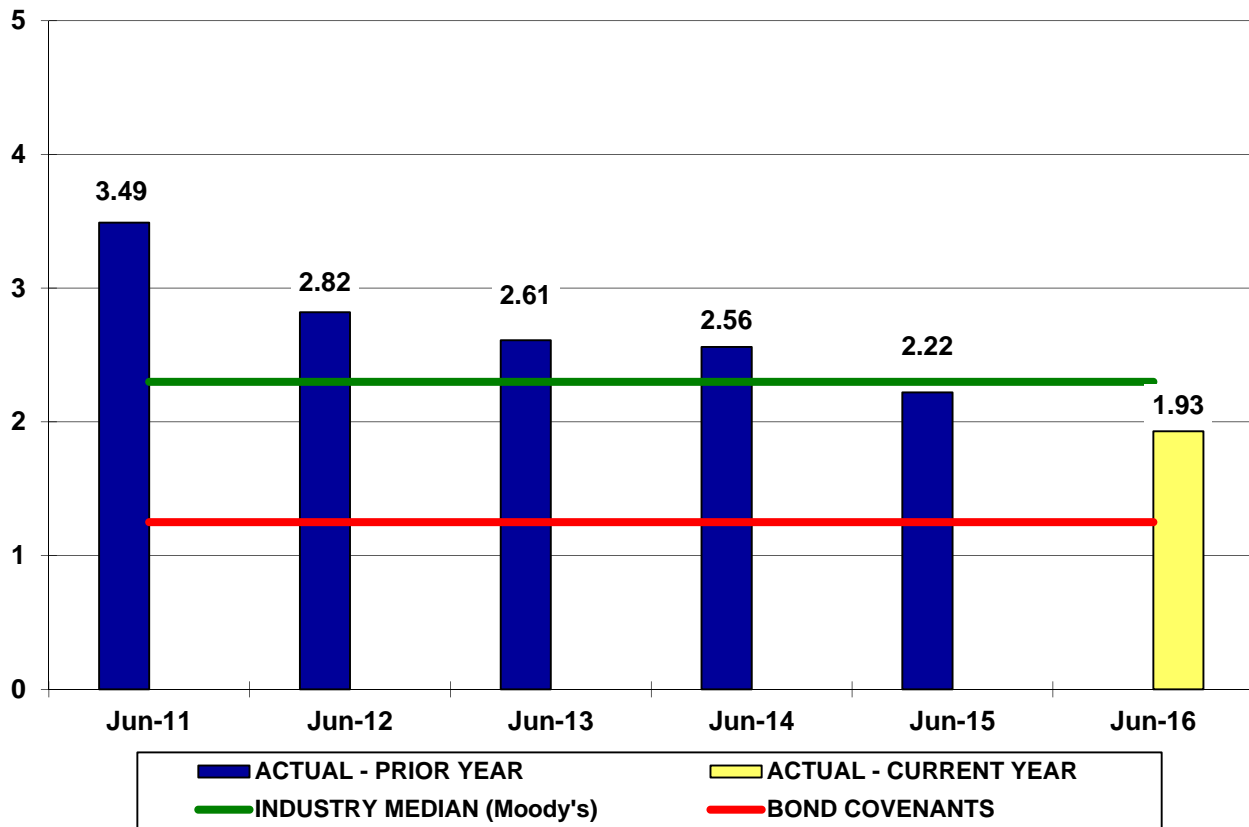
The Utility's Debt Ratio of 47.3% is 0.4 points lower (favorable) than last fiscal year-end primarily due to principal payments on outstanding debt.

The Debt Ratio is 8.9 points higher (unfavorable) than the industry median of 38.4%. The industry median does not reflect the effect of the addition of the net pension liability required of municipal agencies under financial accounting standards, which were effective July 1, 2014. The most recent water industry data reflects the fiscal year 2013-14.

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 = 2.3



The Debt Service Coverage Ratio of 1.93 indicates that sufficient revenues are available to cover debt service. This ratio is lower than last fiscal year-end's ratio of 2.22 as a result of lower operating revenues due to water conservation measures.

This ratio is higher than the Utility's Bond Covenants of 1.25.