

QUARTERLY FINANCIAL REPORT

September 30, 2016

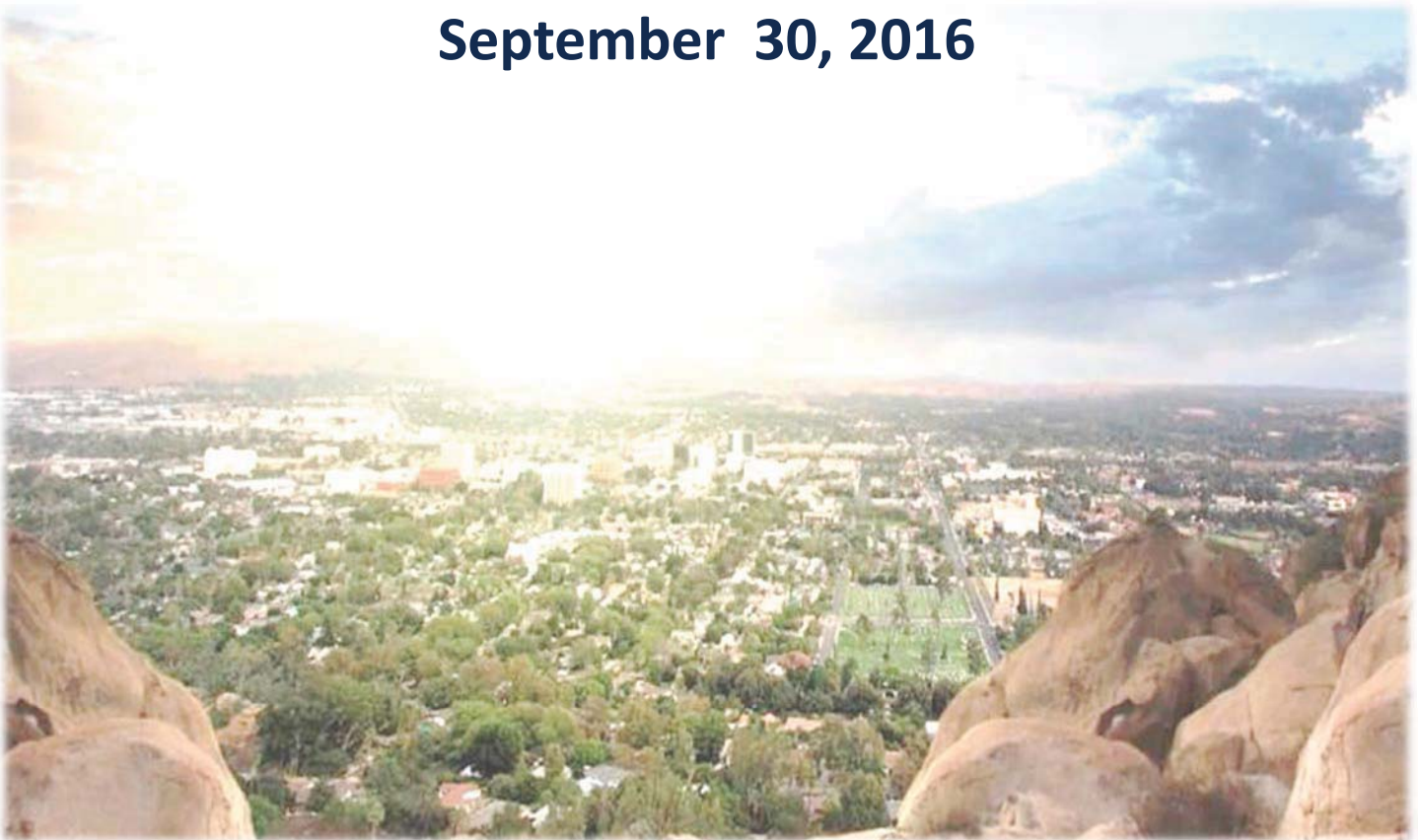


TABLE OF CONTENTS

EXECUTIVE SUMMARY	1 - 2
--------------------------	-------

FINANCIAL REPORT

Electric Utility - Income Statement Analysis	3
Electric Utility Financial Statements:	
Statements of Net Position	4 - 5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Schedules of Cash and Cash Equivalents	8
Table I - Electric Utility - Financial Performance Indicators	9
 Water Utility - Income Statement Analysis	 10
Water Utility Financial Statements	
Statements of Net Position	11-12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Schedules of Cash and Cash Equivalents	15
Table I - Water Utility - Financial Performance Indicators	16

GRAPHICS

Electric Utility:	
Flow of Funds	A-1
Retail Sales Revenue	A-2
Power Supply Expenses	A-3
Distribution Operating Expenses	A-4
KWh Sales	A-5
Cash Balances	A-6
Capital/Equipment Funding	A-7
Operating Ratio	A-8
Unrestricted Current Ratio	A-9
Debt Ratio	A-10
Debt Service Coverage Ratio	A-11
Water Utility:	
Flow of Funds	A-12
Retail Sales Revenue	A-13
Distribution Operating Expenses	A-14
Ccf Sales	A-15
Cash Balances	A-16
Capital/Equipment Funding	A-17
Operating Ratio	A-18
Unrestricted Current Ratio	A-19
Debt Ratio	A-20
Debt Service Coverage Ratio	A-21

SEPTEMBER 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 three months ended September 30, 2016.

Electric Utility: Comparison to prior year

Retail sales were \$95.7 million and were \$5.8 million (6.5%) higher than prior year due to a 5.8% overall increase in consumption as a result of warmer weather. (Graphs A-2 and A-5)

Transmission revenue of \$10.9 million was \$1.2 million (12.2%) 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 \$58.6 million were \$4.7 million (8.8%) 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 \$13.2 million were slightly higher than prior year primarily due to an increase in general operating costs. (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. For fiscal year 2016/17, this 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 \$194.8 million is within these limits.

Total cash balances of \$398 million decreased by \$19.4 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 a net increase of \$18.6 million related to positive operating results and settlement recoveries received in the prior fiscal year, offset by the depletion of bond proceeds used in the funding of capital projects. (Graph A-6)

Utility plant assets increased by \$52.5 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 \$17.3 million primarily due to an increase of \$14.7 million in deferred outflows related to pension accounting as prescribed by generally accepted accounting principles and an increase of \$3.7 million in deferred changes in derivative values relating to interest rate swaps. (Page 4)

Total net position increased by \$49.7 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 \$16.8 million primarily due to principal payments made and amortization of bond premiums. (Page 5)

Other non-current liabilities increased by \$8.9 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 \$4.7 million for the change in fair market value of the interest rate swaps. The increase was offset by a decrease in nuclear decommissioning of \$5.4 million due to SONGS decommissioning payments. (Page 5)

Electric Utility: Comparison to budget

Retail sales were \$4.9 million (5.3%) higher than budget due to higher than anticipated consumption as a result of

warmer than anticipated temperatures. (Graphs A-2 and A-5)

Power supply costs were slightly lower than budget primarily due to lower than anticipated market prices offset by higher than anticipated California Independent System Operator transmission access charges and higher than anticipated customer consumption. (Graph A-3)

Distribution operating expenses were \$4.3 million (24.6%) below budget mainly due to timing of expenditures and savings in personnel costs and other general operating expenses. (Graph A-4)

With 25% of the year completed, the Electric Utility spent 24% 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 \$18.4 million were \$2.7 million (17.6%) higher than prior year due to a 16.5% increase in consumption as a result of the lifting of water restriction mandates and warmer weather. (Graphs A-13 and A-15)

Distribution operating expenses of \$8.6 million were consistent with prior year. (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. For fiscal year 2016/17, this 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 \$38.9 million is within these limits.

Overall total cash balances of \$87.8 million decreased by \$5.1 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 on June 30, 2016 from the final payment from a settlement agreement with the City. (Graph A-16)

Utility plant assets increased by \$4.7 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 \$6.3 million primarily due to an increase of \$5.3 million related to pension accounting as prescribed by generally accepted accounting principles and \$1.5 million in deferred changes in derivative values relating to interest rate swaps. (Page 11)

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

Other non-current liabilities increased by \$6.3 million primarily due to an increase in note payable of \$2.3 million for the completion of well relocation paid for by a developer, net pension liability of \$2.2 million related to pension accounting standards and derivative instrument of \$1.3 million for the change in fair market value of the interest rate swap. (Page 12)

Water Utility: Comparison to budget

Retail sales were \$2.2 million (13.4%) higher than budget due to an increase in consumption as a result of the lifting of water restriction mandates and warmer than anticipated weather. (Graphs A-13 and A-15)

Distribution operating expenses were \$2.5 million (22.3%) lower than anticipated levels due to timing of expenditures and savings in personnel costs and other general operating expenses. (Graph A-14)

With 25% of the year completed, the Water Utility spent 21% 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 SEPTEMBER 30, 2016
(25% of the year completed)**

	QUARTERLY (in thousands)			TOTAL BUDGET FY 16/17	CURRENT YTD AS % OF TOTAL BUDGET	YEAR-TO-DATE (in thousands)		
	CURRENT	BUDGET	PRIOR			CURRENT	BUDGET	PRIOR
	July - Sept 2016	July - Sept 2016	July - Sept 2015			Sept 2016	Sept 2016	Sept 2015
OPERATING REVENUES:								
RESIDENTIAL SALES	\$ 40,562	\$ 35,452	\$ 37,851	\$ 112,809	36%	\$ 40,562	\$ 35,452	\$ 37,851
COMMERCIAL SALES	21,025	20,145	20,005	72,431	29%	21,025	20,145	20,005
INDUSTRIAL SALES	32,927	34,077	30,647	121,017	27%	32,927	34,077	30,647
OTHER SALES	1,209	1,194	1,424	4,730	26%	1,209	1,194	1,424
WHOLESALE SALES	3	-	-	-	0%	3	-	-
TRANSMISSION REVENUE	10,863	10,489	9,681	35,062	31%	10,863	10,489	9,681
OTHER OPERATING REVENUE	2,424	2,101	1,959	8,757	28%	2,424	2,101	1,959
PUBLIC BENEFIT PROGRAMS	2,700	2,613	2,593	8,942	30%	2,700	2,613	2,593
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	111,713	106,071	104,160	363,748	31%	111,713	106,071	104,160
ESTIMATED UNCOLLECTIBLES	(300)	(299)	(300)	(1,196)	25%	(300)	(299)	(300)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	111,413	105,772	103,860	362,552	31%	111,413	105,772	103,860
OPERATING EXPENSES:								
MANAGEMENT SERVICES	2,276	2,878	2,259	11,512	20%	2,276	2,878	2,259
WORK FORCE DEVELOPMENT	64	155	-	619	10%	64	155	-
OFFICE OPS TECHNOLOGY	129	275	-	1,099	12%	129	275	-
UTILITY BUS SUPPORT	220	509	149	2,035	11%	220	509	149
BILLING SERVICES	111	165	71	660	17%	111	165	71
FIELD SERVICES	824	1,039	762	4,158	20%	824	1,039	762
CUSTOMER SERVICES	780	1,007	859	4,029	19%	780	1,007	859
MARKETING/COMMUNICATIONS	388	475	510	1,900	20%	388	475	510
PRODUCTION AND OPERATIONS	2,040	2,047	1,859	8,190	25%	2,040	2,047	1,859
FIELD OPERATIONS	2,627	4,571	2,986	18,284	14%	2,627	4,571	2,986
ENERGY DELIVERY ENGINEERING	1,683	1,873	1,348	7,491	22%	1,683	1,873	1,348
POWER RESOURCES	2,093	2,564	2,095	10,256	20%	2,093	2,564	2,095
PURCHASED POWER:								
TRANSMISSION	16,812	14,488	15,900	57,950	29%	16,812	14,488	15,900
GENERATION	41,747	45,046	37,936	156,790	27%	41,747	45,046	37,936
PUBLIC BENEFIT PROGRAMS	870	3,629	707	14,518	6%	870	3,629	707
DEPRECIATION	8,106	8,106	7,554	32,425	25%	8,106	8,106	7,554
TOTAL OPERATING EXPENSES	80,770	88,827	74,995	331,916	24%	80,770	88,827	74,995
OPERATING INCOME	30,643	16,945	28,865	30,636	100%	30,643	16,945	28,865
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	679	1,333	505	5,333	13%	679	1,333	505
INTEREST EXPENSE	(6,240)	(7,349)	(6,549)	(29,394)	21%	(6,240)	(7,349)	(6,549)
GENERAL FUND CONTRIBUTIONS	(9,900)	(9,900)	(9,833)	(39,600)	25%	(9,900)	(9,900)	(9,833)
GAIN ON SALE OF ASSETS	183	121	223	482	38%	183	121	223
OTHER	1,905	1,653	1,252	6,613	29%	1,905	1,653	1,252
TOTAL NON-OPERATING EXPENSES	(13,373)	(14,142)	(14,402)	(56,566)	24%	(13,373)	(14,142)	(14,402)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	17,270	2,803	14,463	(25,930)	-67%	17,270	2,803	14,463
CAPITAL CONTRIBUTIONS	534	425	532	1,700	31%	534	425	532
NET INCOME (LOSS)	\$ 17,804	\$ 3,228	\$ 14,995	\$ (24,230)	-73%	\$ 17,804	\$ 3,228	\$ 14,995

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	September 30	
	2016	2015
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant:	\$ 1,021,444	\$ 953,267
Less accumulated depreciation	(352,273)	(326,453)
	669,171	626,814
Land	21,439	8,786
Intangibles	10,651	10,651
Construction in progress	50,646	53,148
Total utility plant	751,907	699,399
Restricted assets:		
Cash and investments at fiscal agent	92,268	136,465
Other non-current assets:		
Advances to other funds of the City	5,113	5,850
Unamortized purchased power	7,472	5,635
Regulatory assets	4,340	10,761
Total other non-current assets	16,925	22,246
Total non-current assets	861,100	858,110
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	253,465	231,623
Accounts receivable, less allowance for doubtful accounts		
2016 \$962; 2015 \$973	40,234	38,846
Advances to other funds of the City	242	635
Accrued interest receivable	1,311	858
Inventory	1,097	1,202
Prepaid expenses	19,627	19,539
Unamortized purchased power	496	496
Total unrestricted current assets	316,472	293,199
Restricted assets:		
Cash and cash equivalents	37,631	36,884
Public Benefit Programs - cash and cash equivalents	14,640	12,442
Public Benefit Programs receivable	1,026	1,057
Total restricted current assets	53,297	50,383
Total current assets	369,769	343,582
Total assets	1,230,869	1,201,692
Deferred outflows of resources:		
Deferred outflows related to pension	26,232	11,541
Changes in derivative values	26,728	23,042
Loss on refunding	10,535	11,650
Total deferred outflows of resources	63,495	46,233
Total assets and deferred outflows of resources	\$ 1,294,364	\$ 1,247,925

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	September 30	
	2016	2015
	(in thousands)	
Net position, liabilities, and deferred inflows of resources		
Net position:		
Net investment in capital assets	\$ 199,019	\$ 179,316
Restricted for :		
Regulatory requirements	12,144	8,507
Debt service	25,487	28,377
Public Benefit Programs	15,651	13,440
Unrestricted	211,117	184,092
Total net position	463,418	413,732
Long-term obligations, less current portion	561,525	575,826
Other non-current liabilities:		
Compensated absences	764	578
Net pension liability	77,907	71,773
Capital leases payable	3,644	973
Derivative instruments	33,216	28,552
Nuclear decommissioning liability	61,711	67,113
Advances from other funds of the City-pension obligation	10,084	10,084
Net other postemployment benefits payable	7,264	6,617
Total other non-current liabilities	194,590	185,690
Current liabilities payable from restricted assets:		
Accrued interest payable	11,735	12,120
Public Benefit Programs payable	30	79
Nuclear decommissioning liability	6,126	5,714
Current portion of long-term obligations	13,320	15,825
Total current liabilities payable from restricted assets	31,211	33,738
Current liabilities:		
Accounts payable and other accruals	14,103	13,530
Customer deposits	5,003	4,608
Unearned revenue	310	118
Total current liabilities	19,416	18,256
Total liabilities	806,742	813,510
Deferred inflows of resources:		
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	\$ 1,294,364	\$ 1,247,925

City of Riverside Electric Utility

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

	September 30	
	2016	2015
	(in thousands)	
Operating revenues:		
Residential sales	\$ 40,562	\$ 37,851
Commercial sales	21,025	20,005
Industrial sales	32,927	30,647
Other sales	1,209	1,424
Wholesale sales	3	-
Transmission revenue	10,863	9,681
Other operating revenue	2,424	1,959
Public Benefit Programs	2,700	2,593
Total operating revenues before uncollectibles	111,713	104,160
Estimated uncollectibles, net of bad debt recovery	(300)	(300)
Total operating revenues net of uncollectibles	111,413	103,860
Operating expenses:		
Production and purchased power	41,991	38,370
Transmission	16,812	15,900
Distribution	12,991	12,464
Public Benefit Programs	870	707
Depreciation	8,106	7,554
Total operating expenses	80,770	74,995
Operating income	30,643	28,865
Non-operating revenues (expenses):		
Investment income	679	505
Interest expense and fiscal charges	(6,240)	(6,549)
Gain on sale of assets	183	223
Other	1,905	1,252
Total non-operating expenses	(3,473)	(4,569)
Income before capital contributions and transfers out	27,170	24,296
Capital contributions	534	532
Transfers out - contributions to the City's general fund	(9,900)	(9,833)
Total capital contributions and transfers out	(9,366)	(9,301)
Increase in net position	17,804	14,995
Net position, July 1	445,614	398,737
Net position, September 30	\$ 463,418	\$ 413,732

City of Riverside Electric Utility

STATEMENTS OF CASH FLOWS
For the Three Months Ended

	September 30	
	2016	2015 (in thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 105,442	\$ 99,519
Cash paid to suppliers and employees	(78,144)	(78,740)
Other receipts	1,905	1,252
Net cash provided by operating activities	<u>29,203</u>	<u>22,031</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(9,900)	(9,833)
Payment on advances from other funds of the City - pension obligation	-	(635)
Cash received on advances to other funds of the City	176	(25)
Net cash used by non-capital financing activities	<u>(9,724)</u>	<u>(10,493)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(5,319)	(4,544)
Proceeds from the sale of utility plant	183	223
Principal paid on long-term obligations	(543)	305
Interest paid on long-term obligations	197	41
Capital contributions	502	503
Net cash used by capital and related financing activities	<u>(4,980)</u>	<u>(3,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment securities	125	131
Income from investments	18	532
Net cash provided by investing activities	<u>143</u>	<u>663</u>
Net increase in cash and cash equivalents	14,642	8,729
CASH AND CASH EQUIVALENTS, JULY 1	<u>291,094</u>	<u>317,525</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 305,736</u></u>	<u><u>326,254</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 30,643	\$ 28,865
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,106	7,554
Increase in allowance for uncollectible accounts	212	164
Increase in accounts receivable	(6,146)	(4,601)
Decrease in prepaid expenses	2,572	1,292
Increase in unamortized purchased power	(508)	(588)
Decrease in accounts payable and other accruals	(4,656)	(10,878)
Decrease in Public Benefit Programs payable	(1,817)	(315)
Decrease in unearned revenue	(15)	(350)
(Decrease) increase in customer deposits	(37)	96
Decrease in decommissioning liability	(1,056)	(460)
Other receipts	1,905	1,252
Net cash provided by operating activities	<u><u>\$ 29,203</u></u>	<u><u>22,031</u></u>

SCHEDULES OF CASH AND CASH EQUIVALENTS

	September 30	
	2016	2015
	(in thousands)	
Unrestricted cash and cash equivalents:		
Operating cash	\$ -	\$ 39,853
Undesignated reserve	194,802	-
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	47,301	-
Mission Square improvement fund reserve	240	-
Operating reserve	-	143,031
Additional decommissioning liability reserve	5,358	3,739
Total unrestricted cash and cash equivalents	253,465	231,623
Legally restricted cash and cash equivalents:		
Reserved for debt service	25,487	28,377
Reserved for bond construction	-	45,305
Reserved for regulatory requirements	12,144	8,507
Reserved for Public Benefit Programs	14,640	12,442
Total legally restricted cash and cash equivalents	52,271	94,631
Total cash and cash equivalents	305,736	326,254
Cash and investments at fiscal agent:		
Reserved for decommissioning liability	79,395	78,576
Reserved for other cash at fiscal agent	2,072	1,783
Reserved for debt service	10,801	10,801
Total cash and investments at fiscal agent	92,268	91,160
Total unrestricted and restricted cash	\$ 398,004	\$ 417,414

TABLE I
CITY OF RIVERSIDE - ELECTRIC UTILITY
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	9/30/16	9/30/15	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12
Operating Ratio	71.2%	65.2%	64.9%	71.0%	73.5%	72.5%	67.7%	69.6%
Unrestricted Current Ratio **	2.1	16.3	16.1	12.6	14.4	13.0	10.9	10.8
Debt to Total Assets Ratio	60.5%	48.4%	51.2%	49.0%	52.2%	52.5%	53.9%	53.7%
Debt Service Coverage	1.85	3.78	3.41	2.99	2.39	2.16	2.73	2.24

* 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.

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

WATER UTILITY

**CITY OF RIVERSIDE
WATER UTILITY
INCOME STATEMENT ANALYSIS
FOR THE PERIOD ENDED September 30, 2016
(25% of the year completed)**

QUARTERLY
(in thousands)

YEAR-TO-DATE
(in thousands)

				TOTAL BUDGET FY 16/17	CURRENT YTD AS % OF TOTAL BUDGET			
	CURRENT July-Sept 2016	BUDGET July-Sept 2016	PRIOR July-Sept 2015			CURRENT Sept 2016	BUDGET Sept 2016	PRIOR Sept 2015
OPERATING REVENUES:								
RESIDENTIAL SALES	\$ 11,911	\$ 10,259	\$ 9,925	\$ 32,386	37%	\$ 11,911	\$ 10,259	\$ 9,925
COMMERCIAL SALES	5,933	5,428	5,226	16,800	35%	5,933	5,428	5,226
OTHER SALES	529	523	477	1,762	30%	529	523	477
WATER CONVEYANCE REVENUE	1,476	798	780	3,191	46%	1,476	798	780
WATER CONSERVATION PROGRAMS	565	268	243	1,074	53%	565	268	243
OTHER OPERATING REVENUE	503	844	435	3,376	15%	503	844	435
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	20,917	18,120	17,086	58,589	36%	20,917	18,120	17,086
ESTIMATED UNCOLLECTIBLES	(53)	(52)	(51)	(209)	25%	(53)	(52)	(51)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	20,864	18,068	17,035	58,380	36%	20,864	18,068	17,035
OPERATING EXPENSES:								
FIELD OPERATIONS	3,032	3,866	3,146	15,462	20%	3,032	3,866	3,146
PRODUCTION AND OPERATIONS	3,941	4,715	3,594	18,305	22%	3,941	4,715	3,594
ENGINEERING	1,578	2,423	1,718	9,692	16%	1,578	2,423	1,718
WATER CONSERVATION PROGRAMS	192	433	529	1,732	11%	192	433	529
DEPRECIATION	3,558	3,558	3,343	14,232	25%	3,558	3,558	3,343
TOTAL OPERATING EXPENSES	12,301	14,995	12,330	59,423	21%	12,301	14,995	12,330
OPERATING INCOME	8,563	3,073	4,705	(1,043)	-821%	8,563	3,073	4,705
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	93	234	182	937	10%	93	234	182
INTEREST EXPENSE	(2,046)	(2,184)	(2,120)	(8,738)	23%	(2,046)	(2,184)	(2,120)
GENERAL FUND CONTRIBUTIONS	(1,369)	(1,369)	(1,626)	(5,475)	25%	(1,369)	(1,369)	(1,626)
GAIN ON SALE OF ASSETS	10	19	34	77	13%	10	19	34
OTHER	402	468	398	1,872	21%	402	468	398
TOTAL NON-OPERATING EXPENSES	(2,910)	(2,832)	(3,132)	(11,327)	26%	(2,910)	(2,832)	(3,132)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	5,653	241	1,573	(12,370)	-46%	5,653	241	1,573
CAPITAL CONTRIBUTIONS	191	595	613	2,234	9%	191	595	613
NET INCOME (LOSS)	\$ 5,844	\$ 836	\$ 2,186	\$ (10,136)	-58%	\$ 5,844	\$ 836	\$ 2,186

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	September 30	
	2016	2015
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant	\$ 629,550	\$ 605,618
Less accumulated depreciation	<u>(207,940)</u>	<u>(194,956)</u>
	421,610	410,662
Land	20,484	20,484
Construction in progress	9,708	15,997
Intangibles	<u>10,841</u>	<u>10,841</u>
Total utility plant	<u>462,643</u>	<u>457,984</u>
Other non-current assets:		
Regulatory assets	<u>686</u>	<u>562</u>
Total other non-current assets	<u>686</u>	<u>562</u>
Total non-current assets	<u>463,329</u>	<u>458,546</u>
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	75,892	79,916
Accounts receivable, less allowance for doubtful accounts		
2016 \$207; 2015 \$175	9,835	8,023
Accrued interest receivable	275	299
Advances to other funds of the City	103	272
Prepaid expenses	137	-
Other receivables	-	3,333
Total unrestricted current assets	<u>86,242</u>	<u>91,843</u>
Restricted assets:		
Cash and cash equivalents	9,145	9,330
Water Conservation Programs -cash and cash equivalents	2,829	3,660
Water Conservation Programs receivable	<u>113</u>	<u>157</u>
Total restricted current assets	<u>12,087</u>	<u>13,147</u>
Total current assets	<u>98,329</u>	<u>104,990</u>
Total assets	<u>561,658</u>	<u>563,536</u>
Deferred outflows of resources:		
Deferred outflows related to pension	9,515	4,186
Changes in derivative values	6,988	5,511
Loss on refunding	<u>7,040</u>	<u>7,558</u>
Total deferred outflows of resources	<u>23,543</u>	<u>17,255</u>
Total assets and deferred outflows of resources	<u>\$ 585,201</u>	<u>\$ 580,791</u>

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	September 30	
	2016	2015
	(in thousands)	
Net position, liabilities and deferred inflows of resources		
Net position:		
Net investment in capital assets	\$ 260,115	\$ 252,581
Restricted for:		
Debt service	9,145	9,330
Water Conservation Programs	2,599	3,699
Unrestricted	39,197	39,262
Total net position	<u>311,056</u>	<u>304,872</u>
Long-term obligations, less current portion	<u>191,435</u>	<u>197,086</u>
Other non-current liabilities:		
Advances from other funds of the City - pension obligation	4,338	4,338
Net other postemployment benefits payable	3,032	2,787
Net pension liability	28,257	26,032
Compensated absences	196	308
Derivative instrument	12,040	10,365
Note payable	13,566	11,261
Total other non-current liabilities	<u>61,429</u>	<u>55,091</u>
Current liabilities payable from restricted assets:		
Accrued interest payable	3,801	3,905
Water Conservation Programs payable	12	91
Current portion of long-term obligations	5,180	5,260
Total current liabilities payable from restricted assets	<u>8,993</u>	<u>9,256</u>
Current liabilities:		
Accounts payable and other accruals	1,961	2,193
Current portion of long-term obligations	150	150
Customer deposits	596	466
Note payable	802	843
Total current liabilities	<u>3,509</u>	<u>3,652</u>
Total liabilities	<u>265,366</u>	<u>265,085</u>
Deferred inflows of resources:		
Deferred inflows related to 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>\$ 585,201</u>	<u>\$ 580,791</u>

City of Riverside Water Utility

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

	September 30	
	2016	2015
	(in thousands)	
Operating revenues:		
Residential sales	\$ 11,911	\$ 9,925
Commercial sales	5,933	5,226
Other sales	529	477
Water conveyance revenue	1,476	780
Water Conservation Programs	565	243
Other operating revenue	503	435
	<u>20,917</u>	<u>17,086</u>
Total operating revenues before uncollectibles		
	20,917	17,086
Estimated uncollectibles, net of bad debt recovery	(53)	(51)
	<u>(53)</u>	<u>(51)</u>
Total operating revenues, net of uncollectibles	<u>20,864</u>	<u>17,035</u>
Operating expenses:		
Operations	6,149	6,199
Maintenance	951	1,074
Purchased energy	1,451	1,185
Water Conservation Programs	192	529
Depreciation	3,558	3,343
	<u>12,301</u>	<u>12,330</u>
Total operating expenses		
	12,301	12,330
Operating income	<u>8,563</u>	<u>4,705</u>
Non-operating revenues (expenses):		
Investment income	93	182
Interest expense and fiscal charges	(2,046)	(2,120)
Gain on sale of assets	10	34
Other	402	398
	<u>(1,541)</u>	<u>(1,506)</u>
Total non-operating revenues (expenses)		
	(1,541)	(1,506)
Income before capital contributions and transfers	<u>7,022</u>	<u>3,199</u>
	7,022	3,199
Capital contributions	191	613
Transfers out - contributions to the City's general fund	(1,369)	(1,626)
	<u>(1,178)</u>	<u>(1,013)</u>
Total capital contributions and transfers		
	(1,178)	(1,013)
Increase in net position	<u>5,844</u>	<u>2,186</u>
	5,844	2,186
Net position, July 1	<u>305,212</u>	<u>302,686</u>
	305,212	302,686
Net position, September 30	<u>\$ 311,056</u>	<u>\$ 304,872</u>

City of Riverside Water Utility

STATEMENTS OF CASH FLOWS
For the Three Months Ended

	September 30	
	2016	2015
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 20,025	\$ 20,101
Cash paid to suppliers and employees	(10,556)	(12,523)
Other receipts	142	138
Net cash provided by operating activities	<u>9,611</u>	<u>7,716</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(1,369)	(1,626)
Cash received on advances to other funds of the City	76	(11)
Payment on advances from other funds of the City-pension obligation	-	(274)
Net cash used for non-capital financing activities	<u>(1,293)</u>	<u>(1,911)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(3,052)	(3,970)
Proceeds from the sale of utility plant	10	34
Interest paid on long-term obligations	176	111
Capital contributions	382	805
Net cash used for capital and related financing activities	<u>(2,484)</u>	<u>(3,020)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Income from investments	-	194
Net cash provided by investing activities	<u>-</u>	<u>194</u>
Net increase in cash and cash equivalents	5,834	2,979
CASH AND CASH EQUIVALENTS, JULY 1	82,032	89,927
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$ 87,866</u></u>	<u><u>\$ 92,906</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 8,563	\$ 4,705
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,558	3,343
Increase in allowance for uncollectible accounts	37	24
(Increase) decrease in accounts receivable	(986)	2,970
Decrease in prepaid expenses	31	2
Decrease in accounts payable and other accruals	(1,716)	(3,056)
Decrease in Water Conservation Programs payable	(75)	(439)
Decrease in Water Conservation Programs prepaid expenses	-	8
Increase in customer deposits	57	21
Other receipts	142	138
Net cash provided by operating activities	<u><u>\$ 9,611</u></u>	<u><u>\$ 7,716</u></u>

City of Riverside Water Utility

SCHEDULES OF CASH AND CASH EQUIVALENTS

	September 30	
	2016	2015
	(in thousands)	
Unrestricted cash and cash equivalents :		
Operating cash	\$ -	\$ 17,010
Undesignated reserve	38,896	\$ -
Operating cash reserve	-	30,435
Recycled water cash reserve	9,800	6,467
Property reserve	26,013	26,004
Customer deposits reserve	433	-
Capital repair and replacement reserve	750	-
	<hr/>	<hr/>
Total unrestricted cash and cash equivalents	75,892	79,916
	<hr/>	<hr/>
Legally restricted cash and cash equivalents:		
Reserved for debt service	9,145	9,330
Water Conservation Programs	2,829	3,660
	<hr/>	<hr/>
Total legally restricted cash and cash equivalents	11,974	12,990
	<hr/>	<hr/>
Total unrestricted and restricted cash	<u>\$ 87,866</u>	<u>\$ 92,906</u>

TABLE I
CITY OF RIVERSIDE - WATER UTILITY
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	9/30/16	9/30/15	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12
Operating Ratio	77.8%	41.9%	52.8%	62.6%	62.5%	56.2%	54.2%	55.7%
Unrestricted Current Ratio **	1.6	24.6	25.1	16.1	14.4	15.3	18.1	12.6
Debt to Total Assets Ratio	38.4%	37.9%	38.8%	38.3%	39.3%	39.8%	39.6%	41.4%
Debt Service Coverage	2.30	3.60	2.71	1.93	2.22	2.56	2.61	2.82

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

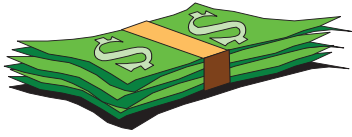
** Includes Unrestricted Cash Reserves.

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

GRAPHICS

Electric Utility
Flow of Funds - Actual
(For the Quarter Ended September 30, 2016)

BEGINNING CASH BALANCES - \$291.1M



SOURCES - \$108.4M

Cash Sales - \$105.5M
Investment Income - \$0.1M
Other - \$2.3M
Capital Contributions - \$0.5M



**OPERATING EXPENSES, PURCHASED
POWER, & OTHER PAYMENTS - \$(78.2)M**



BALANCE - \$30.2 M



DEBT SERVICE - \$(0.4)M



CAPITAL/EQUIPMENT - \$(5.3)M

Bonds \$(0.0)M
Cash \$(5.3)M



GENERAL FUND TRANSFER - \$(9.9)M



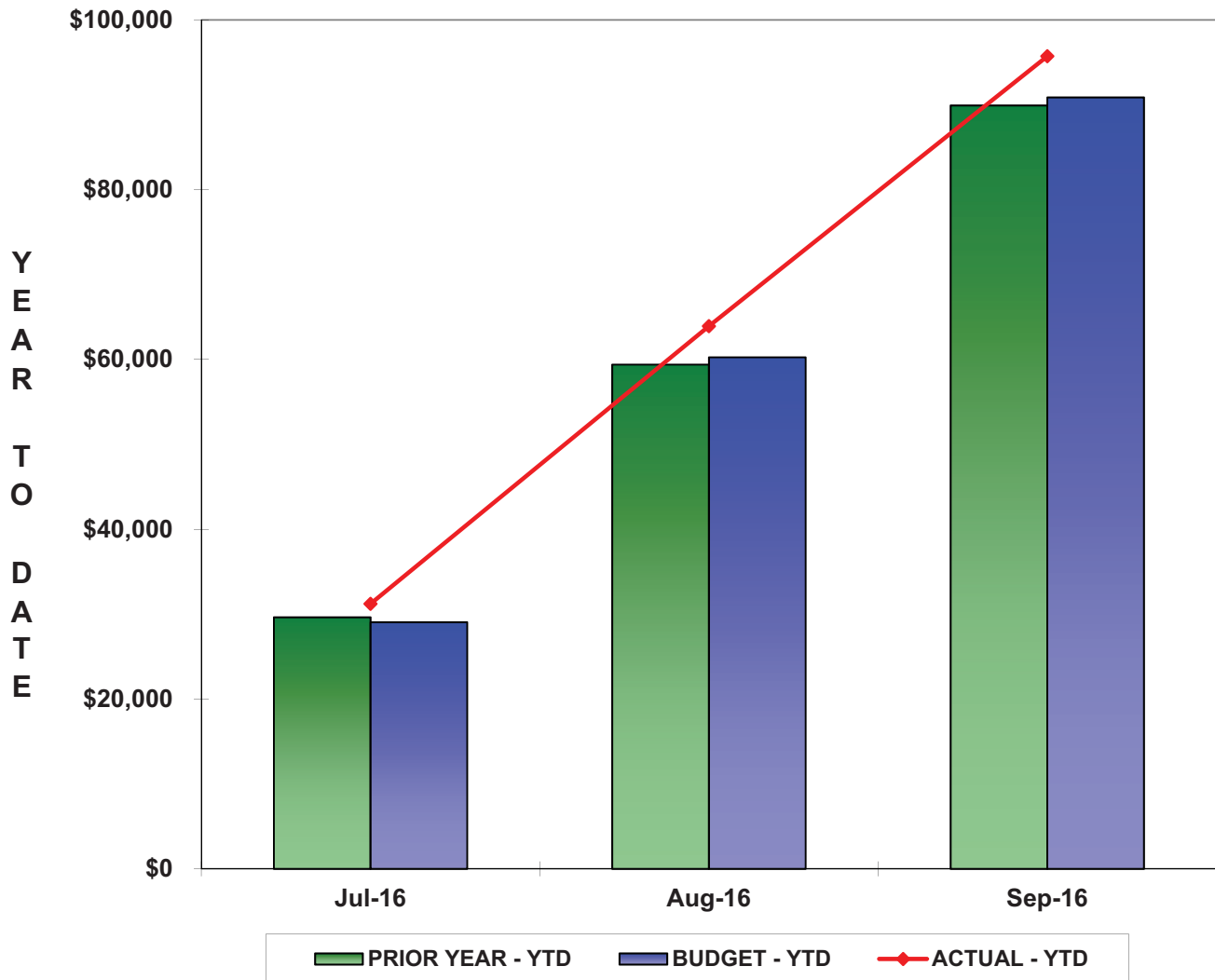
NET INCREASE TO CASH BALANCES – \$14.6M

Unrestricted – \$4.2M
*Restricted – \$10.4M

ENDING CASH BALANCES - \$305.7M

*Excludes legally restricted cash and investments at fiscal agent of \$92.3M

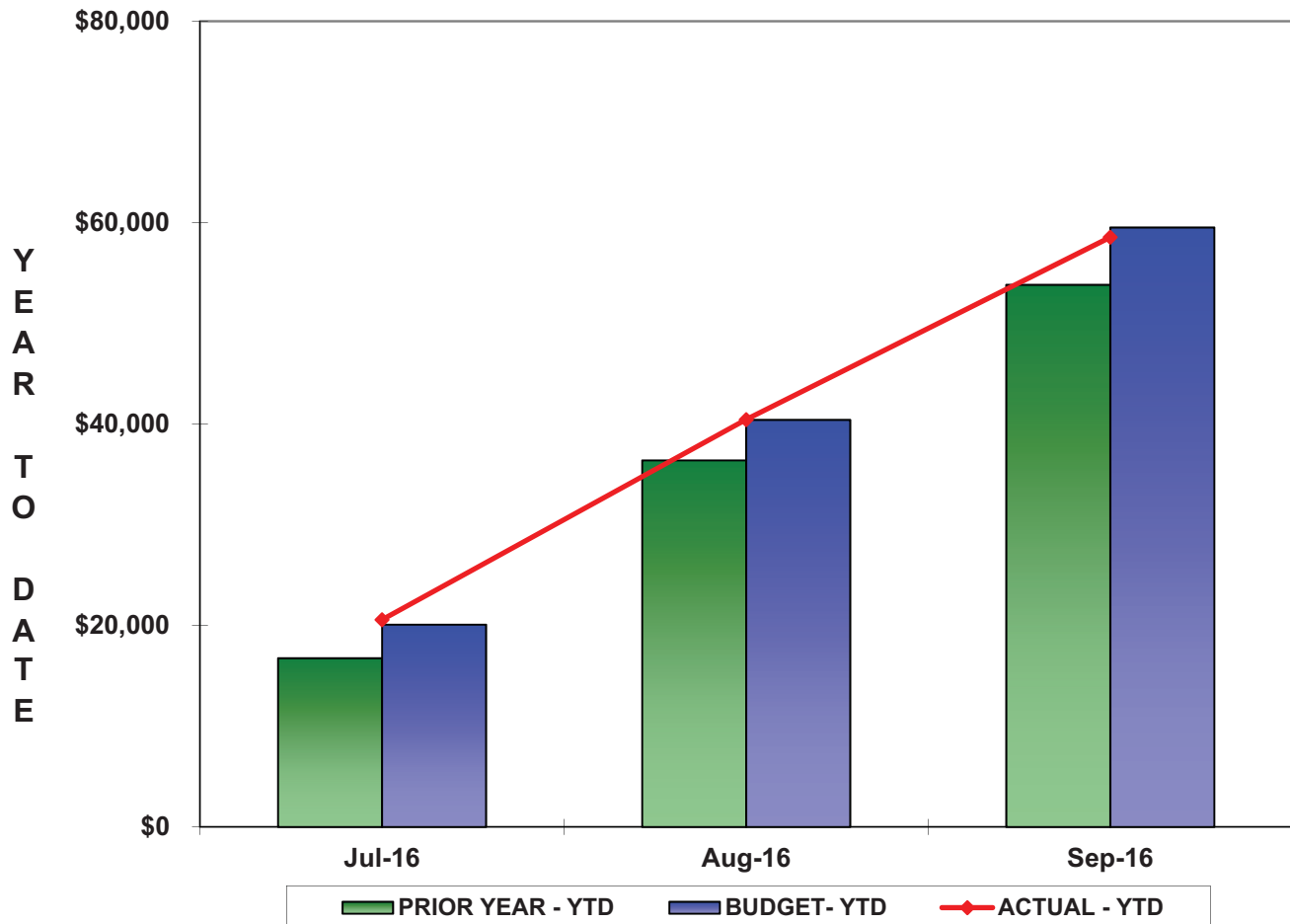
ELECTRIC UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED SEPTEMBER 30, 2016 (In Thousands)



Actual to Prior: Year-to-date retail sales of \$95.7M are \$5.8M (6.5%) higher than prior year due to a 5.8% increase in consumption as a result of warmer weather.

Actual to Budget: Year-to-date actual retail sales are \$4.9M (5.3%) higher than budget due to higher than expected consumption due to warmer than anticipated weather.

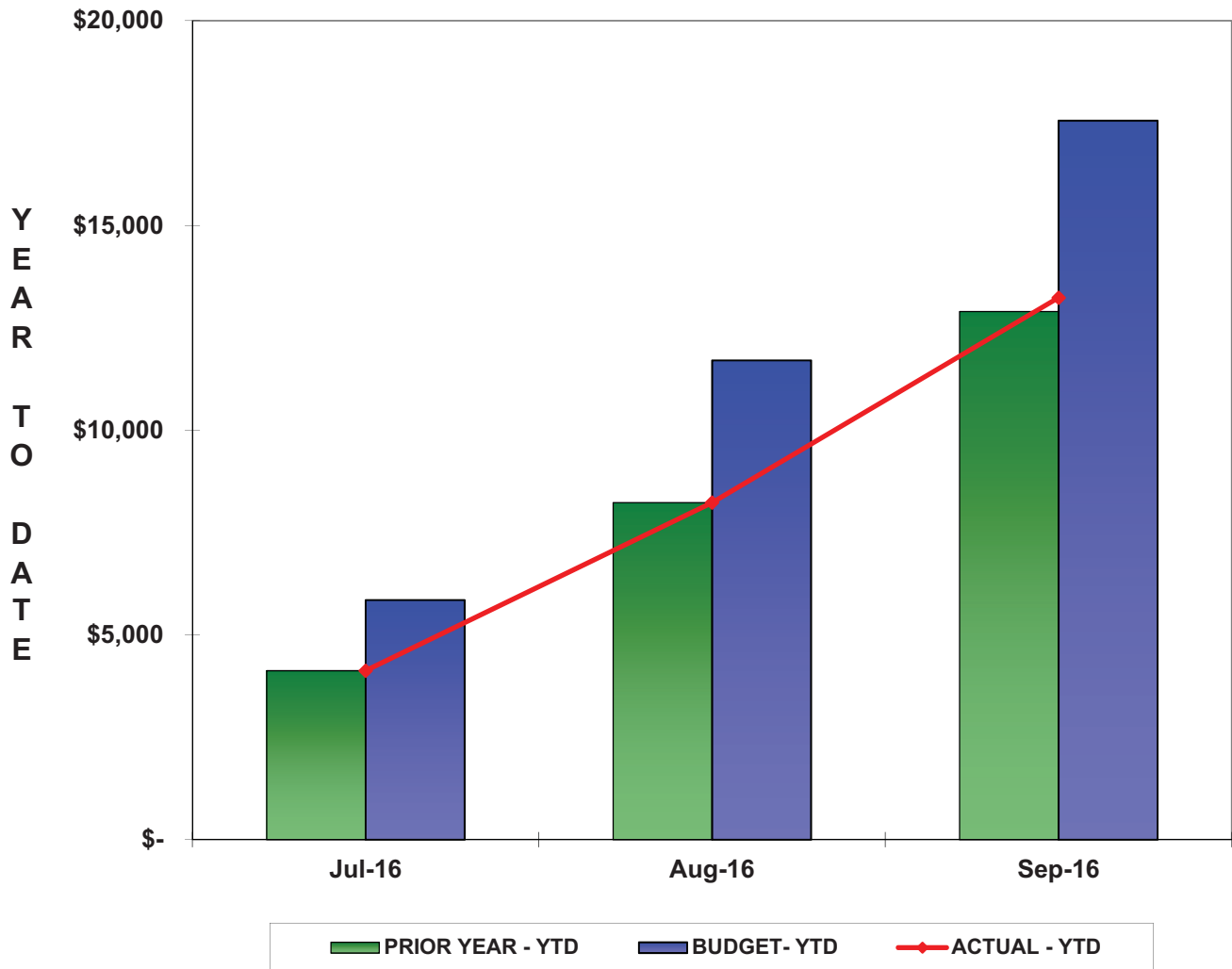
ELECTRIC UTILITY POWER SUPPLY EXPENSES FOR THE PERIOD ENDED SEPTEMBER 30, 2016 (In Thousands)



Actual to Prior: Year-to-date power supply costs of \$58.6M are \$4.7M (8.8%) higher than prior year primarily due to increase in customer consumption as a result of warmer weather and new renewable energy projects coming online.

Actual to Budget: Year-to-date power supply costs are slightly below budget due to lower than anticipated market prices offset by higher than anticipated CAISO transmission access charges and higher than anticipated customer consumption.

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

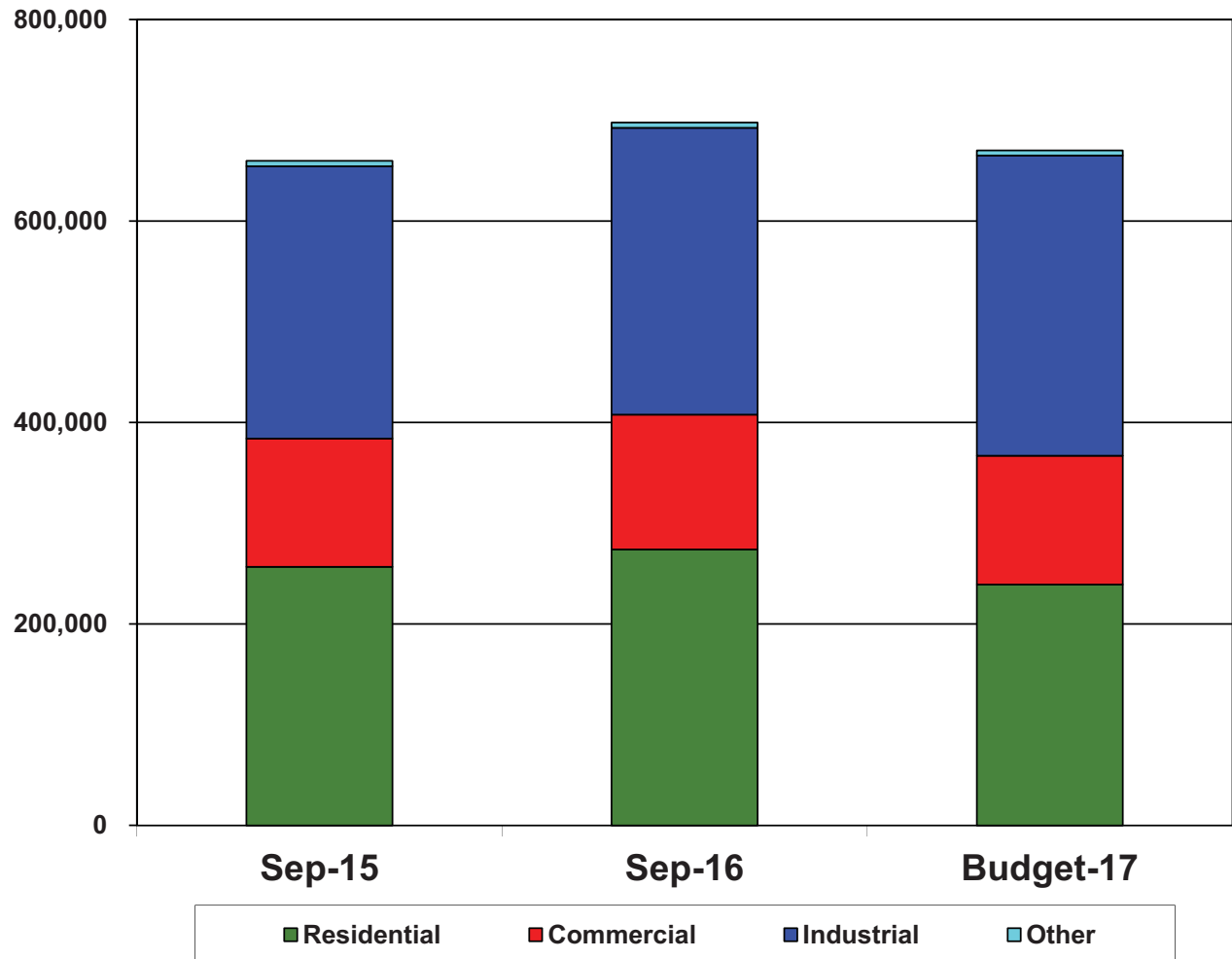


Actual to Prior: Year-to-date distribution operating expenses of \$13.2M are slightly higher than prior year primarily due to an increase in general operating expenses.

Actual to Budget: Year-to-date operating expenses are \$4.3M (24.6%) 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 SEPTEMBER 30, 2016***

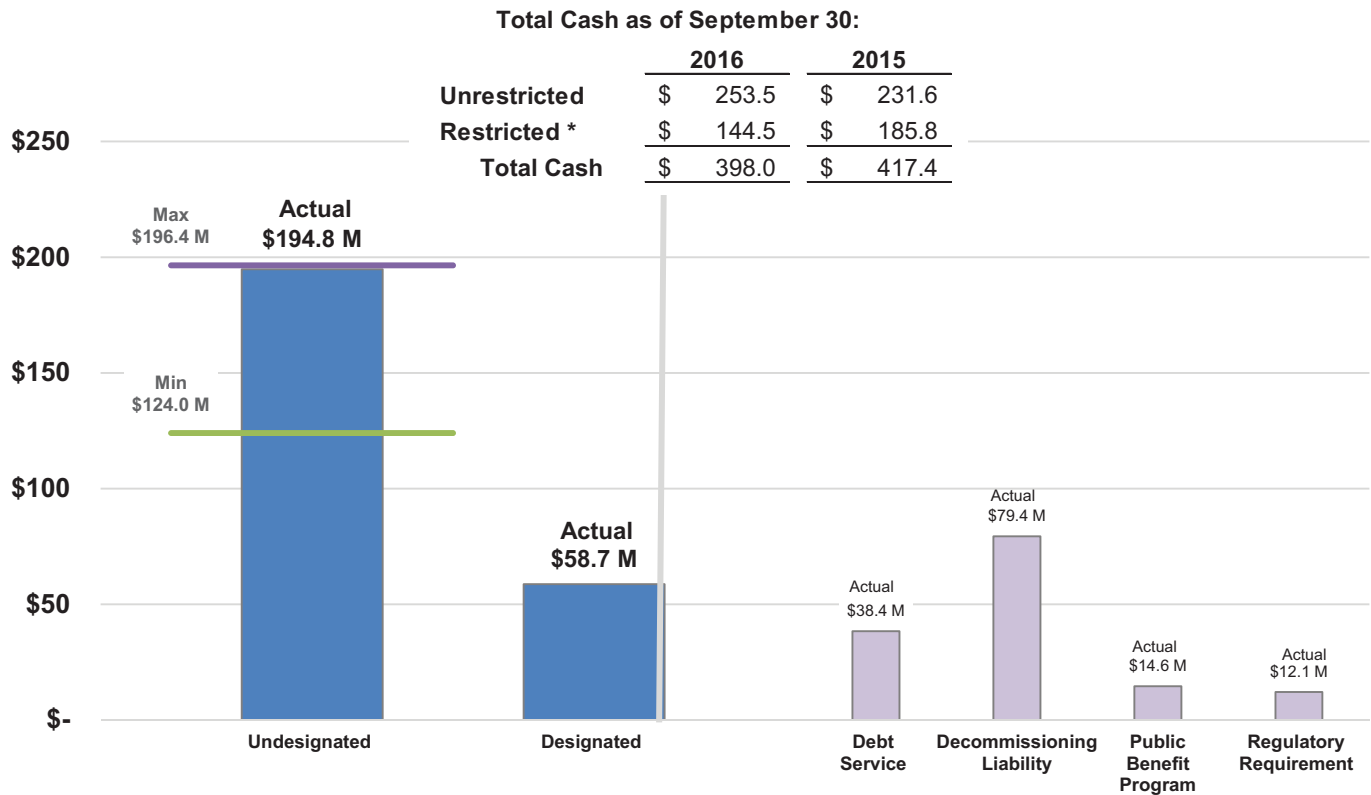
Total - YTD **659,849** **697,785** **670,252**



Actual to Prior: Retail kWh sales are 5.8% higher than prior year due to an increase in consumption as a result of warmer weather.

Actual to Budget: Retail kWh sales are 4.1% above budget primarily due to higher than anticipated residential and commercial consumption as a result of warmer than anticipated weather.

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



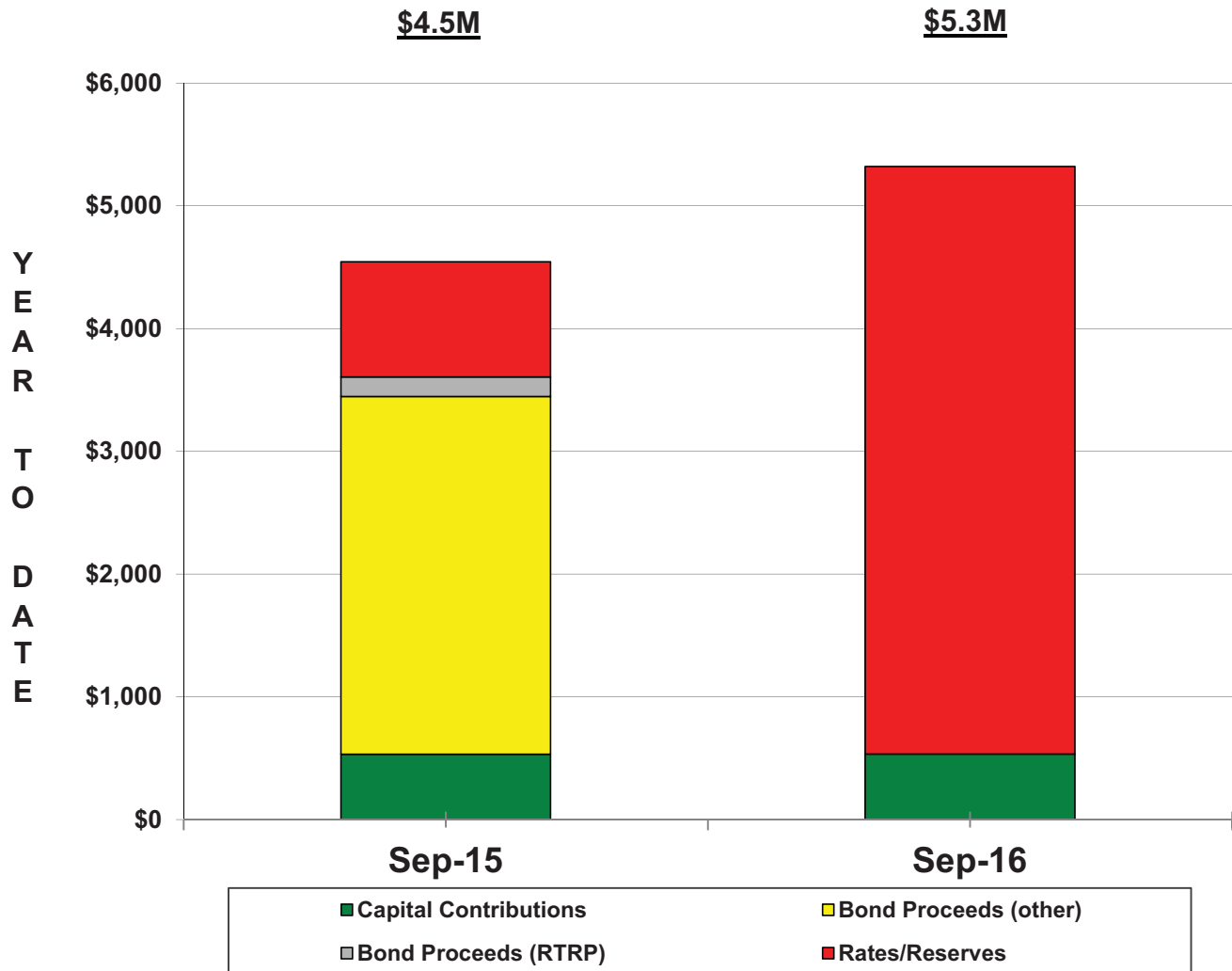
* Legally restricted for specific purposes.

The components of Unrestricted Designated Reserves are:

	FY 16/17
Electric Reliability Fund	\$ 47.3
Add'l Decommissioning Liability Reserve	\$ 5.4
Customer Deposits Reserve	\$ 3.8
Capital Repair/Replacement Reserve	\$ 2.0
Mission Square Improvement Fund	\$ 0.2
Total Designated Reserves	\$ 58.7

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 \$19.4M 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 \$18.6M related to positive operating results, settlement recoveries received in the prior fiscal year and the depletion of bond proceeds used in funding of capital projects.

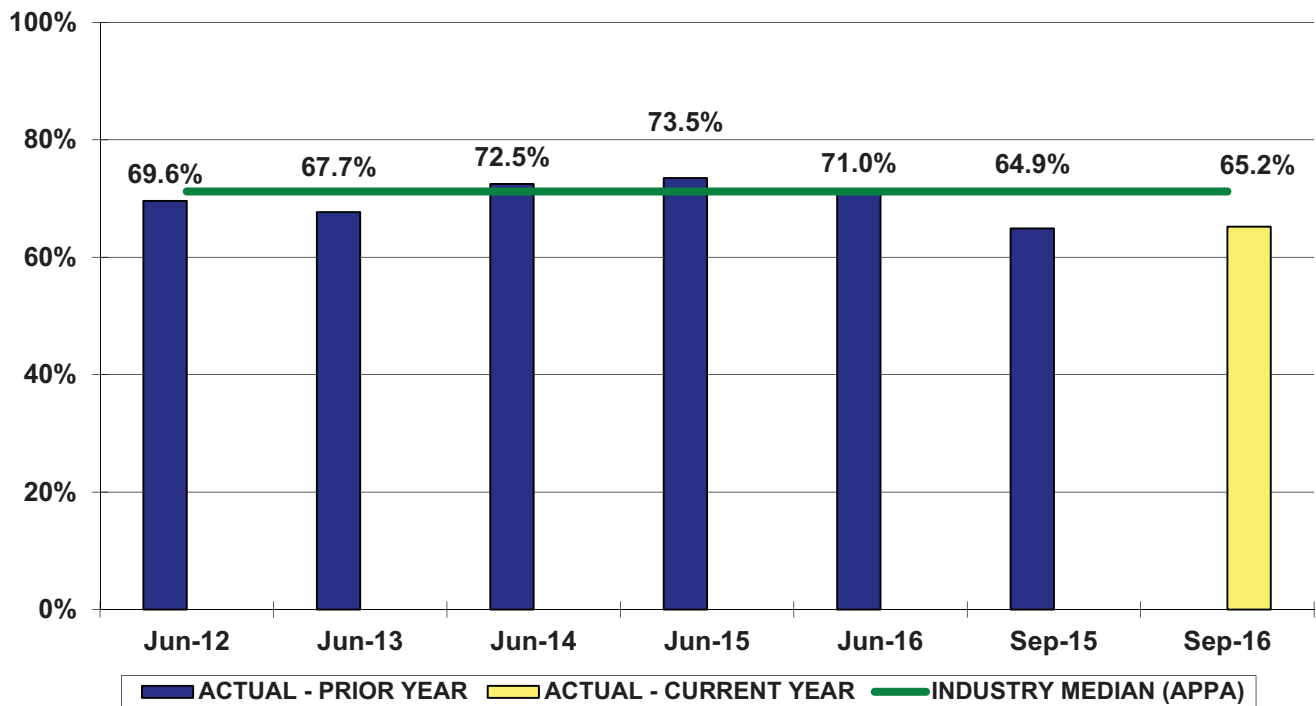
ELECTRIC UTILITY CAPITAL/EQUIPMENT FUNDING SEPTEMBER 30, 2015 AND 2016 (In Thousands)



Current year capital expenses (projects + equipment) of \$5.3M are slightly higher than prior year, due to increased spending relating to RTRP project.

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%

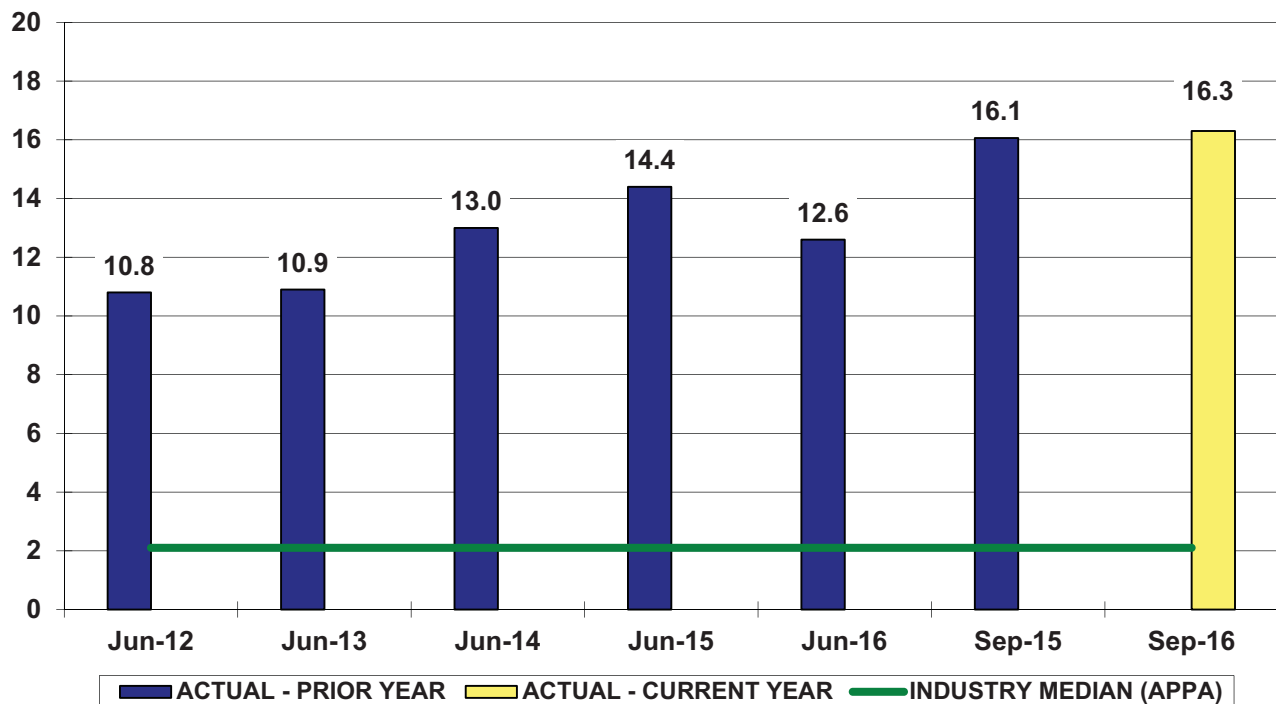


The Utility's Operating Ratio of 65.2% reflects a 0.3 point (unfavorable) change from prior year primarily due to an increase in power supply costs. This ratio is 6.0 points lower (favorable) than the industry median of 71.2%.

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 = 2.1

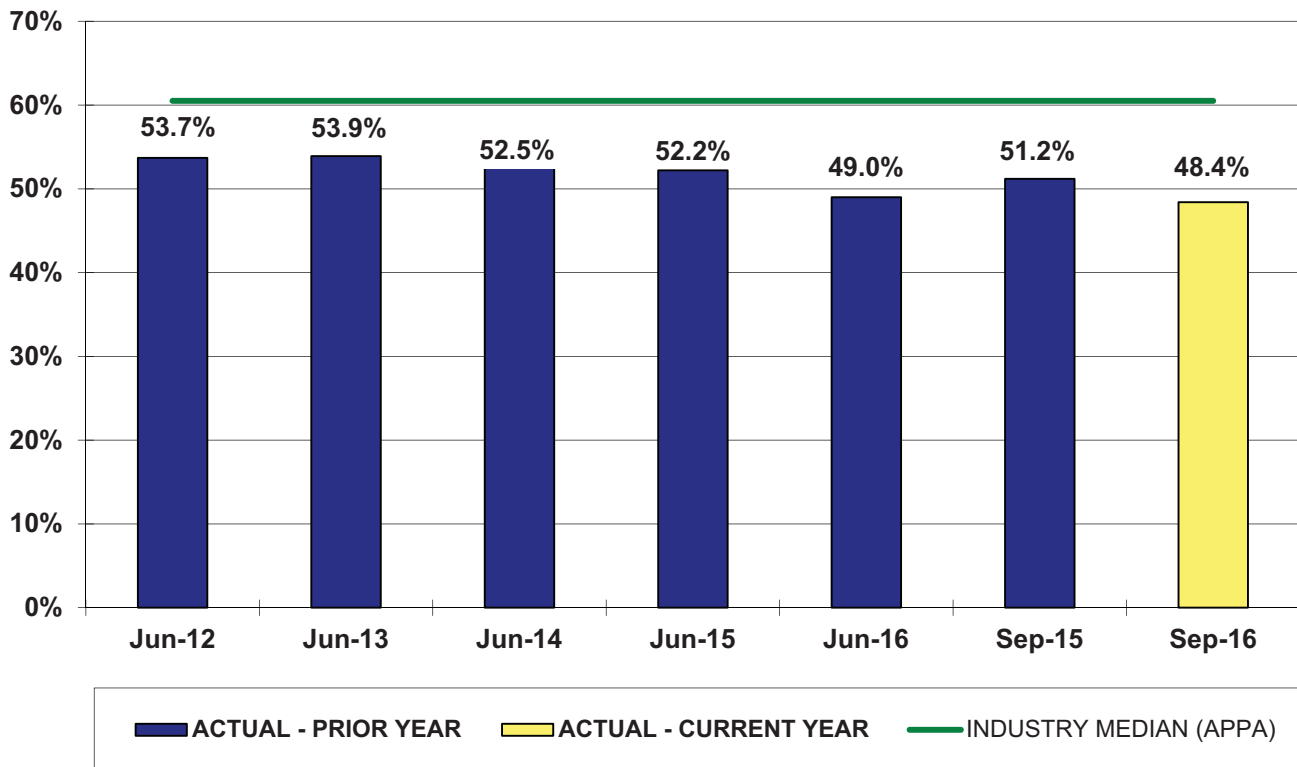


The Utility's Unrestricted Current Ratio of 16.3 reflects a 0.2 point (favorable) change compared to prior year primarily due to an increase of unrestricted reserves relating to positive operating results. This ratio is also 14.2 points higher (favorable) than the industry median of 2.1, which indicates 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 = 60.5%

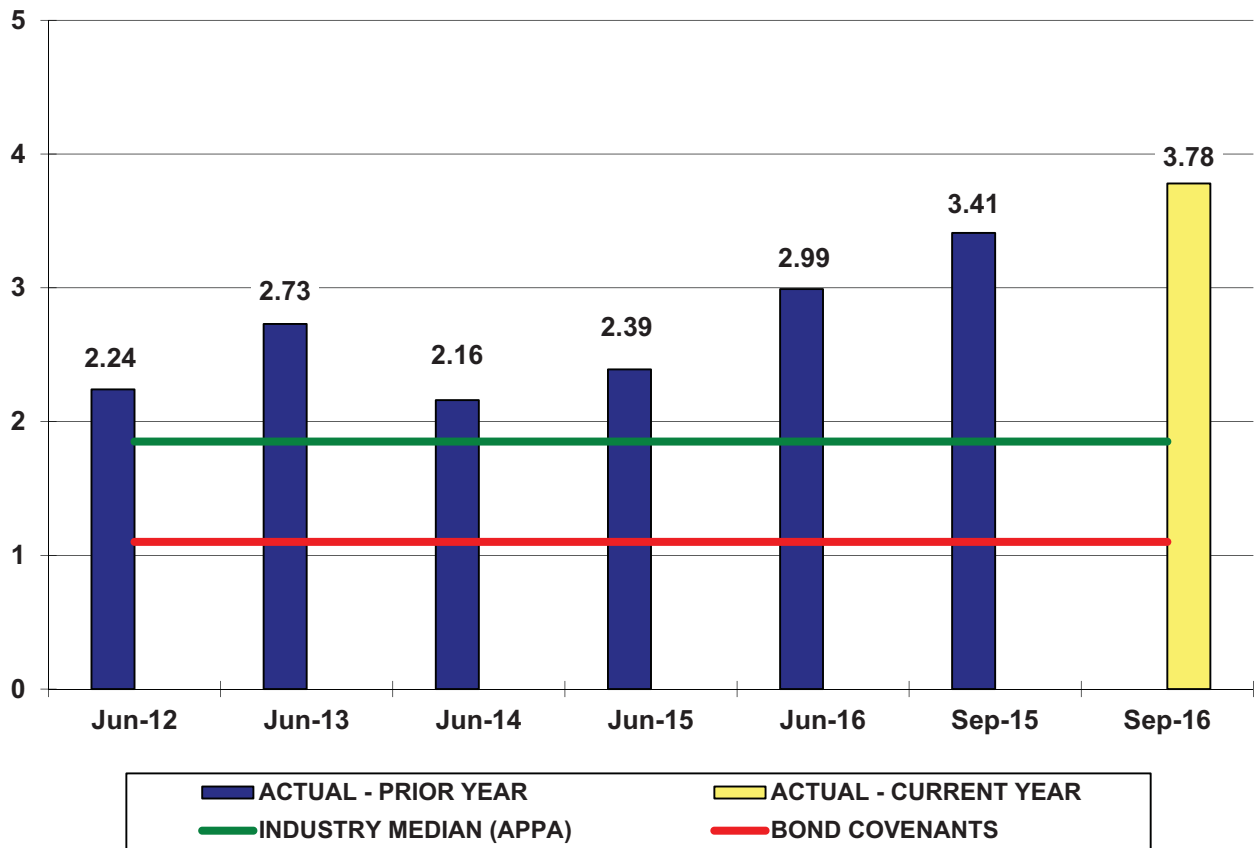


The Utility's Debt Ratio of 48.4% reflects a 2.8 point (favorable) change from prior year primarily due to principal payments on outstanding debt. This ratio is 12.1 points lower (favorable) than the industry median of 60.5%.

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. In addition, the ratio has been revised to conform with the methodology used in determining the industry standards median.

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 3.78 indicates that sufficient revenues are available to cover debt service. This ratio is higher than prior year primarily due to positive operating results. This ratio is also higher than the industry median of 1.85.

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 Quarter Ended September 30, 2016)

BEGINNING CASH BALANCES - \$82.0M



SOURCES - \$20.6 M

Cash Sales - \$20.0M
Other - \$0.2M
Capital Contributions - \$0.4M



OPERATING EXPENSES - \$(10.5)M



BALANCE - \$10.1



DEBT SERVICE - \$0.1M



CAPITAL/EQUIPMENT - \$(3.0)M

Bonds \$(0.0)M
Cash \$(3.0)M



GENERAL FUND TRANSFER - \$(1.4)M

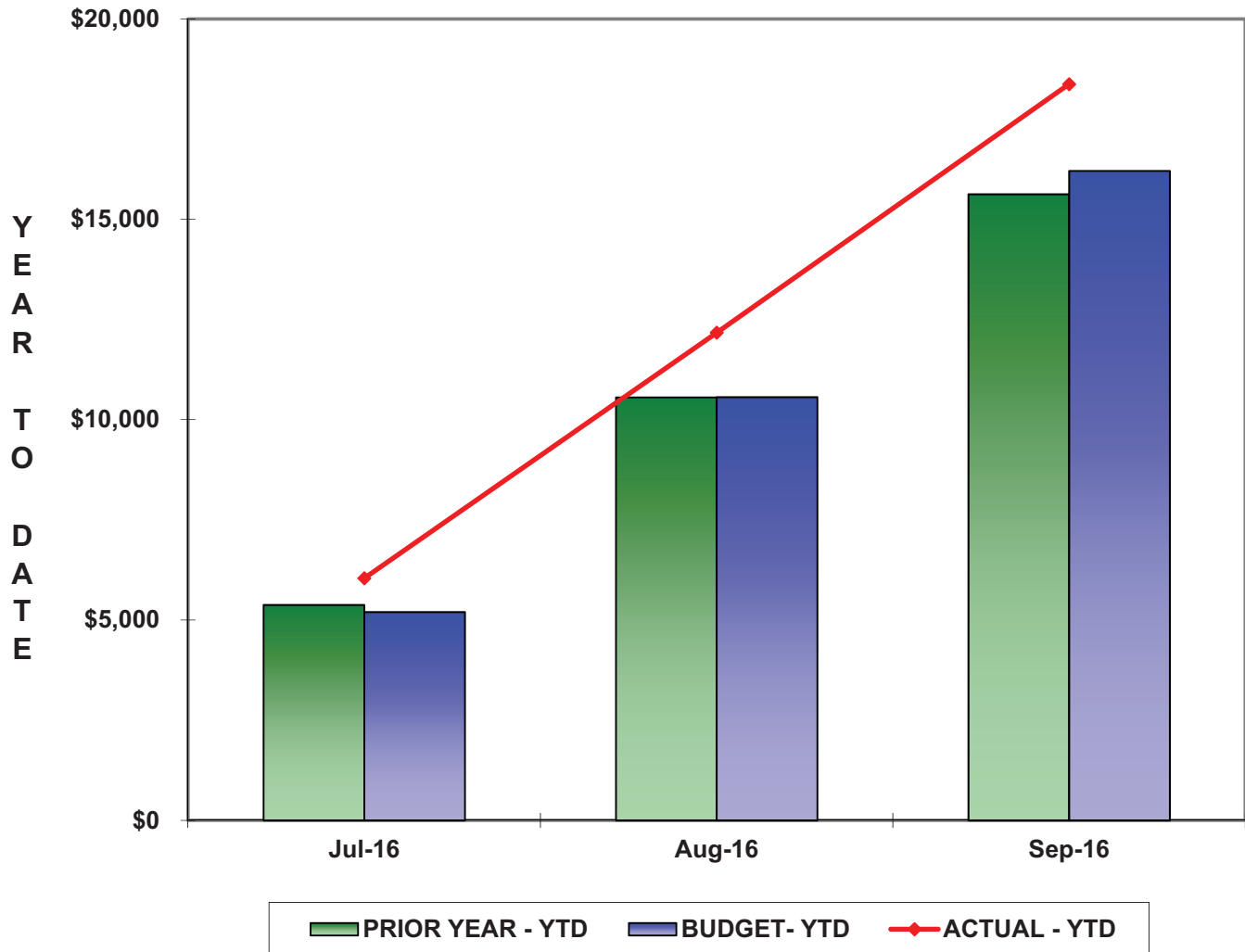


NET INCREASE TO CASH BALANCES- \$5.8M

Unrestricted – \$2.3M
Restricted – \$3.5M

ENDING CASH BALANCES - \$87.8M

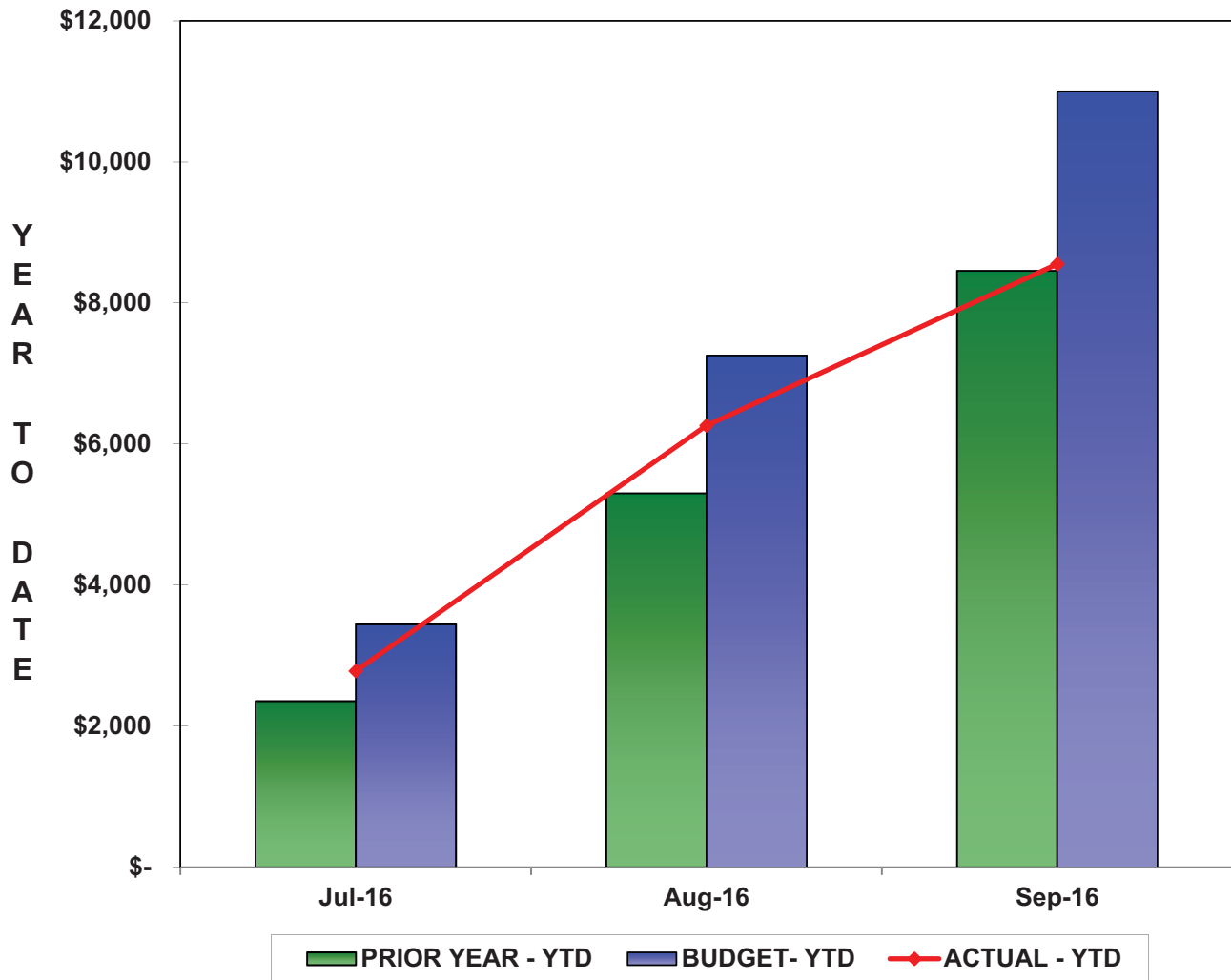
WATER UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED SEPTEMBER 30, 2016 (In Thousands)



Actual to Prior: Year-to-date actual retail sales of \$18.4M are \$2.7M (17.6%) higher than prior year primarily due to a 16.5% increase in consumption as a result of the lifting of water restriction mandates and warmer weather.

Actual to Budget: Year-to-date actual retail sales are \$2.2M (13.4%) higher than budget due to an increase in consumption levels as a result of the lifting of water restriction mandates and warmer than anticipated weather.

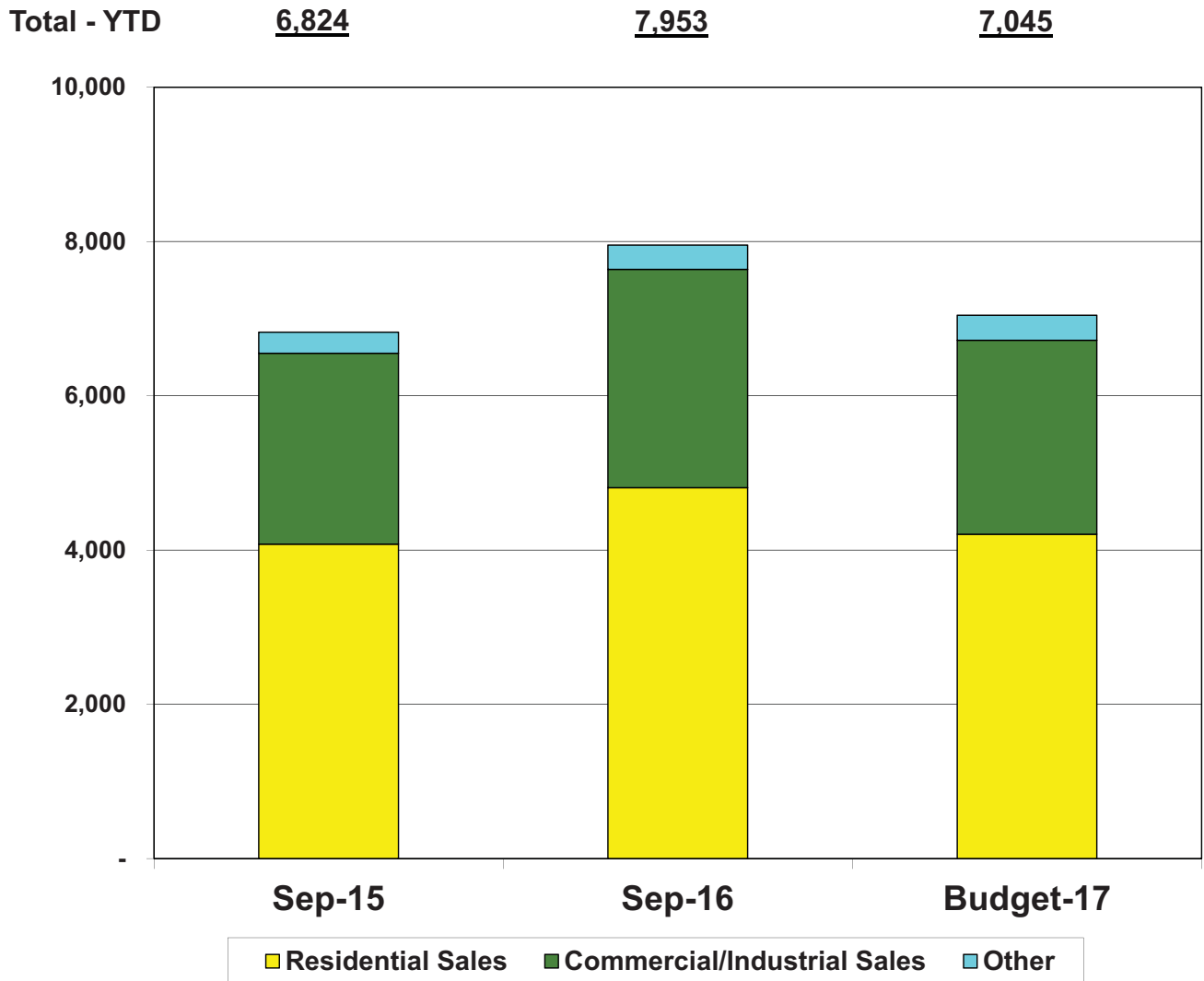
WATER UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED SEPTEMBER 30, 2016 (In Thousands)



Actual to Prior: Year-to-date distribution operating expenses of \$8.6M are consistent with prior year.

Actual to Budget: Year-to-date operating expenses are \$2.5M (22.3%) 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 SEPTEMBER 30, 2016**



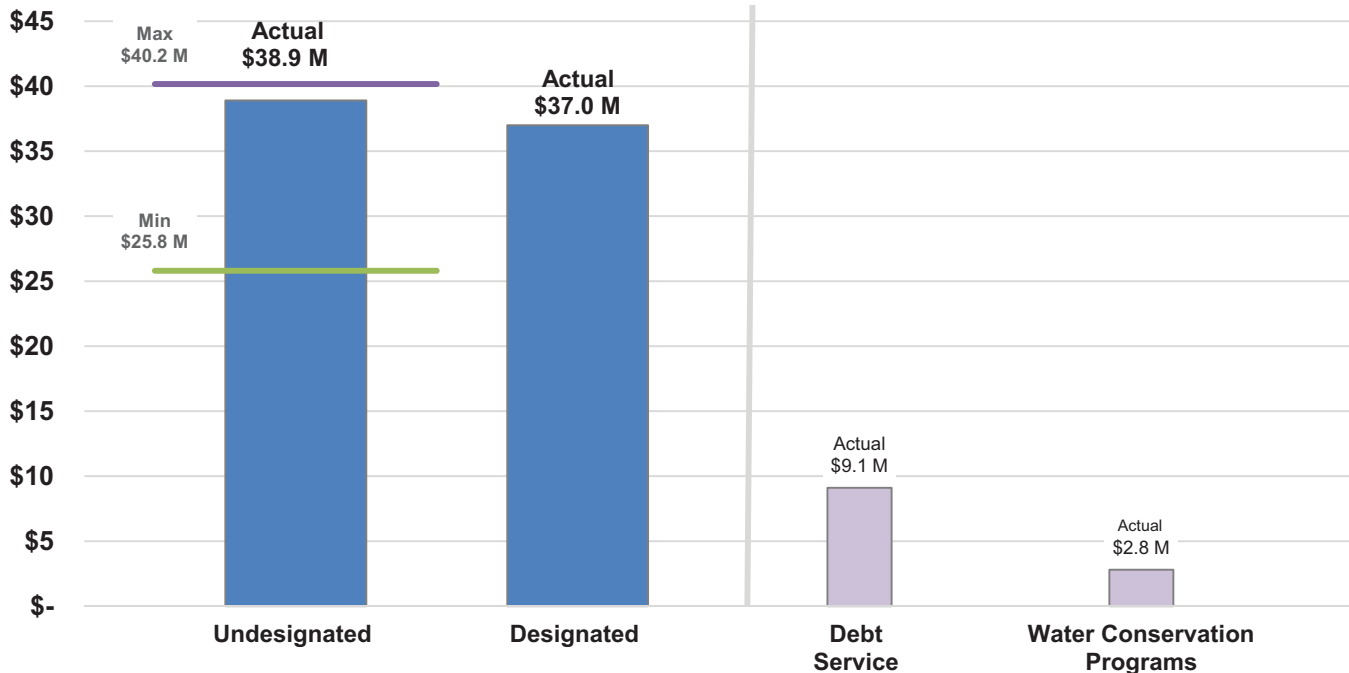
Actual to Prior: Retail CCF sales are 16.5% higher than prior year due to an increase in consumption as a result of the lifting of water restriction mandates and warmer weather.

Actual to Budget: Retail CCF sales are 12.9% above budget due to increased consumption levels primarily due to the lifting of water restrictions and warmer than anticipated weather.

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

Total Cash as of June 30 :

	2016	2015
Unrestricted	\$ 75.9	\$ 79.9
Restricted *	\$ 11.9	\$ 13.0
Total Cash	\$ 87.8	\$ 92.9



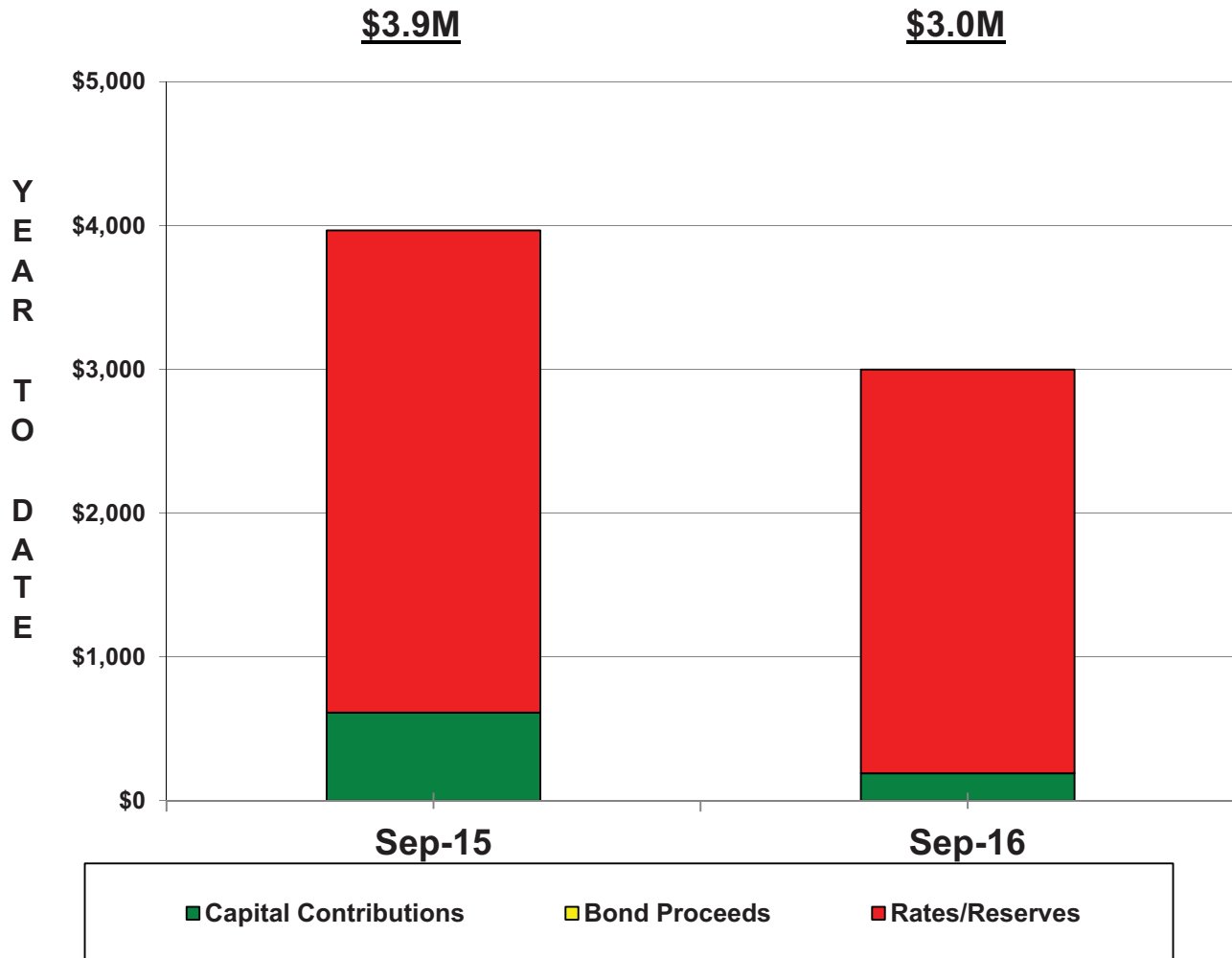
* Legally restricted for specific purposes.

The components of Unrestricted Designated Reserves are:

	FY 16/17
Property Reserve	\$ 26.0
Recycled Water Reserve	\$ 9.8
Capital Repair/Replacement Reserve	\$ 0.8
Customer Deposits Reserve	\$ 0.4
Total Designated Reserves	\$ 37.0

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 \$5.1M 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.

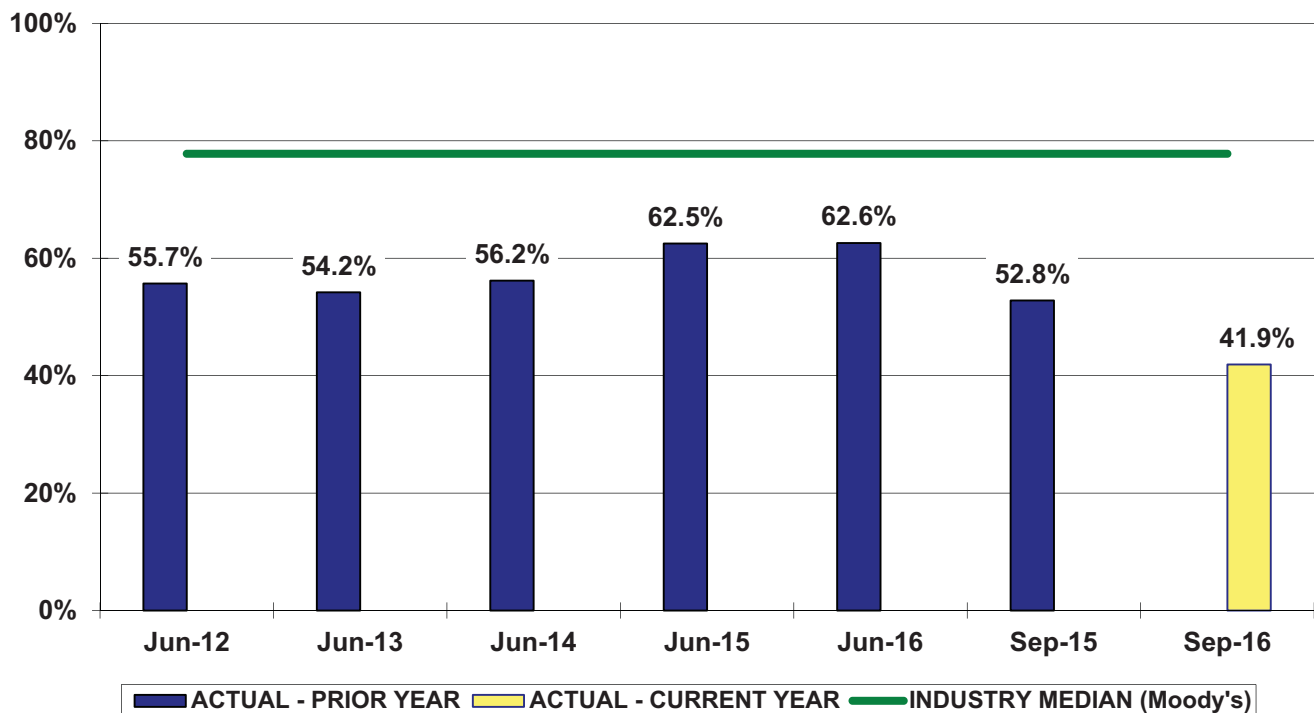
WATER UTILITY CAPITAL/EQUIPMENT FUNDING SEPTEMBER 30, 2015 AND 2016 (In Thousands)



Current year capital expenses (capital projects + equipment) of \$3.0M is slightly lower than prior year. Staff continues to monitor capital expenditures in conjunction with cash reserve levels as a response to lower revenues than normal due to conservation efforts.

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%

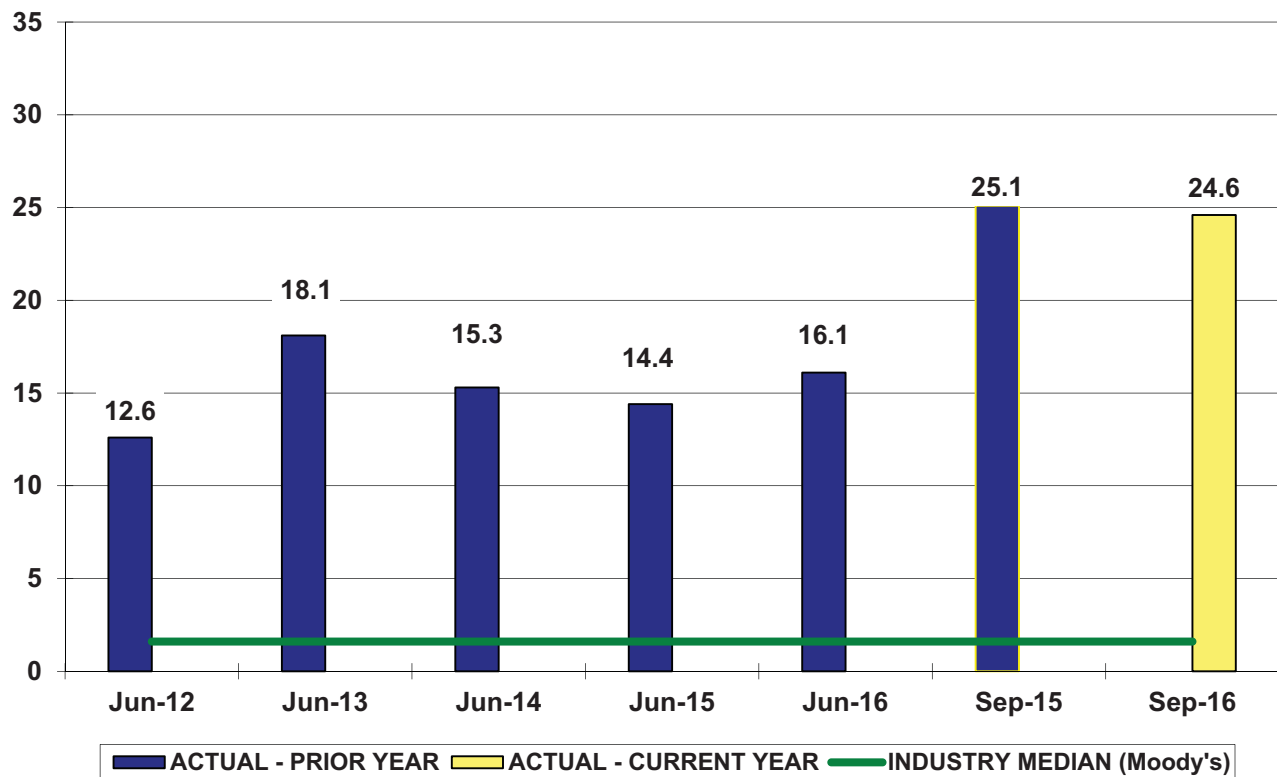


The Utility's Operating Ratio of 41.9% reflects a 10.9 point (favorable) change from prior year primarily due to an increase in operating revenues as a result of the reduction in water restrictions. This ratio is also 35.9 points lower (favorable) than the industry median of 77.8% which indicates strong 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 = 1.6

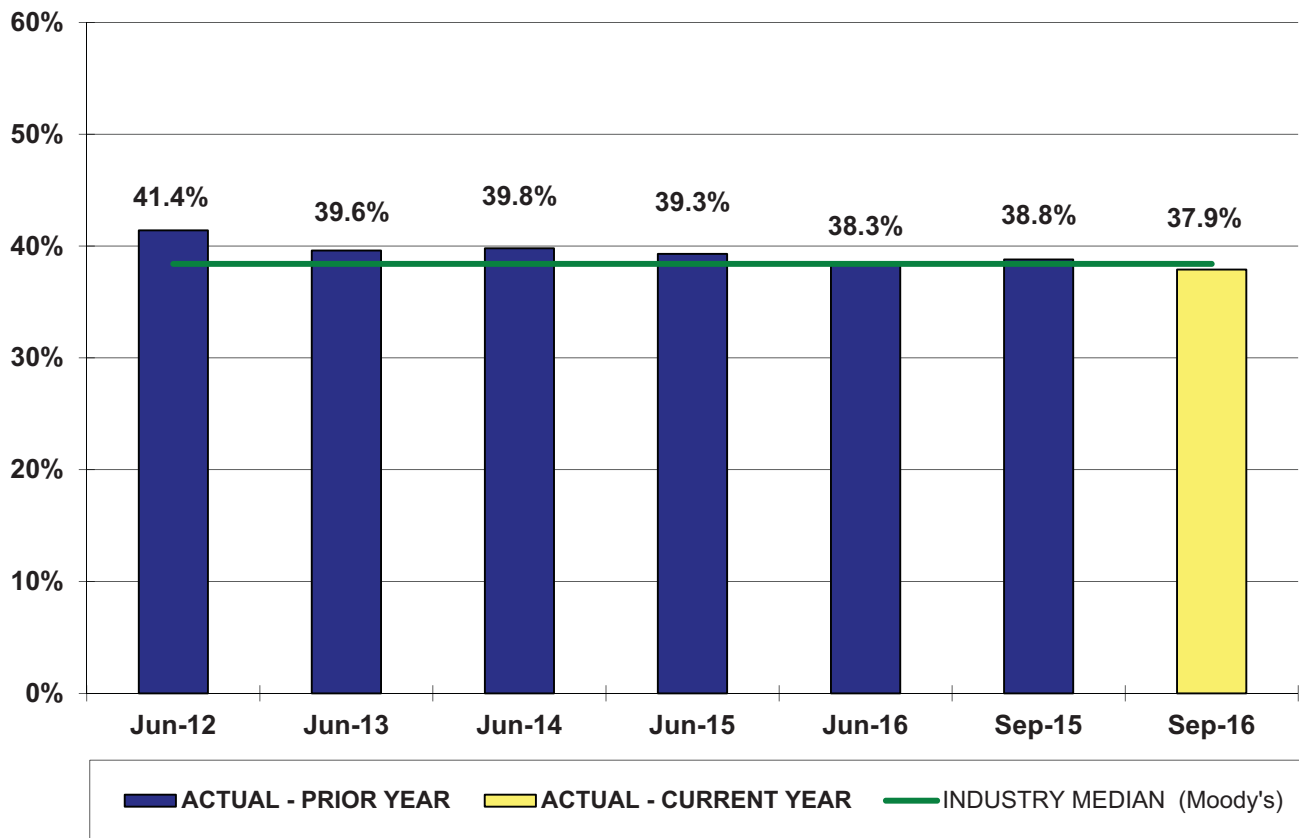


The Utility's Unrestricted Current Ratio of 24.6 reflects a 0.5 point (unfavorable) change from prior year due to a decrease in cash and cash equivalents for the use of reserves on capital projects which are customarily funded by bonds. This ratio is 23 points higher (favorable) than the industry median of 1.6, 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 = 38.4%



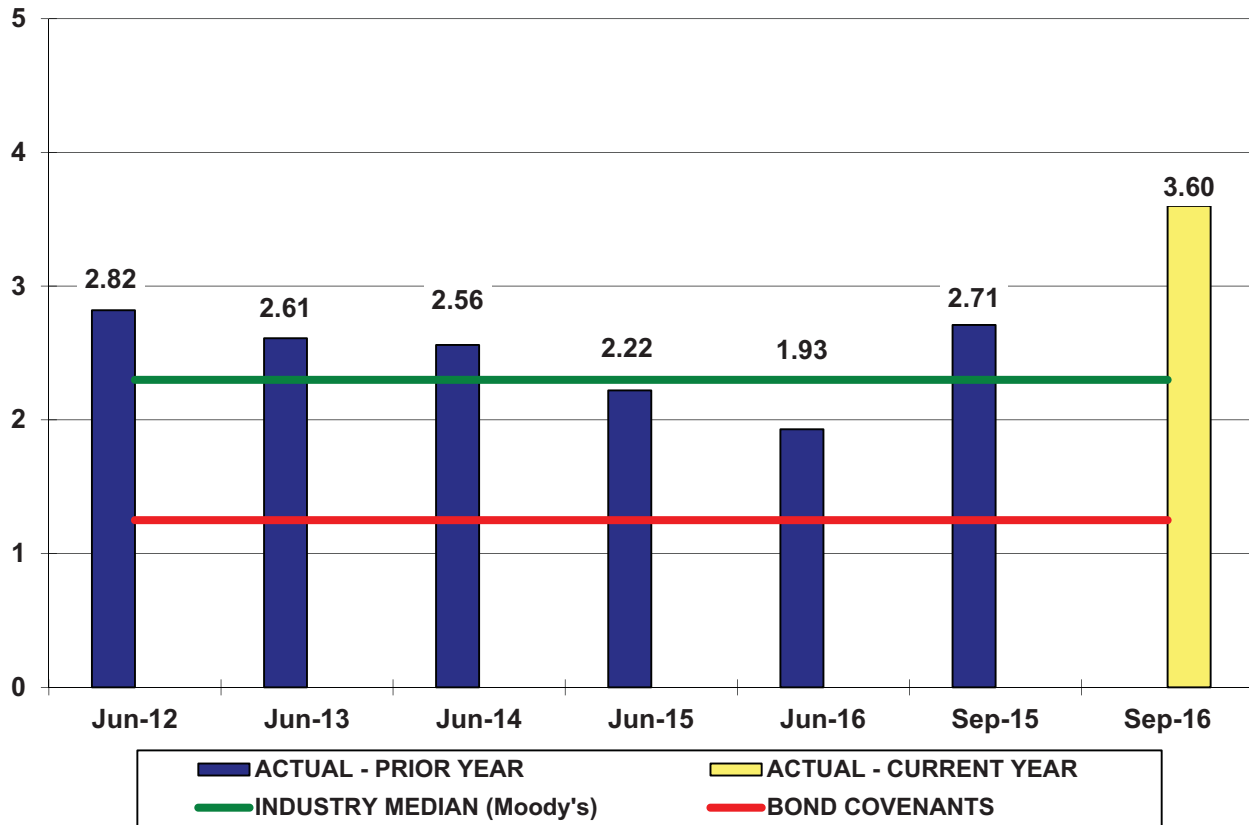
The Utility's Debt Ratio of 37.9% reflects a 0.9 point (favorable) change from prior year primarily due to principal payments on outstanding debt. This ratio is 0.5 points lower (favorable) than the industry median of 38.4%.

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. In addition, the ratio has been revised to conform with the methodology used in determining the industry standards median.

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 3.60 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.