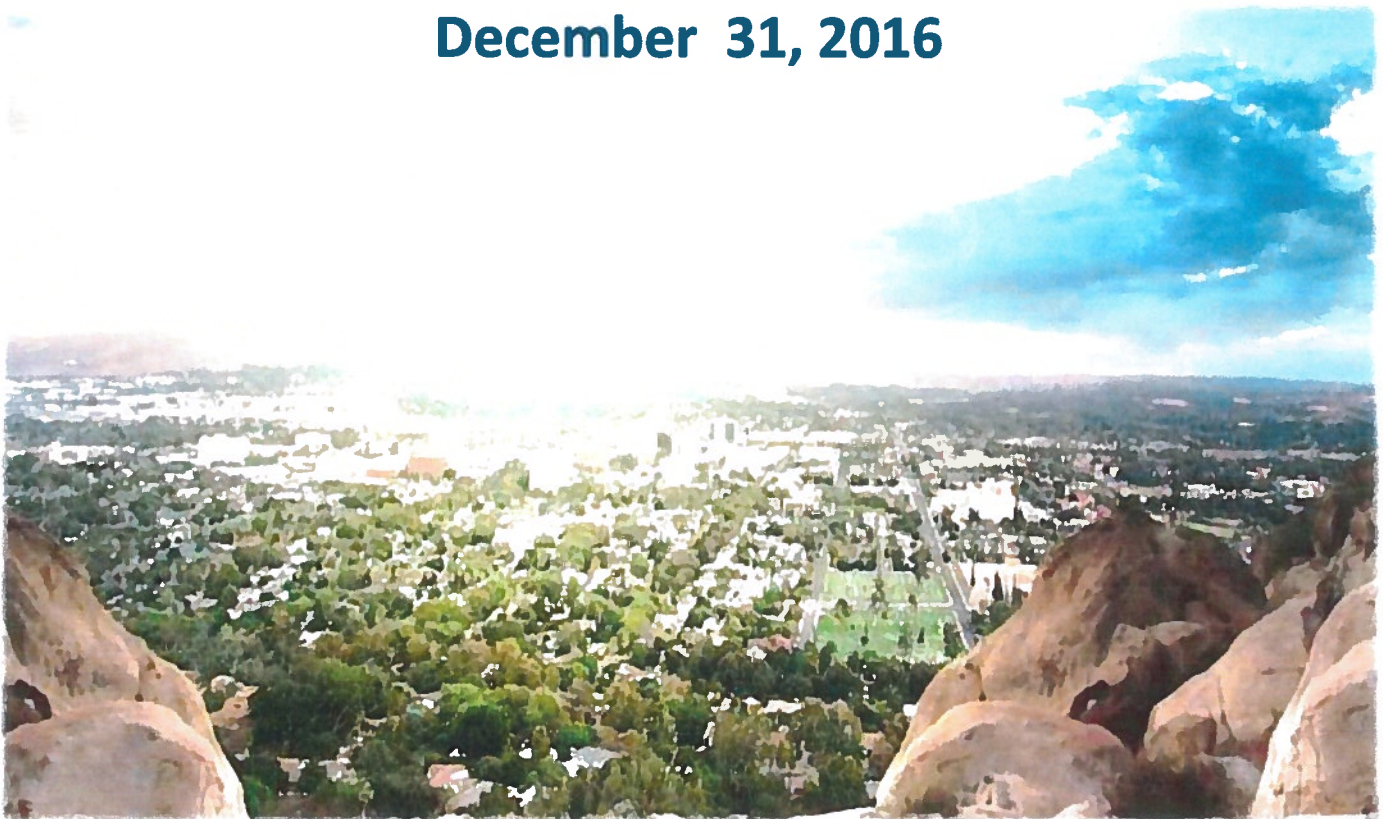


*Arts & Innovation*

# QUARTERLY FINANCIAL REPORT

**December 31, 2016**



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## DECEMBER 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 six months ended December 31, 2016.

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

Retail sales were \$170.4 million and were \$2.2 million (1.3%) higher than prior year due to a 1.1% overall increase in consumption as a result of warmer weather during the summer season. (Graphs A-2 and A-5)

Transmission revenue of \$18.7 million was \$1.8 million (11%) 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 \$103.8 million were \$5.5 million (5.6%) higher than prior year primarily due to an increase in customer consumption as a result of warmer weather and new renewable energy projects coming online. (Graph A-3)

Distribution operating expenses of \$27.7 million were slightly higher than prior year primarily due to an increase in general operating costs. (Graph A-4)

Capital contributions of \$1.1 million were \$5.2 million lower than prior year primarily due to a prior year donated easement made by California Baptist University for general access to electrical system assets. (Pages 3 and 6)

Other non-operating revenue of \$2.3 million were \$7.4 million lower than prior year mainly due to the \$7.2 million SONGS insurance settlement received in the prior year. (Pages 3 and 6)

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 \$192.3 million is within these limits. Based on current planned projects and remaining budgeted expenses, we anticipate staying within these limits at year-end as required by RPU's fiscal policy. (Graph A-6)

Total unrestricted and restricted cash balances of \$385.1 million increased by \$8.2 million primarily due to settlement recoveries and liquidated damages received in the last half of the prior year and positive operating results. This is offset by the funding of capital projects with undesignated reserves. The City Council approved Reimbursement Resolution allows the current use of undesignated reserves for capital projects, which may be reimbursed by a future bond issuance. (Graph A-6)

Utility plant assets increased by \$9.2 million primarily due to donated easements for access to electrical systems, as well as the completion of significant capital projects such as substation improvements, technology upgrades and distribution line extensions and replacements, offset by current year depreciation. (Page 4)

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

Deferred outflows of resources increased by \$9.0 million primarily due to an increase of \$14.7 million in deferred outflows related to pension accounting as prescribed by generally accepted accounting principles partially offset by a decrease of \$4.6 million in deferred changes in derivative values relating to interest rate swaps. (Page 4)

Total net position increased by \$31.9 million primarily due to positive operating results, non-cash capital contributions and settlement recoveries recognized in the prior fiscal year. (Page 5)

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

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

Retail sales were \$3.6 million (2.2%) higher than budget due to higher consumption as a result of warmer temperatures during the summer season. (Graphs A-2 and A-5)

Power supply costs were \$7.3 million (6.6%) 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 customer consumption. (Graph A-3)

Distribution operating expenses were \$7.8 million (21.9%) below budget mainly due to timing of expenditures and savings in personnel costs and other general operating expenses. (Graph A-4)

With 50% of the year completed, the Electric Utility spent 45% 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 \$31.9 million were \$3.7 million (13.0%) higher than prior year due to a 13.1% increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season. (Graphs A-13 and A-15)

Distribution operating expenses of \$18.3 million are \$0.4 million (2.3%) higher than prior year due to an increase in production costs as a result of an increase in consumption. (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 \$37.5 million is within these limits. (Graph A-16)

Total unrestricted and restricted cash balances of \$80.7 million decreased by \$1.9 million primarily due to the use of undesignated reserves for capital projects offset by positive operating results and an increase in recycled water reserve resulting from the receipt of \$3.3 million on June 30, 2016 from the final payment from a settlement agreement with the City. The City Council approved Reimbursement Resolution allows the current use of undesignated reserve for capital projects, which may be reimbursed by a future bond issuance. (Graph A-16)

Utility plant assets increased by \$3.5 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 \$3.3 million primarily due to an increase of \$5.3 million related to pension accounting as prescribed by generally accepted accounting principles, offset by decrease of \$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 \$5.6 million due to principal payments made on outstanding debt. (Page 12)

Total net position increased by \$6.3 million primarily due to positive operating results and an increase in investment in capital assets. (Page 12)

#### **Water Utility: Comparison to budget**

Retail sales were \$3.0 million (10.3%) higher than budget due to an increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season. (Graphs A-13 and A-15)

Distribution operating expenses were \$3.6 million (16.4%) lower than anticipated levels due to timing of expenditures and savings in personnel costs and other general operating expenses. (Graph A-14)

With 50% of the year completed, the Water Utility spent 43% 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 DECEMBER 31, 2016**  
(50% of the year completed)

	QUARTERLY (in thousands)					YEAR-TO-DATE (in thousands)		
	CURRENT Oct - Dec 2016	BUDGET Oct - Dec 2016	PRIOR Oct - Dec 2015	TOTAL BUDGET FY 16/17	CURRENT YTD AS % OF TOTAL BUDGET	CURRENT Dec 2016	BUDGET Dec 2016	PRIOR Dec 2015
<b>OPERATING REVENUES:</b>								
RESIDENTIAL SALES	\$ 27,124	\$ 27,239	\$ 30,902	\$ 112,809	60%	\$ 67,686	\$ 62,691	\$ 68,753
COMMERCIAL SALES	17,464	17,771	17,461	72,431	53%	38,489	37,916	37,466
INDUSTRIAL SALES	28,890	29,717	28,887	121,017	51%	61,817	63,794	59,534
OTHER SALES	1,187	1,176	989	4,730	51%	2,396	2,370	2,413
WHOLESALE SALES	4	-	1	-	0%	8	-	1
TRANSMISSION REVENUE	7,880	8,430	7,191	35,062	53%	18,727	18,919	16,872
OTHER OPERATING REVENUE	2,983	2,322	1,945	8,757	62%	5,407	4,422	3,904
PUBLIC BENEFIT PROGRAMS	2,238	2,182	2,272	8,942	55%	4,938	4,795	4,865
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	87,770	88,837	89,648	363,748	55%	199,468	194,907	193,808
ESTIMATED UNCOLLECTIBLES	(300)	(299)	(294)	(1,196)	50%	(600)	(598)	(594)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	87,470	88,538	89,354	362,552	55%	198,868	194,309	193,214
<b>OPERATING EXPENSES:</b>								
MANAGEMENT SERVICES	1,717	3,081	2,108	12,326	32%	3,993	6,163	4,367
WORK FORCE DEVELOPMENT	78	130	-	519	27%	142	260	-
OFFICE OPS TECHNOLOGY	133	275	-	1,099	24%	262	549	-
UTILITY BUS SUPPORT	526	509	314	2,034	37%	746	1,017	463
BILLING SERVICES	128	165	98	660	36%	239	330	169
FIELD SERVICES	872	1,039	828	4,158	41%	1,696	2,079	1,590
CUSTOMER SERVICES	927	1,007	909	4,028	42%	1,707	2,014	1,768
MARKETING/COMMUNICATIONS	388	486	499	1,945	40%	776	973	1,009
PRODUCTION AND OPERATIONS	2,079	2,047	2,067	8,188	50%	4,119	4,094	3,926
FIELD OPERATIONS	3,425	4,571	3,094	18,284	33%	6,052	9,142	6,080
ENERGY DELIVERY ENGINEERING	1,864	1,873	1,664	7,491	47%	3,547	3,745	3,012
POWER RESOURCES	2,357	2,563	2,347	10,254	43%	4,450	5,127	4,442
PURCHASED POWER:								
TRANSMISSION	14,183	14,488	13,253	57,950	54%	31,322	28,975	29,153
GENERATION	32,220	36,849	31,230	157,858	46%	72,466	82,162	69,166
PUBLIC BENEFIT PROGRAMS	1,557	4,430	1,325	17,720	14%	2,427	8,860	2,032
DEPRECIATION	8,107	8,106	7,553	32,425	50%	16,213	16,213	15,107
TOTAL OPERATING EXPENSES	70,561	81,619	67,289	336,939	45%	150,157	171,703	142,284
OPERATING INCOME	16,909	6,919	22,065	25,613	190%	48,711	22,606	50,930
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
INVESTMENT INCOME	1,057	1,333	1,184	5,333	33%	1,736	2,667	1,689
INTEREST EXPENSE	(6,797)	(7,349)	(6,531)	(29,394)	44%	(13,037)	(14,697)	(13,080)
GENERAL FUND CONTRIBUTIONS	(9,900)	(9,900)	(9,832)	(39,600)	50%	(19,800)	(19,800)	(19,665)
GAIN ON SALE OF ASSETS	58	121	47	482	50%	241	241	270
OTHER	436	1,653	8,511	6,613	35%	2,341	3,306	9,763
TOTAL NON-OPERATING EXPENSES	(15,146)	(14,142)	(6,621)	(56,566)	50%	(28,519)	(28,283)	(21,023)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,763	(7,223)	15,444	(30,953)	-65%	20,192	(5,677)	29,907
CAPITAL CONTRIBUTIONS	550	1,659	5,787	6,638	16%	1,084	3,319	6,319
NET INCOME (LOSS)	\$ 2,313	\$ (5,564)	\$ 21,231	\$ (24,315)	-88%	\$ 21,276	\$ (2,358)	\$ 36,226

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**City of Riverside Electric Utility**


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**STATEMENTS OF NET POSITION**

	December 31	
	2016	2015
	(in thousands)	
<b>Assets and deferred outflows of resources</b>		
<b>Noncurrent assets:</b>		
Utility plant:	\$ 1,022,863	\$ 989,228
Less accumulated depreciation	(360,319)	(334,006)
	662,544	655,222
Land	21,833	17,012
Intangibles	10,651	10,651
Construction in progress	55,477	58,439
Total utility plant	750,505	741,324
Restricted assets:		
Cash and investments at fiscal agent	92,548	104,587
Other non-current assets:		
Advances to other funds of the City	5,113	5,850
Unamortized purchased power	7,945	6,188
Regulatory assets	4,285	10,700
Total other non-current assets	17,343	22,738
Total non-current assets	860,396	868,649
<b>Current assets:</b>		
Unrestricted assets:		
Cash and cash equivalents	253,541	239,655
Accounts receivable, less allowance for doubtful accounts		
2016 \$1,057; 2015 \$948	34,275	31,840
Advances to other funds of the City	377	583
Accrued interest receivable	851	860
Inventory	1,097	1,097
Prepaid expenses	19,700	18,656
Unamortized purchased power	372	496
Total unrestricted current assets	310,213	293,187
Restricted assets:		
Cash and cash equivalents	23,661	19,226
Public Benefit Programs - cash and cash equivalents	15,397	13,444
Public Benefit Programs receivable	924	924
Total restricted current assets	39,982	33,594
Total current assets	350,195	326,781
Total assets	1,210,591	1,195,430
<b>Deferred outflows of resources:</b>		
Deferred outflows related to pension	26,232	11,541
Changes in derivative values	16,653	21,265
Loss on refunding	10,281	11,363
Total deferred outflows of resources	53,166	44,169
Total assets and deferred outflows of resources	\$ 1,263,757	\$ 1,239,599

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	December 31	
	2016	2015
	(in thousands)	
<b>Net position, liabilities, and deferred inflows of resources</b>		
<b>Net position:</b>		
Net investment in capital assets	\$ 210,964	\$ 204,577
Restricted for :		
Regulatory requirements	14,050	9,599
Debt service	9,611	9,627
Public Benefit Programs	16,330	14,386
Unrestricted	215,935	196,774
Total net position	466,890	434,963
<b>Long-term obligations, less current portion</b>	547,527	562,252
<b>Other non-current liabilities:</b>		
Compensated absences	764	578
Net pension liability	77,907	71,773
Capital leases payable	3,512	852
Derivative instruments	23,141	26,776
Nuclear decommissioning liability	61,031	64,892
Advances from other funds of the City-pension obligation	9,372	10,084
Net other postemployment benefits payable	7,264	6,617
Total other non-current liabilities	182,991	181,572
<b>Current liabilities payable from restricted assets:</b>		
Accrued interest payable	4,919	5,055
Public Benefit Programs payable	4	-
Nuclear decommissioning liability	6,126	5,714
Current portion of long-term obligations	13,795	13,320
Total current liabilities payable from restricted assets	24,844	24,089
<b>Current liabilities:</b>		
Accounts payable and other accruals	11,580	10,941
Customer deposits	5,519	5,070
Unearned revenue	202	29
Total current liabilities	17,301	16,040
Total liabilities	772,663	783,953
<b>Deferred inflows of resources:</b>		
Deferred inflows related to pension	24,204	20,683
Total deferred inflows of resources	24,204	20,683
Total net position, liabilities, and deferred inflows of resources	\$ 1,263,757	\$ 1,239,599



**City of Riverside Electric Utility**

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

	December 31	
	2016	2015
	(in thousands)	
<b>Operating revenues:</b>		
Residential sales	\$ 67,686	\$ 68,753
Commercial sales	38,489	37,466
Industrial sales	61,817	59,534
Other sales	2,396	2,413
Wholesale sales	8	1
Transmission revenue	18,727	16,872
Other operating revenue	5,407	3,904
Public Benefit Programs	4,938	4,865
Total operating revenues before uncollectibles	199,468	193,808
Estimated uncollectibles, net of bad debt recovery	(600)	(594)
Total operating revenues net of uncollectibles	198,868	193,214
<b>Operating expenses:</b>		
Production and purchased power	73,119	70,210
Transmission	31,321	29,153
Distribution	27,077	25,782
Public Benefit Programs	2,427	2,032
Depreciation	16,213	15,107
Total operating expenses	150,157	142,284
Operating income	48,711	50,930
<b>Non-operating revenues (expenses):</b>		
Investment income	1,736	1,689
Interest expense and fiscal charges	(13,037)	(13,080)
Gain on sale of assets	241	270
Other	2,341	9,763
Total non-operating expenses	(8,719)	(1,358)
Income before capital contributions and transfers out	39,992	49,572
Capital contributions	1,084	6,319
Transfers out - contributions to the City's general fund	(19,800)	(19,665)
Total capital contributions and transfers out	(18,716)	(13,346)
Increase in net position	21,276	36,226
<b>Net position, July 1</b>	445,614	398,737
<b>Net position, December 31</b>	\$ 466,890	\$ 434,963

**City of Riverside Electric Utility**

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

	December 31	
	2016	2015 (in thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 199,524	\$ 196,473
Cash paid to suppliers and employees	(143,465)	(142,472)
Other receipts	2,341	9,763
Net cash provided by operating activities	<u>58,400</u>	<u>63,764</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers out - contributions to the City's general fund	(19,800)	(19,665)
Payment on advances from other funds of the City - pension obligation	(712)	(635)
Cash received on advances to other funds of the City	41	27
Net cash used by non-capital financing activities	<u>(20,471)</u>	<u>(20,273)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(12,024)	(49,022)
Proceeds from the sale of utility plant	241	270
Principal paid on long-term obligations	(13,713)	(16,186)
Interest paid on long-term obligations	(13,310)	(13,461)
Capital contributions	1,002	1,289
Net cash used by capital and related financing activities	<u>(37,804)</u>	<u>(77,110)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investment securities	(155)	(509)
Income from investments	1,535	1,714
Net cash provided by investing activities	<u>1,380</u>	<u>1,205</u>
Net increase (decrease) in cash and cash equivalents	1,505	(32,414)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>291,094</u>	<u>317,525</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 292,599</u></u>	<u><u>285,111</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 48,711	\$ 50,930
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,213	15,107
Increase in allowance for uncollectible accounts	307	139
(Increase) decrease in accounts receivable	(130)	2,562
Decrease in inventory	-	105
Decrease in prepaid expenses	2,499	2,175
Increase in unamortized purchased power	(857)	(1,141)
Decrease in accounts payable and other accruals	(7,461)	(12,921)
Decrease in Public Benefit Programs payable	(1,843)	(394)
Decrease in unearned revenue	(123)	(439)
Increase in customer deposits	479	558
Decrease in decommissioning liability	(1,736)	(2,681)
Other receipts	2,341	9,763
Net cash provided by operating activities	<u><u>\$ 58,400</u></u>	<u><u>63,764</u></u>

**SCHEDULES OF CASH AND CASH EQUIVALENTS**

	December 31	
	2016	2015
	(in thousands)	
<b>Unrestricted cash and cash equivalents:</b>		
Operating cash	\$ -	\$ 47,482
Undesignated reserve	192,262	-
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	49,510	-
Mission Square improvement fund reserve	240	-
Operating reserve	-	143,031
Additional decommissioning liability reserve	5,765	4,142
Total unrestricted cash and cash equivalents	253,541	239,655
<b>Legally restricted cash and cash equivalents:</b>		
Reserved for debt service	9,611	9,627
Reserved for bond construction	-	12,786
Reserved for regulatory requirements	14,050	9,599
Reserved for Public Benefit Programs	15,397	13,444
Total legally restricted cash and cash equivalents	39,058	45,456
Total cash and cash equivalents	292,599	285,111
<b>Cash and investments at fiscal agent:</b>		
Reserved for decommissioning liability	79,733	79,093
Reserved for other cash at fiscal agent	2,013	1,904
Reserved for debt service	10,803	10,804
Total cash and investments at fiscal agent	92,549	91,801
Total unrestricted and restricted cash	\$ 385,148	\$ 376,912

TABLE I  
CITY OF RIVERSIDE - ELECTRIC UTILITY  
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	12/31/16	12/31/15	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12
Operating Ratio	70.9%	67.4%	65.8%	71.0%	73.5%	72.5%	67.7%	69.6%
Unrestricted Current Ratio **	2.0	17.9	18.3	12.6	14.4	13.0	10.9	10.8
Debt to Total Assets Ratio	53.0%	47.7%	49.5%	49.0%	52.2%	52.5%	53.9%	53.7%
Debt Service Coverage	1.79	3.19	3.51	2.99	2.39	2.16	2.73	2.24

\* Industry median obtained from the APPA Survey published in November 2016 (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 December 31, 2016  
(50% of the year completed)**

**QUARTERLY**  
(in thousands)

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

	QUARTERLY (in thousands)			TOTAL BUDGET FY 16/17	CURRENT YTD AS % OF TOTAL BUDGET	YEAR-TO-DATE (in thousands)		
	CURRENT Oct-Dec 2016	BUDGET Oct-Dec 2016	PRIOR Oct-Dec 2015			CURRENT Dec 2016	BUDGET Dec 2016	PRIOR Dec 2015
<b>OPERATING REVENUES:</b>								
RESIDENTIAL SALES	\$ 8,453	\$ 7,969	\$ 7,865	\$ 32,386	63%	\$ 20,364	\$ 18,227	\$ 17,790
COMMERCIAL SALES	4,603	4,289	4,264	16,800	63%	10,536	9,716	9,490
OTHER SALES	442	437	454	1,762	55%	971	960	931
WATER CONVEYANCE REVENUE	1,226	798	1,064	3,191	85%	2,702	1,596	1,844
WATER CONSERVATION PROGRAMS	223	493	684	1,074	73%	788	687	927
OTHER OPERATING REVENUE	990	844	1,830	3,376	44%	1,493	1,688	2,265
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	15,937	14,830	16,161	58,589	63%	36,854	32,874	33,247
ESTIMATED UNCOLLECTIBLES	(51)	(52)	(52)	(209)	50%	(104)	(105)	(103)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	15,886	14,778	16,109	58,380	63%	36,750	32,769	33,144
<b>OPERATING EXPENSES:</b>								
FIELD OPERATIONS	3,616	3,865	3,622	15,460	43%	6,648	7,730	6,768
PRODUCTION AND OPERATIONS	4,317	4,579	4,093	18,304	45%	8,258	9,294	7,687
ENGINEERING	1,808	2,422	1,706	9,688	35%	3,386	4,844	3,424
WATER CONSERVATION PROGRAMS	234	599	985	2,397	18%	426	1,199	1,514
DEPRECIATION	3,558	3,558	3,344	14,232	50%	7,116	7,116	6,687
TOTAL OPERATING EXPENSES	13,533	15,023	13,750	60,081	43%	25,834	30,183	26,080
OPERATING INCOME	2,353	(245)	2,359	(1,701)	-642%	10,916	2,586	7,064
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
INVESTMENT INCOME	226	234	159	937	34%	319	469	341
INTEREST EXPENSE	(2,222)	(2,184)	(2,082)	(8,738)	49%	(4,268)	(4,369)	(4,202)
GENERAL FUND CONTRIBUTIONS	(1,368)	(1,369)	(1,626)	(5,475)	50%	(2,737)	(2,737)	(3,252)
GAIN ON SALE OF ASSETS	24	19	19	77	44%	34	39	53
OTHER	427	468	422	1,872	44%	829	936	820
TOTAL NON-OPERATING EXPENSES	(2,913)	(2,832)	(3,108)	(11,327)	51%	(5,823)	(5,662)	(6,240)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(560)	(3,077)	(749)	(13,028)	-39%	5,093	(3,076)	824
CAPITAL CONTRIBUTIONS	323	571	411	2,259	23%	514	1,166	1,024
NET INCOME (LOSS)	\$ (237)	\$ (2,506)	\$ (338)	\$ (10,769)	-52%	\$ 5,607	\$ (1,910)	\$ 1,848



**City of Riverside Water Utility**

**STATEMENTS OF NET POSITION**

	December 31	
	2016	2015
	(in thousands)	
<b>Assets and deferred outflows of resources</b>		
<b>Noncurrent assets:</b>		
Utility plant	\$ 630,378	\$ 606,675
Less accumulated depreciation	(211,498)	(198,299)
	418,880	408,376
Land	20,484	20,484
Construction in progress	12,648	19,660
Intangibles	10,841	10,841
Total utility plant	462,853	459,361
Other non-current assets:		
Regulatory assets	667	543
Total other non-current assets	667	543
Total non-current assets	463,520	459,904
<b>Current assets:</b>		
Unrestricted assets:		
Cash and cash equivalents	74,547	75,938
Accounts receivable, less allowance for doubtful accounts 2016 \$236; 2015 \$179	8,692	8,691
Accrued interest receivable	242	279
Advances to other funds of the City	161	250
Prepaid expenses	137	-
Other receivables	-	3,333
Total unrestricted current assets	83,779	88,491
Restricted assets:		
Cash and cash equivalents	3,360	3,359
Water Conservation Programs -cash and cash equivalents	2,828	3,329
Water Conservation Programs receivable	96	104
Total restricted current assets	6,284	6,792
Total current assets	90,063	95,283
Total assets	553,583	555,187
<b>Deferred outflows of resources:</b>		
Deferred outflows related to pension	9,515	4,186
Changes in derivative values	3,355	4,876
Loss on refunding	6,918	7,426
Total deferred outflows of resources	19,788	16,488
Total assets and deferred outflows of resources	\$ 573,371	\$ 571,675

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	December 31	
	2016	2015
	(in thousands)	
<b>Net position, liabilities and deferred inflows of resources</b>		
<b>Net position:</b>		
Net investment in capital assets	\$ 265,658	\$ 259,403
Restricted for:		
Debt service	3,360	3,359
Water Conservation Programs	2,588	3,397
Unrestricted	39,214	38,375
Total net position	<u>310,820</u>	<u>304,534</u>
<b>Long-term obligations, less current portion</b>	<u>185,925</u>	<u>191,782</u>
<b>Other non-current liabilities:</b>		
Advances from other funds of the City - pension obligation	4,032	4,338
Net other postemployment benefits payable	3,032	2,787
Net pension liability	28,257	26,032
Compensated absences	195	308
Derivative instrument	8,406	9,730
Note payable	13,366	11,050
Total other non-current liabilities	<u>57,288</u>	<u>54,245</u>
<b>Current liabilities payable from restricted assets:</b>		
Accrued interest payable	1,506	1,562
Water Conservation Programs payable	6	8
Current portion of long-term obligations	5,415	5,180
Total current liabilities payable from restricted assets	<u>6,927</u>	<u>6,750</u>
<b>Current liabilities:</b>		
Accounts payable and other accruals	2,025	2,032
Current portion of long-term obligations	150	150
Customer deposits	655	505
Note payable	802	843
Total current liabilities	<u>3,632</u>	<u>3,530</u>
Total liabilities	<u>253,772</u>	<u>256,307</u>
<b>Deferred inflows of resources:</b>		
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>
<b>Total net position, liabilities and deferred inflows of resources</b>	<u>\$ 573,371</u>	<u>\$ 571,675</u>

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**City of Riverside Water Utility**

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

	December 31	
	2016	2015
	(in thousands)	
<b>Operating revenues:</b>		
Residential sales	\$ 20,364	\$ 17,790
Commercial sales	10,536	9,490
Other sales	971	931
Water conveyance revenue	2,702	1,844
Water Conservation Programs	788	927
Other operating revenue	1,493	2,265
Total operating revenues before uncollectibles	36,854	33,247
Estimated uncollectibles, net of bad debt recovery	(104)	(103)
Total operating revenues, net of uncollectibles	36,750	33,144
<b>Operating expenses:</b>		
Operations	13,248	13,438
Maintenance	2,255	2,064
Purchased energy	2,789	2,377
Water Conservation Programs	426	1,514
Depreciation	7,116	6,687
Total operating expenses	25,834	26,080
Operating income	10,916	7,064
<b>Non-operating revenues (expenses):</b>		
Investment income	319	341
Interest expense and fiscal charges	(4,268)	(4,202)
Gain on sale of assets	34	53
Other	829	820
Total non-operating revenues (expenses)	(3,086)	(2,988)
Income before capital contributions and transfers	7,830	4,076
Capital contributions	514	1,024
Transfers out - contributions to the City's general fund	(2,737)	(3,252)
Total capital contributions and transfers	(2,223)	(2,228)
Increase in net position	5,607	1,848
<b>Net position, July 1</b>	305,213	302,686
<b>Net position, December 31</b>	<u>\$ 310,820</u>	<u>\$ 304,534</u>

**City of Riverside Water Utility**

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

	December 31	
	2016	2015
	(in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 37,182	\$ 35,760
Cash paid to suppliers and employees	(20,525)	(23,225)
Other receipts	309	300
Net cash provided by operating activities	<u>16,966</u>	<u>12,835</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers out - contributions to the City's general fund	(2,737)	(3,252)
Cash received on advances to other funds of the City	18	11
Payment on advances from other funds of the City-pension obligation	(306)	(274)
Net cash used for non-capital financing activities	<u>(3,025)</u>	<u>(3,515)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(6,820)	(8,691)
Proceeds from the sale of utility plant	34	53
Principal paid on long-term obligations	(5,182)	(5,261)
Interest paid on long-term obligations	(4,234)	(4,239)
Capital contributions	705	1,144
Net cash used for capital and related financing activities	<u>(15,497)</u>	<u>(16,994)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Income from investments	259	373
Net cash provided by investing activities	<u>259</u>	<u>373</u>
Net decrease in cash and cash equivalents	(1,297)	(7,301)
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	82,032	89,927
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 80,735</u>	<u>\$ 82,626</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 10,916	\$ 7,064
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,116	6,687
Increase in allowance for uncollectible accounts	66	28
Decrease in accounts receivable	145	2,423
Decrease in prepaid expenses	31	2
Decrease in accounts payable and other accruals	(1,652)	(3,215)
Decrease in Water Conservation Programs payable	(81)	(522)
Decrease in Water Conservation Programs prepaid expenses	-	8
Increase in customer deposits	116	60
Other receipts	309	300
Net cash provided by operating activities	<u>\$ 16,966</u>	<u>\$ 12,835</u>

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**City of Riverside Water Utility**

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**SCHEDULES OF CASH AND CASH EQUIVALENTS**

	December 31	
	2016	2015
	(in thousands)	
<b>Unrestricted cash and cash equivalents :</b>		
Operating cash	\$ -	\$ 13,032
Undesignated reserve	37,543	\$ -
Operating cash reserve	-	30,435
Recycled water cash reserve	9,800	6,467
Property reserve	26,021	26,004
Customer deposits reserve	433	-
Capital repair and replacement reserve	750	-
	<hr/>	<hr/>
Total unrestricted cash and cash equivalents	74,547	75,938
	<hr/>	<hr/>
<b>Legally restricted cash and cash equivalents:</b>		
Reserved for debt service	3,360	3,359
Water Conservation Programs	2,828	3,329
	<hr/>	<hr/>
Total legally restricted cash and cash equivalents	6,188	6,688
	<hr/>	<hr/>
Total unrestricted and restricted cash	<u>\$ 80,735</u>	<u>\$ 82,626</u>

TABLE I  
CITY OF RIVERSIDE - WATER UTILITY  
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	12/31/16	12/31/15	6/30/16	6/30/15	6/30/14	6/30/13	6/30/12
Operating Ratio	77.8%	50.9%	58.5%	62.6%	62.5%	56.2%	54.2%	55.7%
Unrestricted Current Ratio **	1.6	23.1	25.1	16.1	14.4	15.3	18.1	12.6
Debt to Total Assets Ratio	38.4%	37.3%	38.0%	38.3%	39.3%	39.8%	39.6%	41.4%
Debt Service Coverage	2.30	2.79	2.41	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.

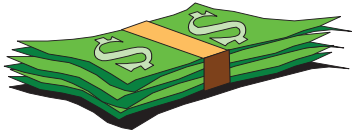
See graphs A-18 through A-21 for additional information.



# ***GRAPHICS***

**Electric Utility**  
**Flow of Funds - Actual**  
(For the Six Months Ended December 31, 2016)

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



**SOURCES - \$204.5M**

Cash Sales - \$199.5M  
Investment Income - \$1.4M  
Other - \$2.6M  
Capital Contributions - \$1.0M



**OPERATING EXPENSES, PURCHASED  
POWER, & OTHER PAYMENTS - \$(143.5)M**



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**BALANCE - \$61.0 M**



**DEBT SERVICE - \$(27.7)M**



**CAPITAL/EQUIPMENT - \$(12.0)M**

Bonds \$(0.0)M  
Cash \$(12.0)M



**GENERAL FUND TRANSFER - \$(19.8)M**



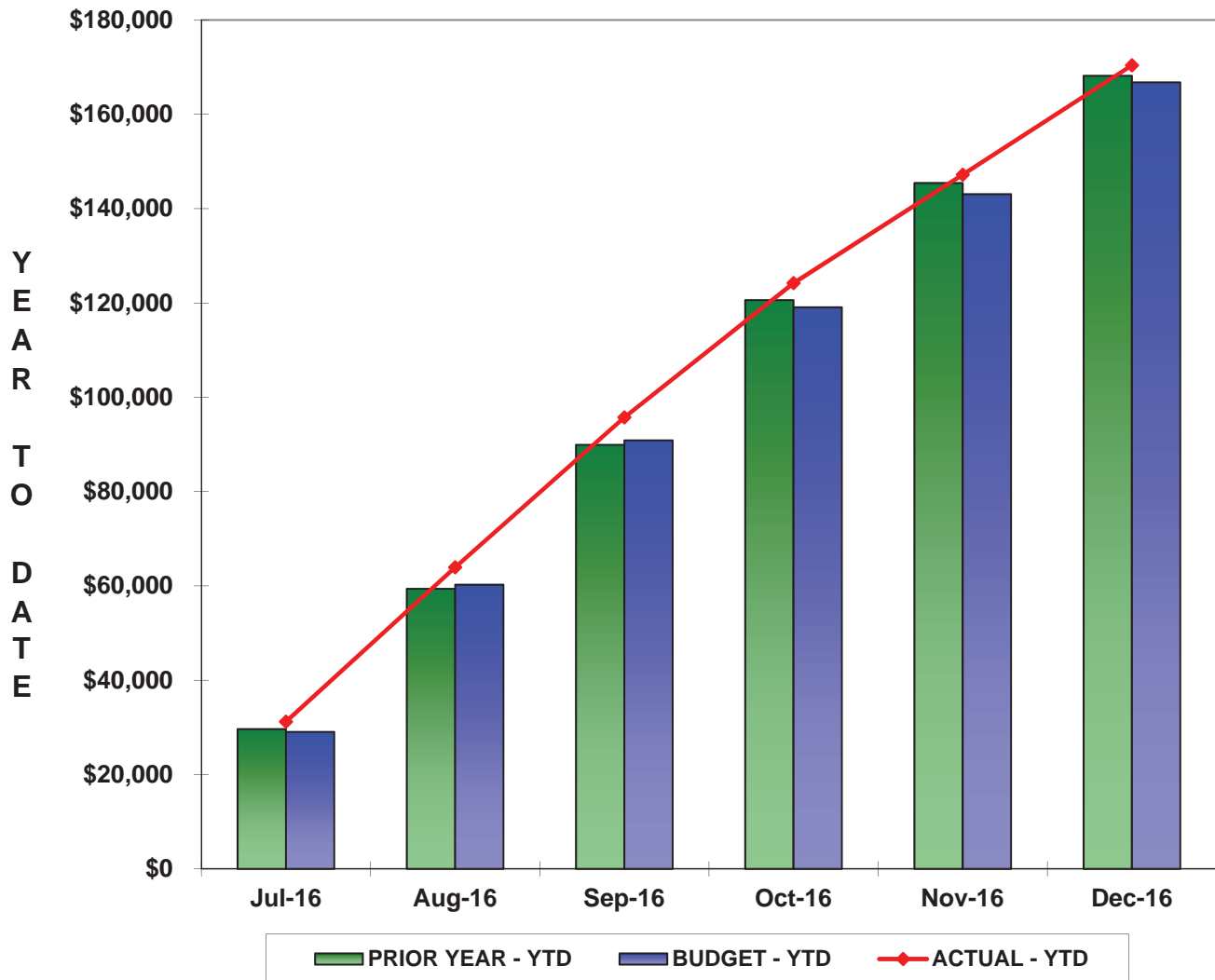
**NET INCREASE TO CASH BALANCES – \$1.5M**

Unrestricted – \$4.3M  
\*Restricted – \$(2.8)M

**ENDING CASH BALANCES - \$292.6M**

\*Excludes legally restricted cash and investments at fiscal agent of \$92.5M

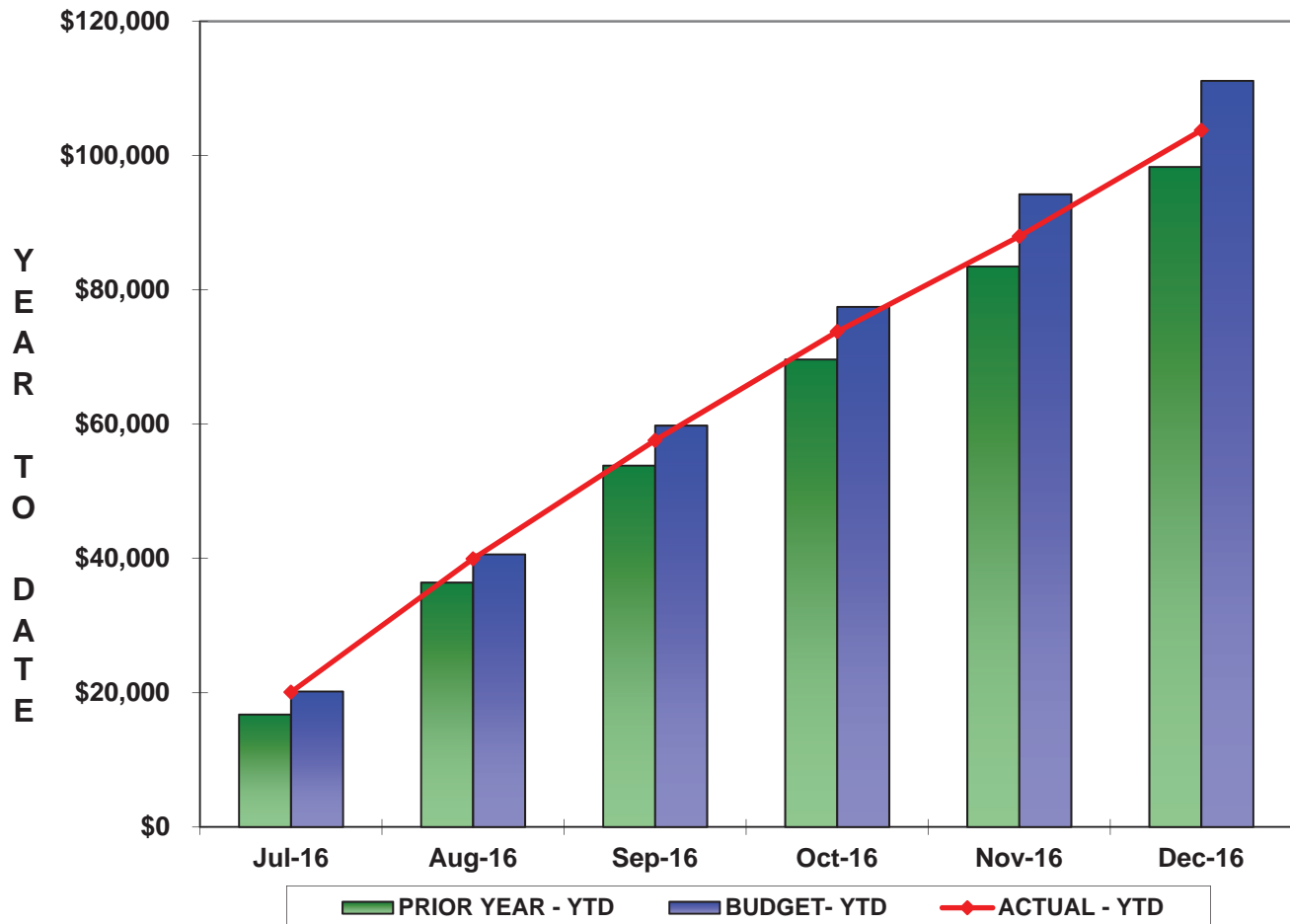
# ELECTRIC UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED DECEMBER 31, 2016 (In Thousands)



**Actual to Prior:** Year-to-date retail sales of \$170.4M are \$2.2M (1.3%) higher than prior year due to a 1.1% increase in consumption as a result of warmer weather during the summer season.

**Actual to Budget:** Year-to-date actual retail sales are \$3.6M (2.2%) higher than budget due to higher consumption as a result of warmer weather.

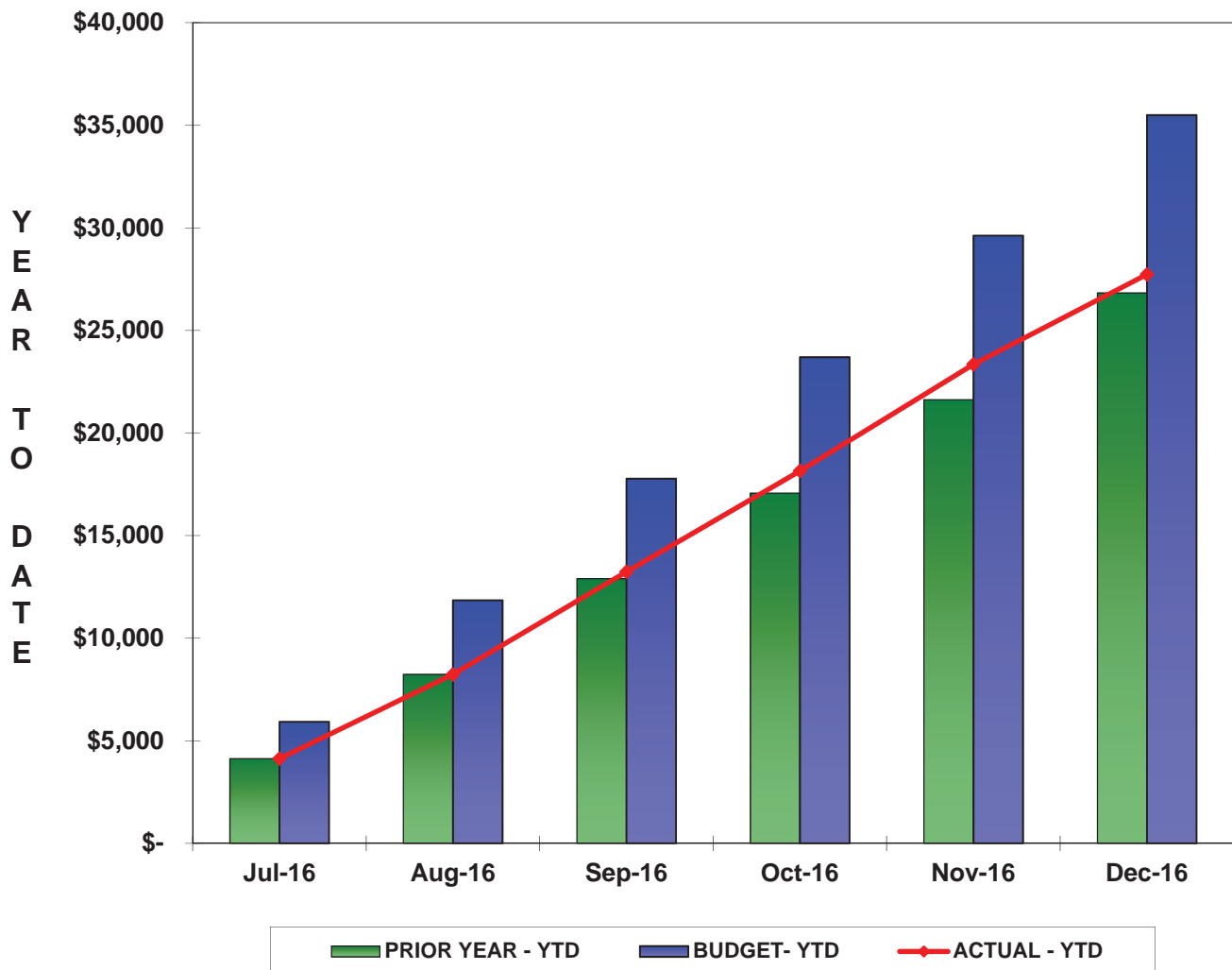
# ELECTRIC UTILITY POWER SUPPLY EXPENSES FOR THE PERIOD ENDED DECEMBER 31, 2016 (In Thousands)



**Actual to Prior:** Year-to-date power supply costs of \$103.8M are \$5.5M (5.6%) higher than prior year primarily due to increase in customer consumption as a result of warmer weather during the summer season and new renewable energy projects coming online.

**Actual to Budget:** Year-to-date power supply costs are \$7.3M (6.6%) below budget due to lower than anticipated market prices offset by higher than anticipated CAISO transmission access charges and higher customer consumption.

# ELECTRIC UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED DECEMBER 31, 2016 (In Thousands)

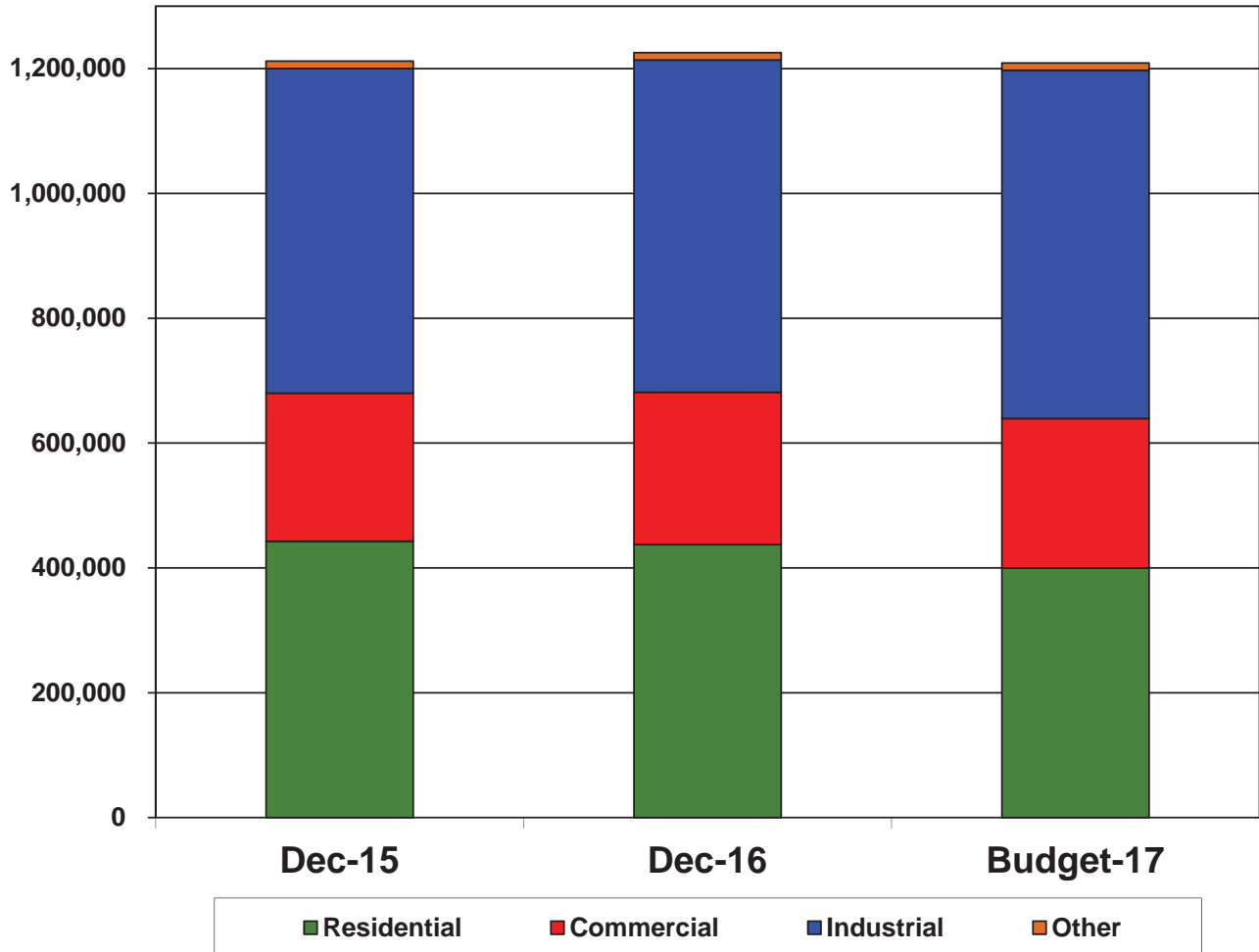


**Actual to Prior:** Year-to-date distribution operating expenses of \$27.7M are \$0.9M (3.4%) higher than prior year primarily due to an increase in general operating expenses.

**Actual to Budget:** Year-to-date operating expenses are \$7.8M (21.9%) 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 DECEMBER 31, 2016***

Total - YTD      1,211,996                      1,225,458                      1,208,853



**Actual to Prior:** Retail kWh sales are 1.1% higher than prior year due to an increase in consumption as a result of warmer weather during the summer season.

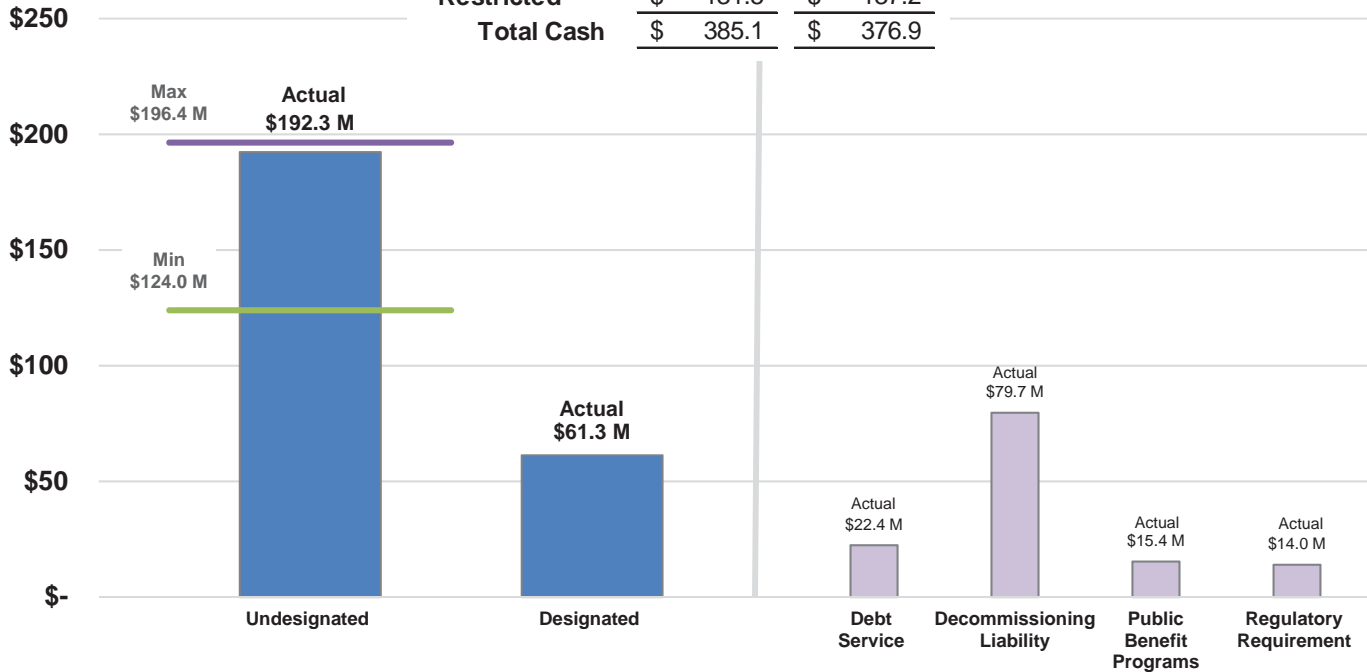
**Actual to Budget:** Retail kWh sales are 1.4% above budget primarily due to higher than anticipated residential and commercial consumption as a result of warmer weather.



# ELECTRIC UTILITY CASH BALANCE DECEMBER 31, 2016 (In Millions)

Total Cash as of December 31:

	2016	2015
Unrestricted	\$ 253.6	\$ 239.7
Restricted *	\$ 131.5	\$ 137.2
<b>Total Cash</b>	<b>\$ 385.1</b>	<b>\$ 376.9</b>



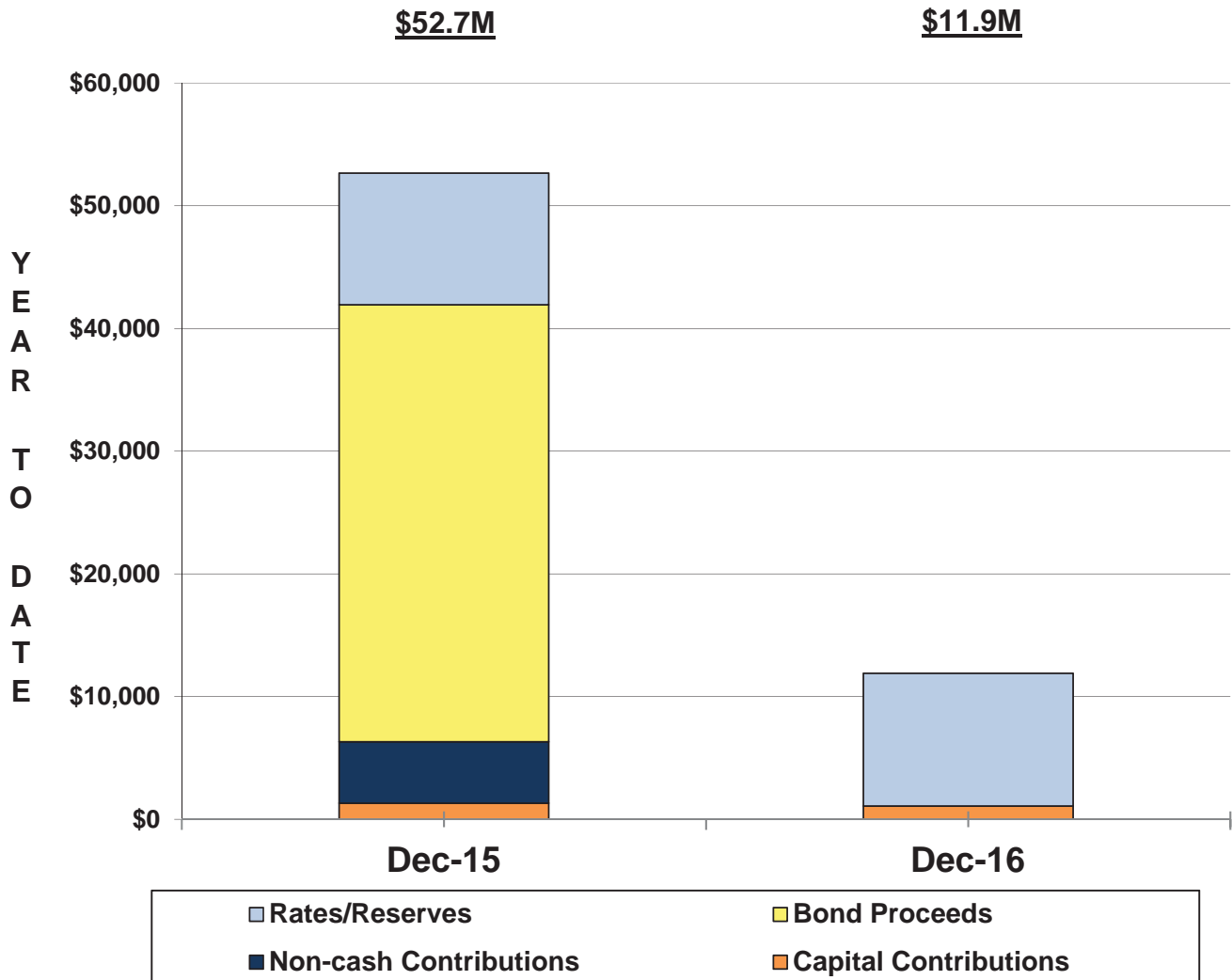
\* Legally restricted for specific purposes.

The components of Unrestricted Designated Reserves are:

	FY 16/17
Electric Reliability Fund	\$ 49.5
Add'l Decommissioning Liability Reserve	\$ 5.8
Customer Deposits Reserve	\$ 3.8
Capital Repair/Replacement Reserve	\$ 2.0
Mission Square Improvement Fund	\$ 0.2
<b>Total Designated Reserves</b>	<b>\$ 61.3</b>

At December 31, 2016, total cash is \$8.2M higher than prior year and the unrestricted, undesignated reserve balance of \$192.3M is within target levels. The increase in total cash over prior year is primarily due to the settlement recoveries and liquidated damages received in the last half of the prior fiscal year and positive operating results. This is offset by the funding of capital projects with undesignated reserves.

# ELECTRIC UTILITY CAPITAL/EQUIPMENT FUNDING DECEMBER 31, 2015 AND 2016 (In Thousands)

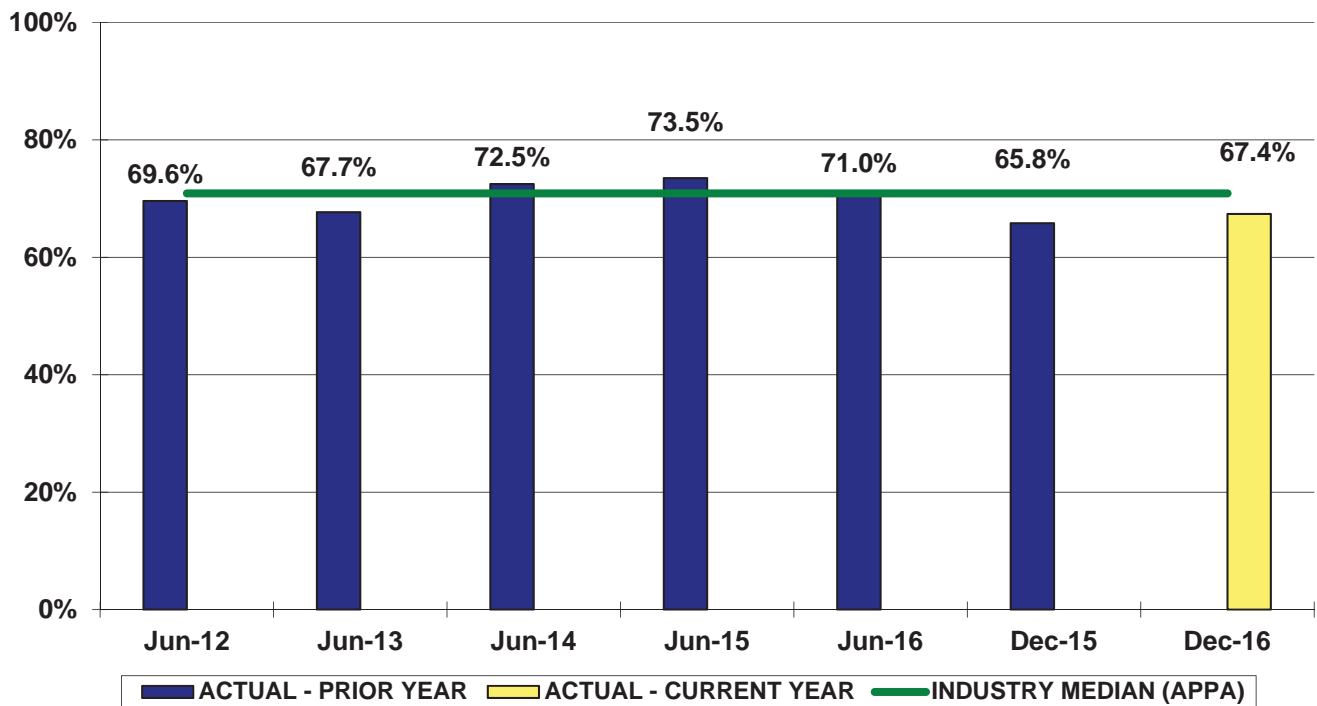


Current year capital expenses (projects + equipment) of \$11.9M are \$40.8M lower than prior year primarily due to the \$38M acquisition of the Mission Square building in October 2015.

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

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

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

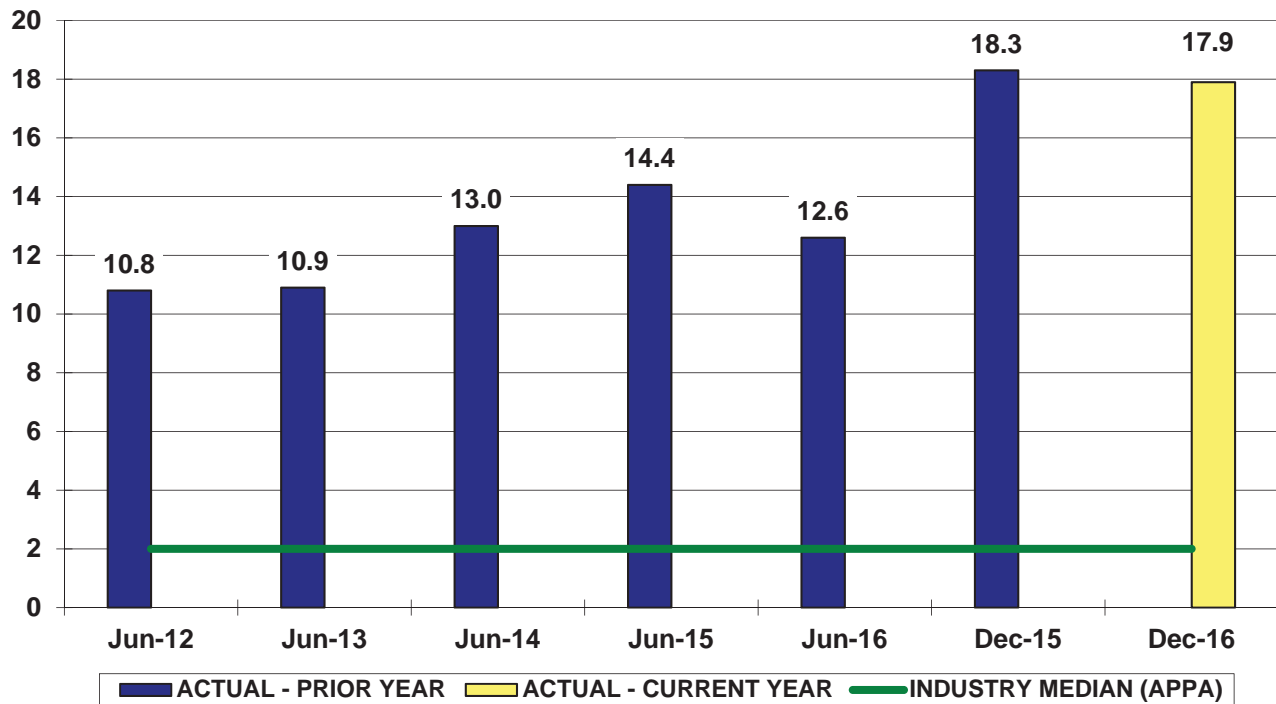


The Utility's Operating Ratio of 67.4% reflects a 1.6 point (unfavorable) change from prior year primarily due to an increase in power supply costs. This ratio is 3.5 points lower (favorable) than the industry median of 70.9%.

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

## ELECTRIC UTILITY UNRESTRICTED CURRENT RATIO

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

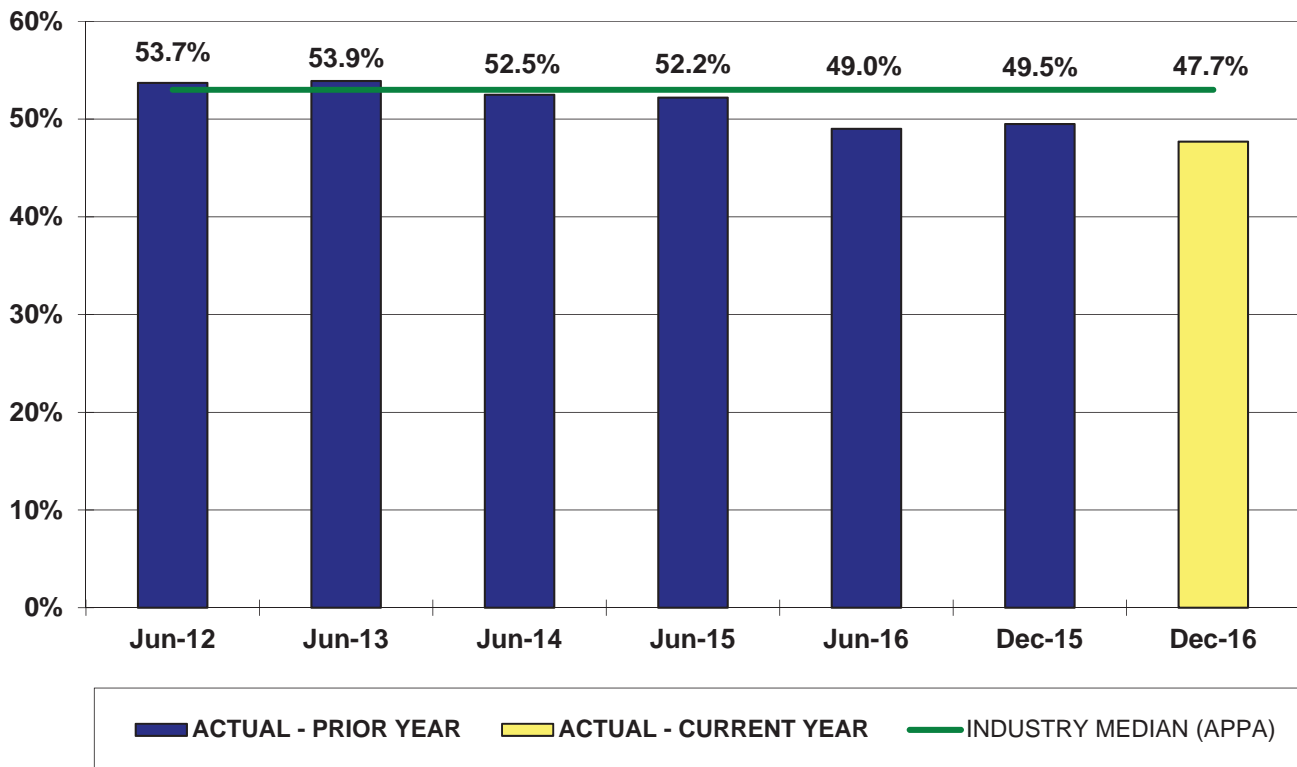


The Utility's Unrestricted Current Ratio of 17.9 reflects a 0.4 point (unfavorable) change compared to prior year primarily due to a slight increase in current liabilities. This ratio is also 15.9 points higher (favorable) than the industry median of 2.0, which indicates strong liquidity and positive operating results.

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

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

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

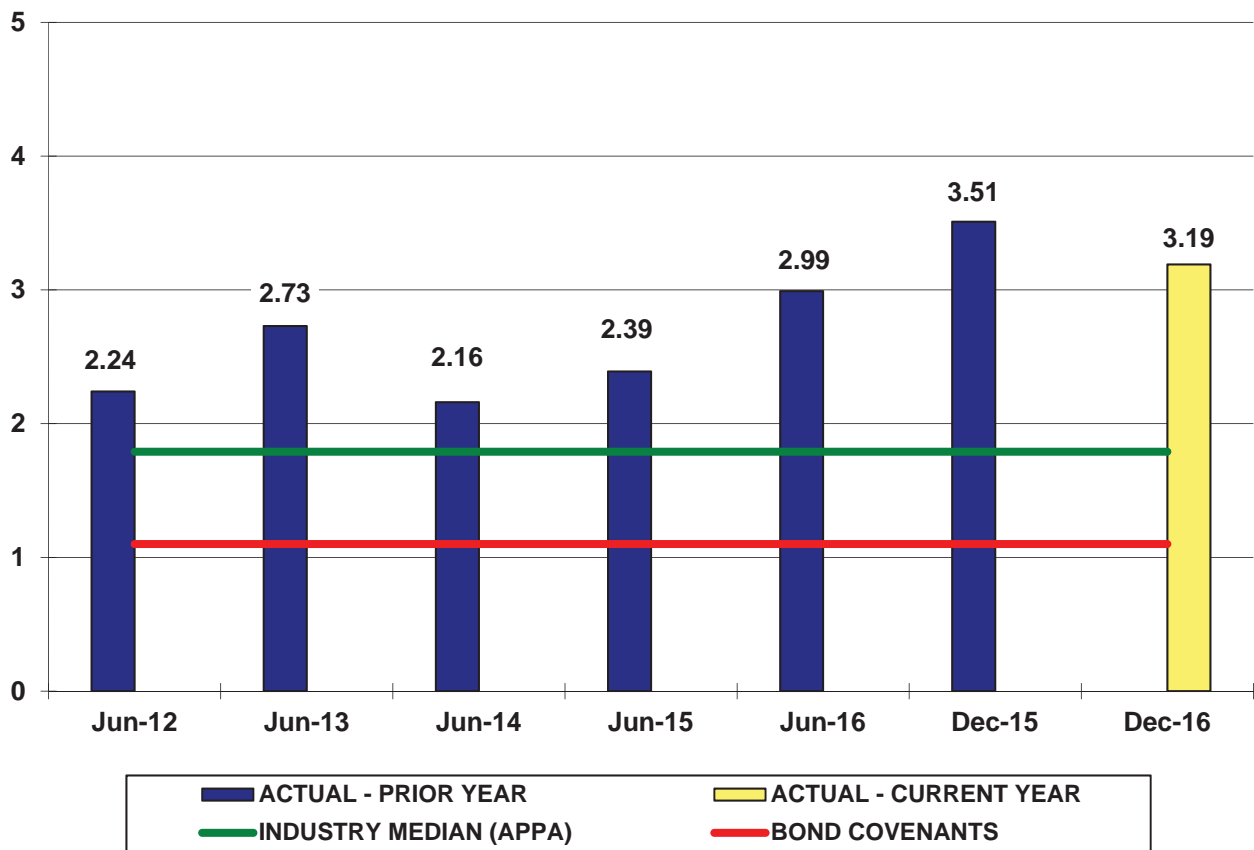


The Utility's Debt Ratio of 47.7% reflects a 1.8 point (favorable) change from prior year primarily due to principal payments on outstanding debt. This ratio is 5.3 points lower (favorable) than the industry median of 53.0%.

The Debt Ratio for the last 5 fiscal years is provided for reference. Each ratio reflects a full year of activities and may not be as comparable for quarterly result comparison. The June 2016 fiscal year-end ratio may be used to estimate the trend for the current fiscal year when reviewed together with the prior year ratio. In addition, the ratio for prior years have 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 = 1.79



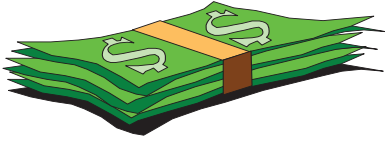
The Utility's Debt Service Coverage Ratio of 3.19 indicates that sufficient revenues are available to cover debt service. This ratio is lower than prior year primarily due to settlement recoveries received in fiscal year 15/16 and higher operating expense including power supply expenses in the current year. This ratio is also higher than the industry median of 1.79.

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



Water Utility  
Flow of Funds - Actual  
(For the Six Months Ended December 31, 2016)

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



**SOURCES - \$38.5M**

Cash Sales - \$37.2M  
Other - \$0.6M  
Capital Contributions - \$0.7M



**OPERATING EXPENSES - \$(20.6)M**



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**BALANCE - \$17.9**



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



**CAPITAL/EQUIPMENT - \$(6.8)M**

Bonds \$(0.0)M  
Cash \$(6.8)M



**GENERAL FUND TRANSFER - \$(2.7)M**

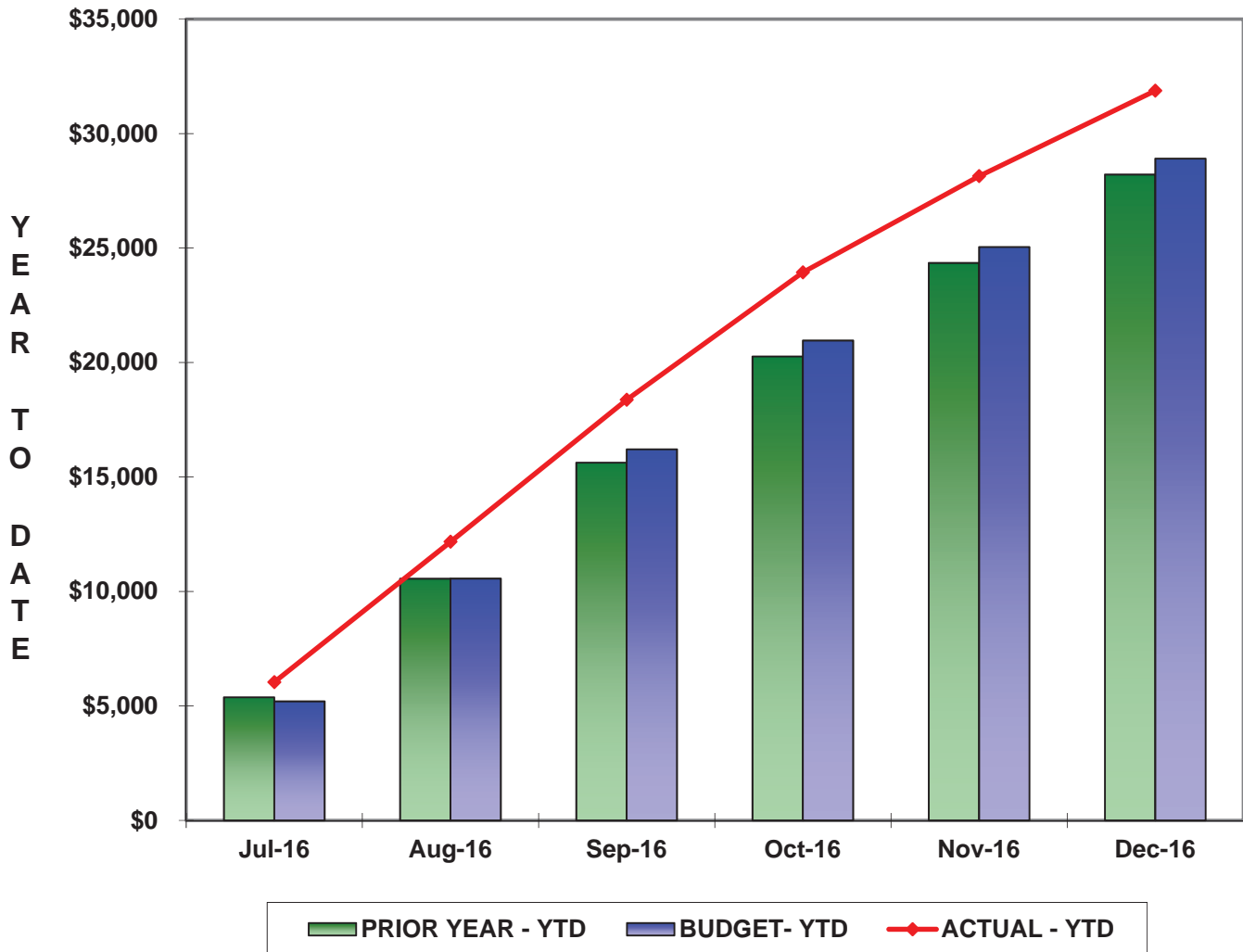


**NET DECREASE TO CASH BALANCES- \$(1.3)M**

Unrestricted – \$1.0M  
Restricted – \$(2.3)M

**ENDING CASH BALANCES - \$80.7M**

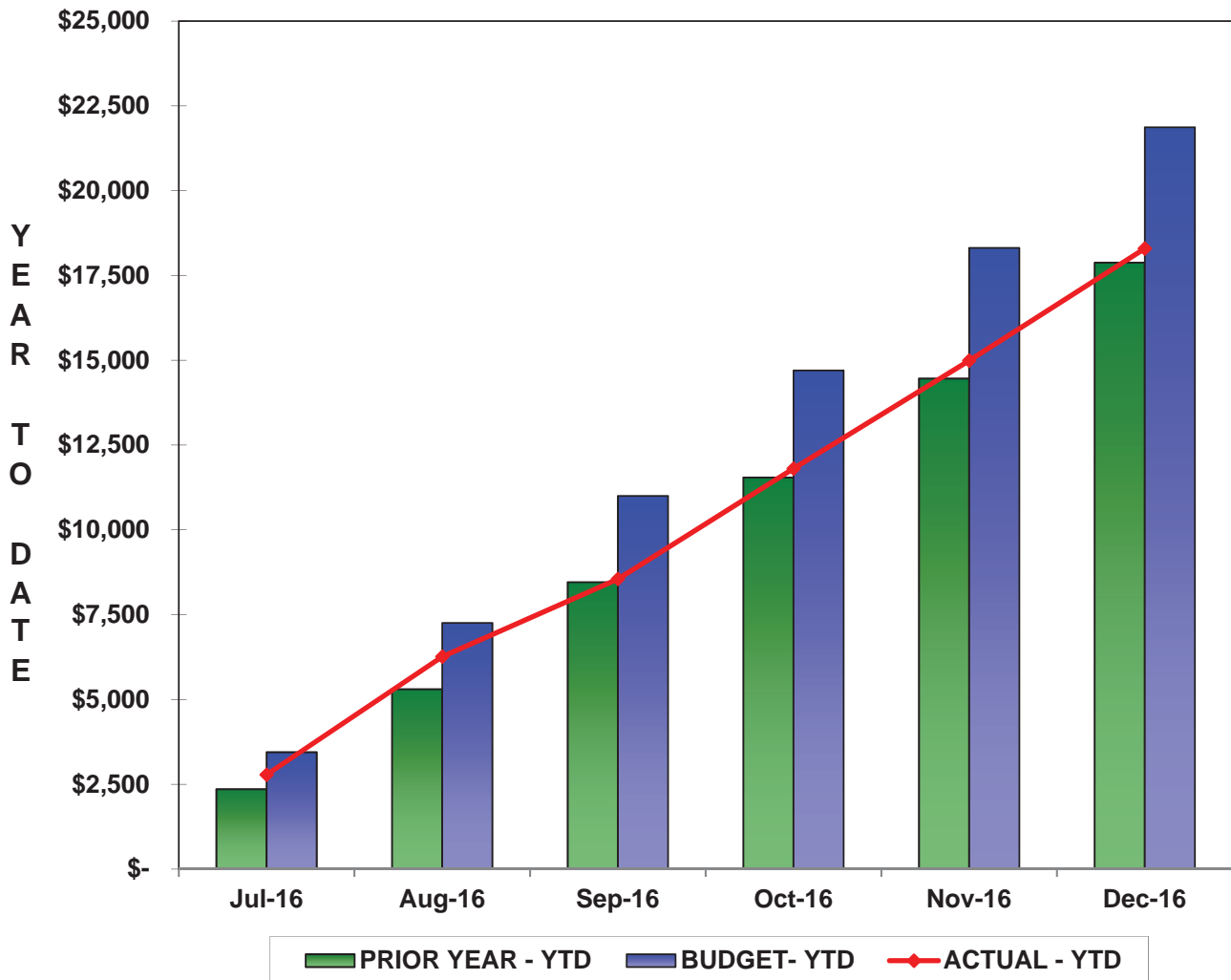
# **WATER UTILITY RETAIL SALES REVENUE FOR THE PERIOD ENDED DECEMBER 31, 2016 (In Thousands)**



**Actual to Prior:** Year-to-date actual retail sales of \$31.9M are \$3.7M (13.0%) higher than prior year primarily due to a 13.1% increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season.

**Actual to Budget:** Year-to-date actual retail sales are \$3.0M (10.3%) higher than budget due to an increase in consumption levels as a result of the lifting of water restriction mandates and warmer weather.

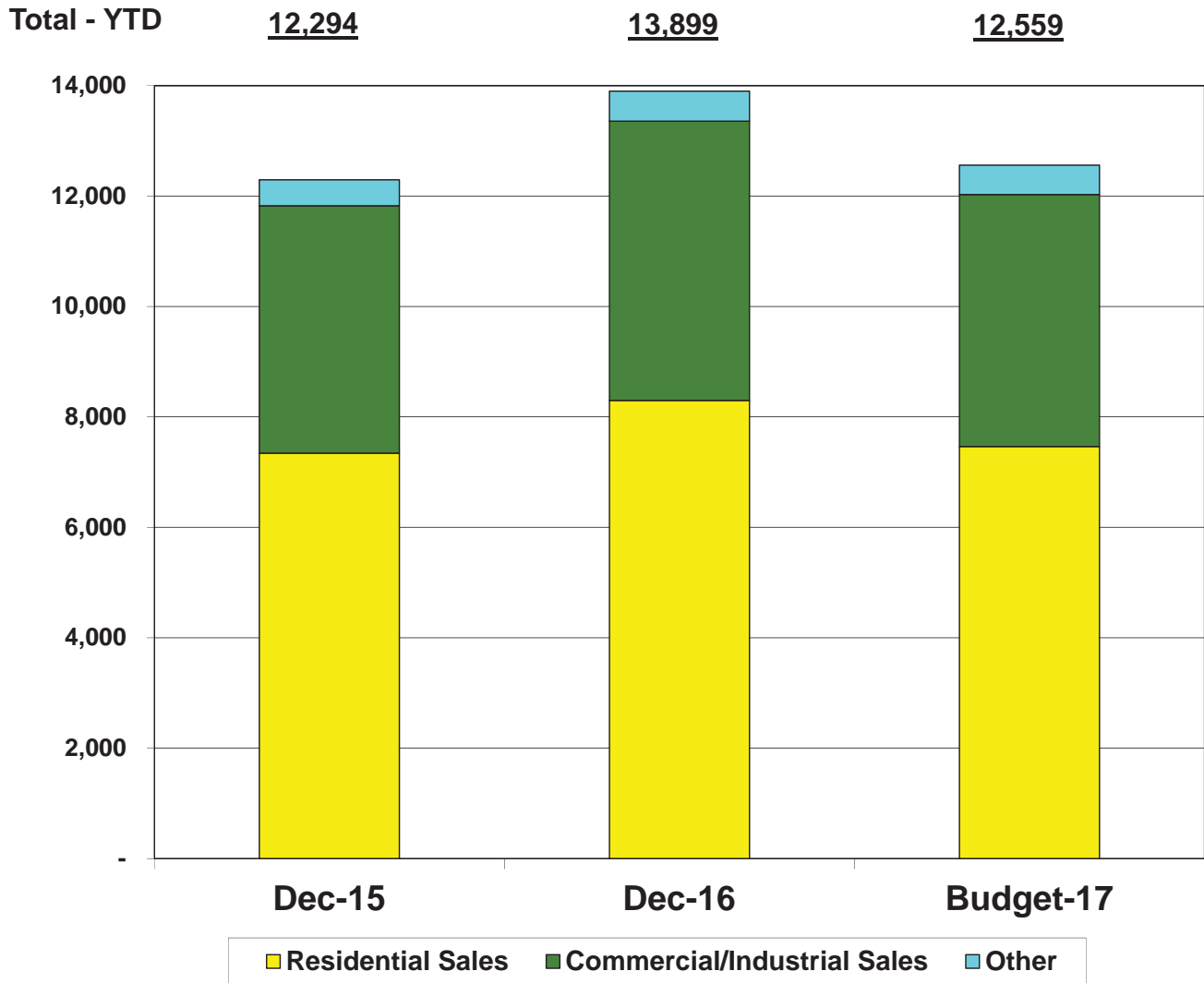
# WATER UTILITY DISTRIBUTION OPERATING EXPENSES FOR THE PERIOD ENDED DECEMBER 31, 2016 (In Thousands)



**Actual to Prior:** Year-to-date distribution operating expenses of \$18.3M are \$0.4M (2.3%) higher than prior year due to an increase in production costs as a result of an increase in consumption.

**Actual to Budget:** Year-to-date operating expenses are \$3.6M (16.4%) 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 DECEMBER 31, 2016**



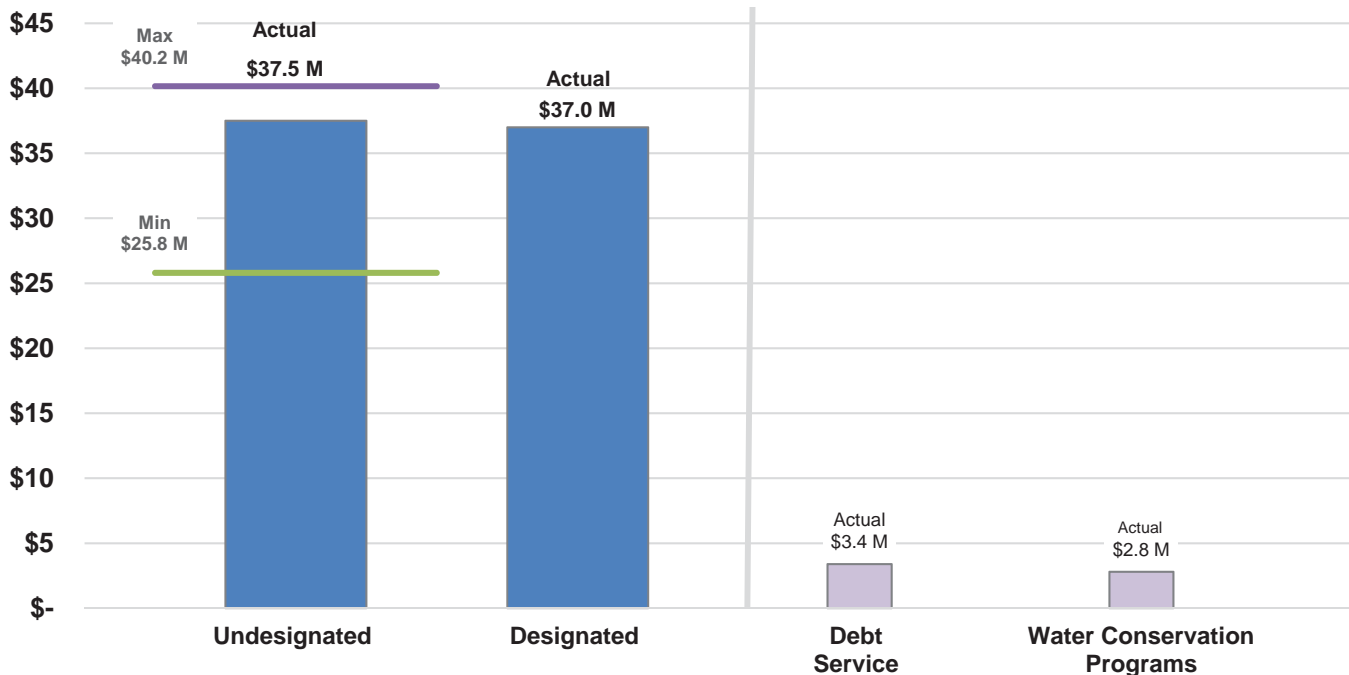
**Actual to Prior:** Retail CCF sales are 13.1% higher than prior year due to an increase in consumption as a result of the lifting of water restriction mandates and warmer weather during the summer season.

**Actual to Budget:** Retail CCF sales are 10.7% above budget due to increased consumption levels primarily due to the lifting of water restrictions and warmer weather.

# WATER UTILITY CASH BALANCE DECEMBER 31, 2016 (In Millions)

Total Cash as of December 31 :

	2016	2015
Unrestricted	\$ 74.5	\$ 75.9
Restricted *	\$ 6.2	\$ 6.7
<b>Total Cash</b>	<b>\$ 80.7</b>	<b>\$ 82.6</b>



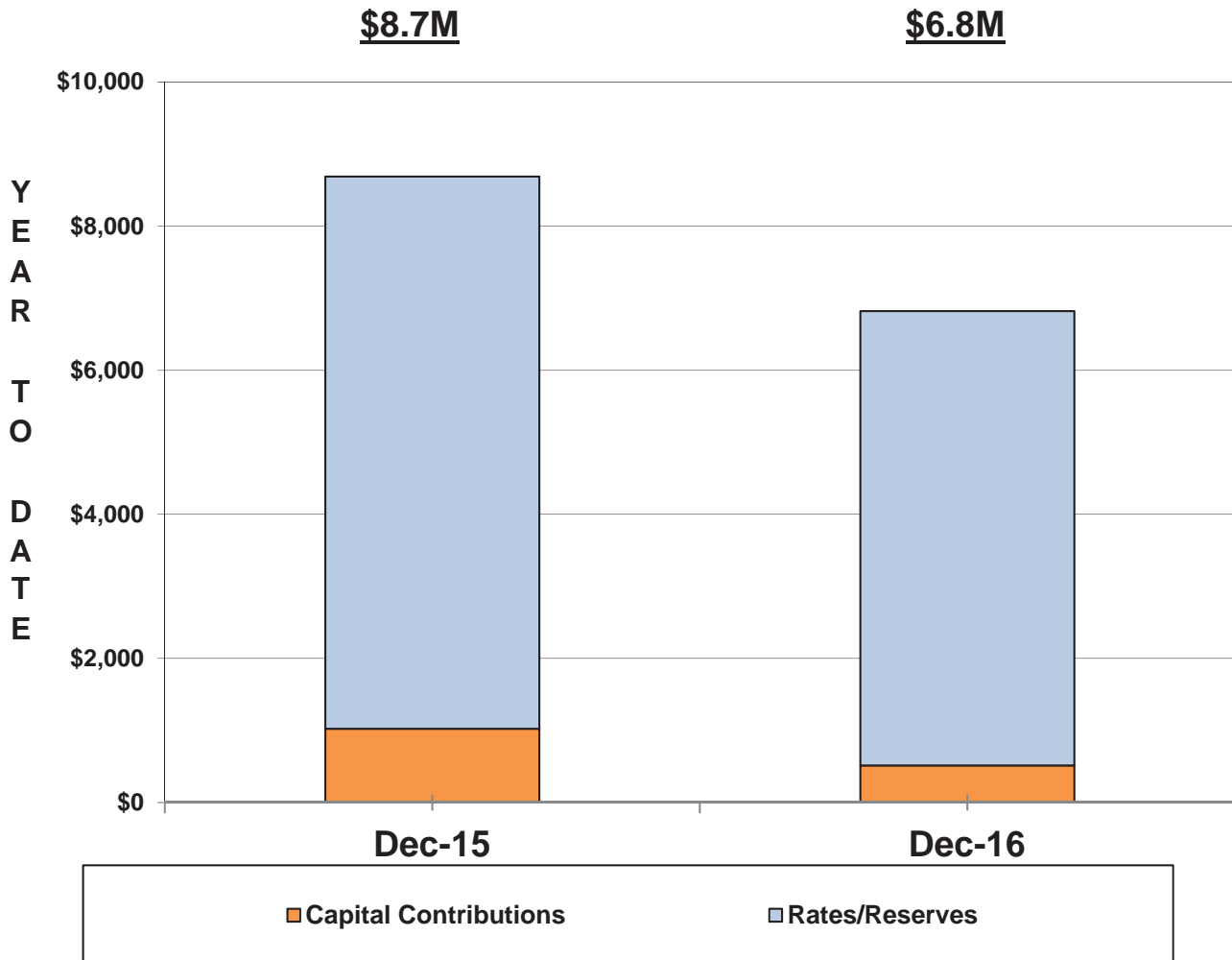
\* Legally restricted for specific purposes.

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
<b>Total Designated Reserves</b>	<b>\$ 37.0</b>

Overall cash balances are \$1.9M lower than prior year primarily due to the use of undesignated reserve for capital projects customarily funded by bonds, offset by positive operating results.

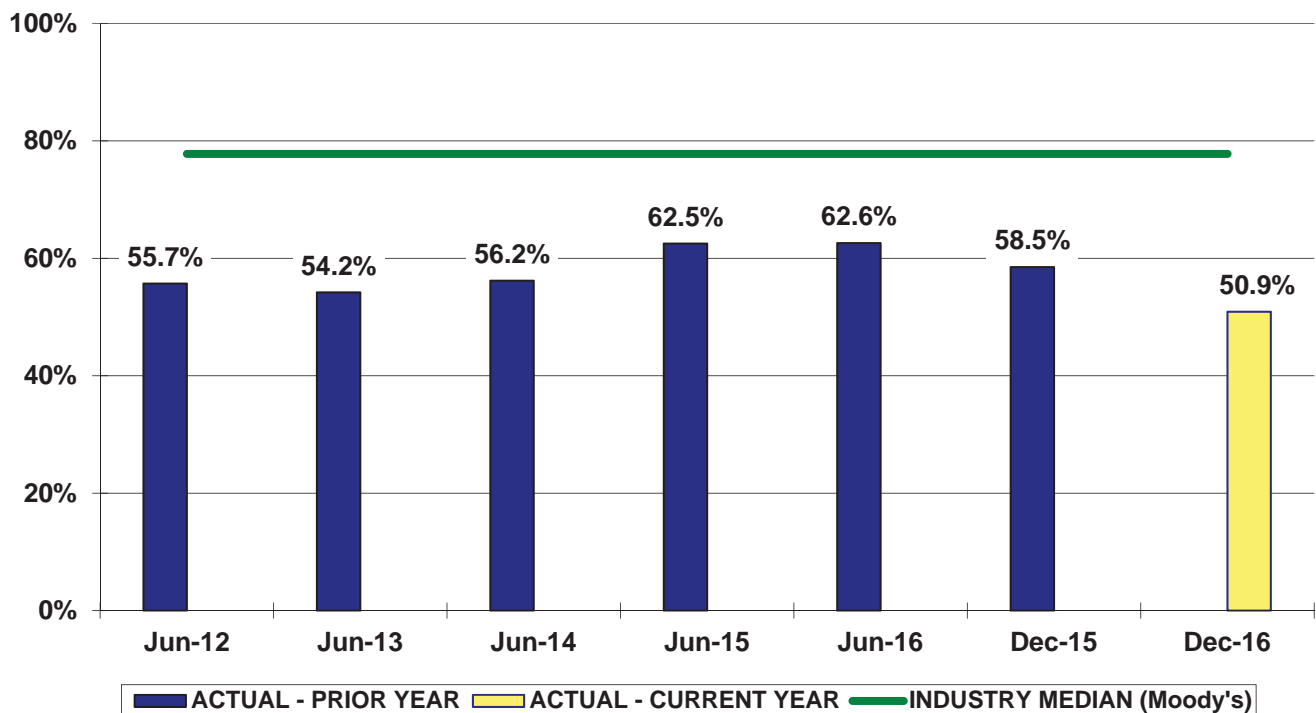
**WATER UTILITY  
CAPITAL/EQUIPMENT FUNDING  
DECEMBER 31, 2015 AND 2016  
(In Thousands)**



Current year capital expenses (capital projects + equipment) of \$1.9M is lower than prior year. Staff continues to monitor capital expenditures in conjunction with cash reserve levels.

## 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%

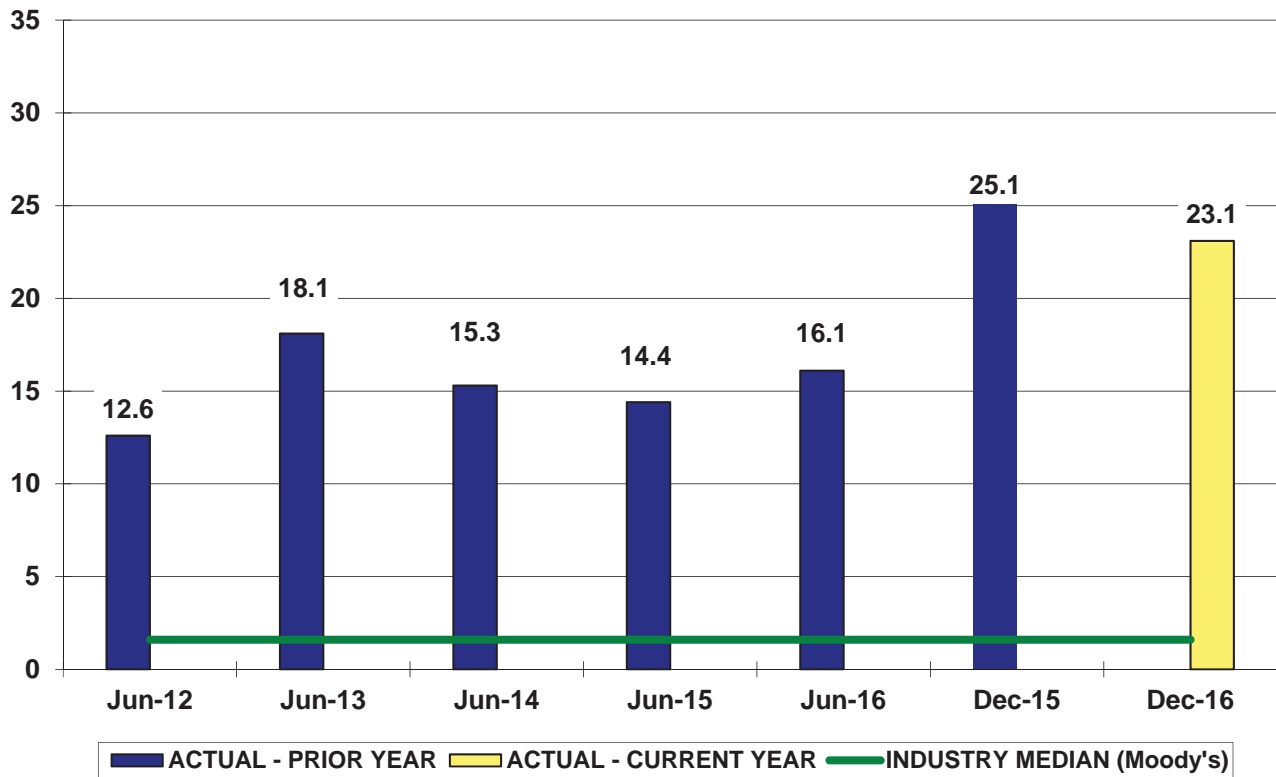


The Utility's Operating Ratio of 50.9% reflects a 7.6 point (favorable) change from prior year primarily due to an increase in operating revenues as a result of the reduction in water restrictions. This ratio is also 26.9 points lower (favorable) than the industry median of 77.8% which indicates strong 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



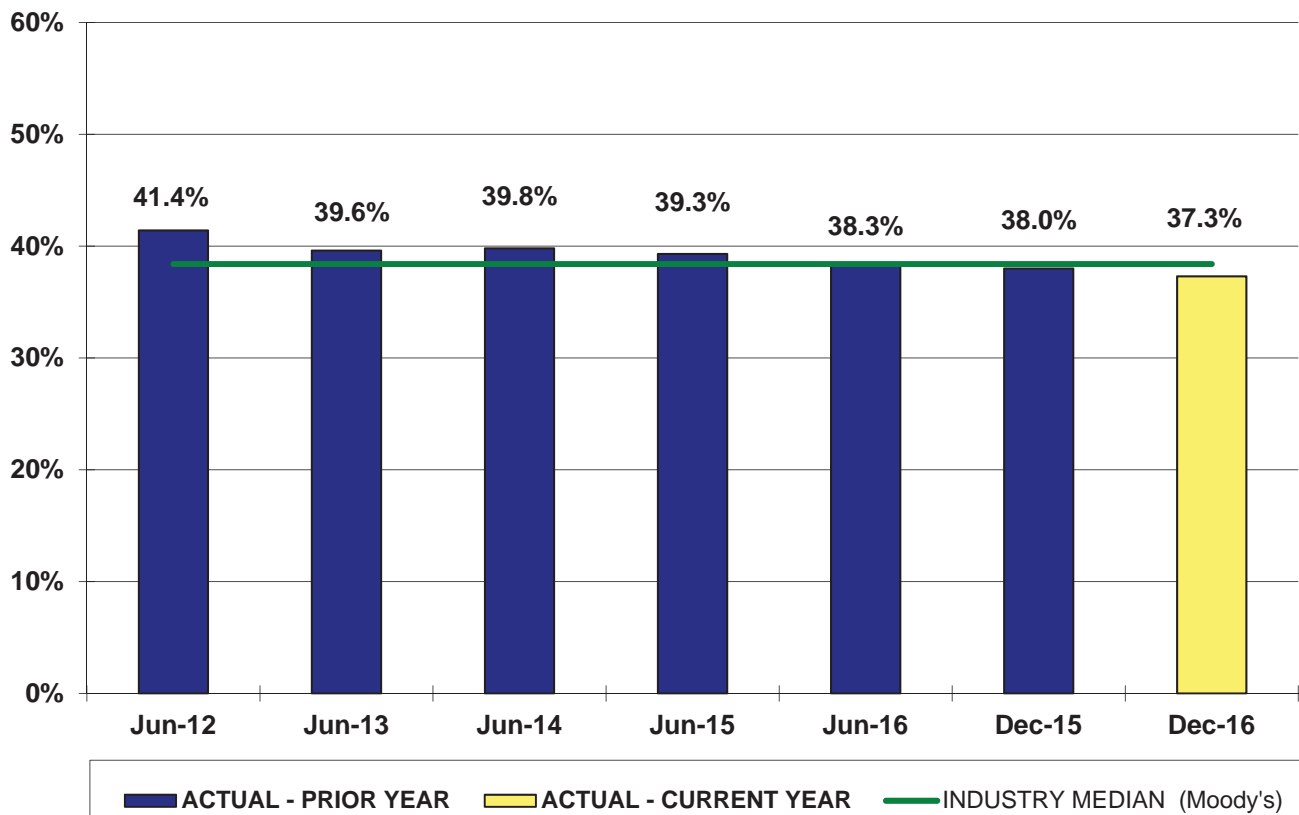
The Utility's Unrestricted Current Ratio of 23.1 reflects a 2.0 point (unfavorable) change from prior year due to a decrease in cash and cash equivalents for the use of unrestricted reserves to fund capital projects which are customarily funded by bonds. This ratio is 21.5 points higher (favorable) than 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%



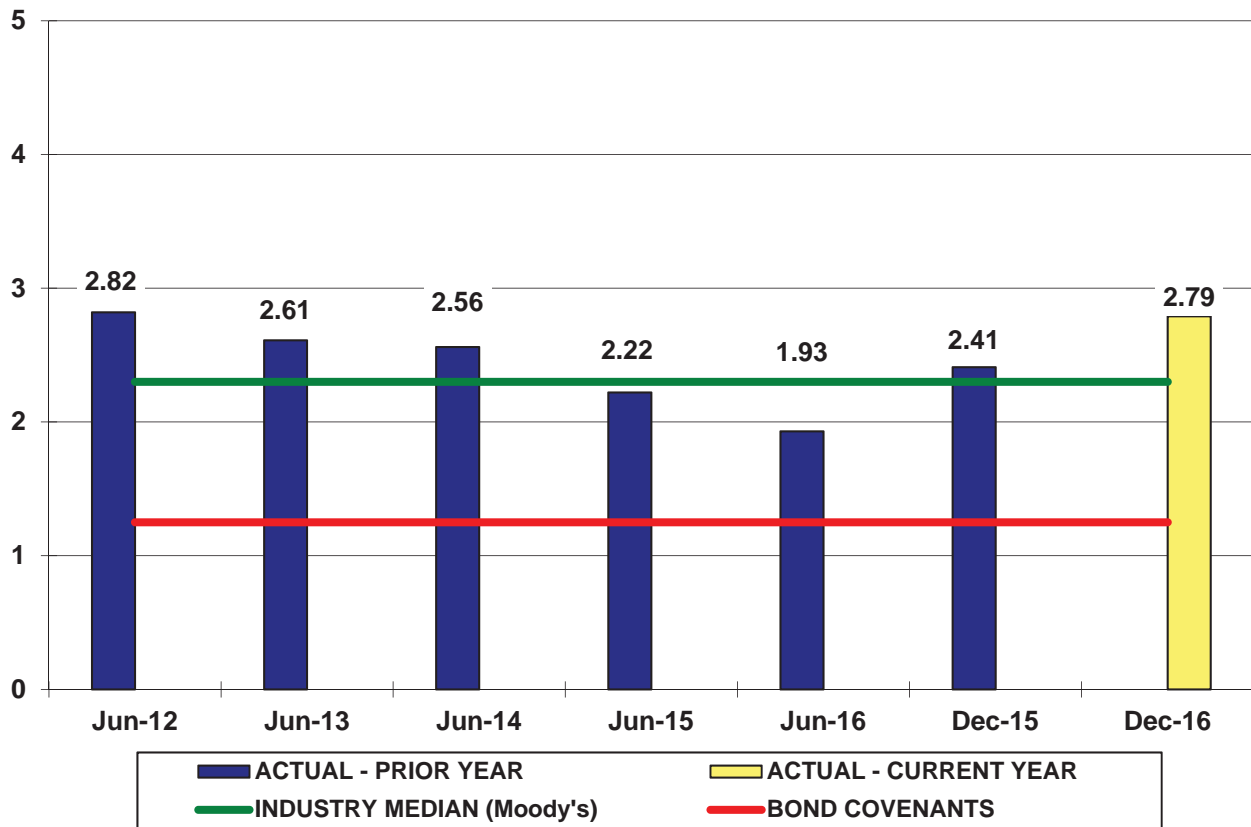
The Utility's Debt Ratio of 37.3% reflects a 0.7 point (favorable) change from prior year primarily due to principal payments on outstanding debt. This ratio is 1.0 points lower (favorable) than the industry median of 38.4%.

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 for prior years have 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 2.79 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.