

2020 ANNUAL AUDIT REPORT AND FINANCIAL RESULTS

Board of Public Utilities
February 22, 2021

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Independent Auditors' Report Highlights

Independent Audit by Lance Soll & Lunghard (LSL)

- a. Unmodified (clean) opinions
- b. No management letter comments or findings
- c. No audit adjustments proposed or passed

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Financial Highlights

June 30, 2020 (Audited)

	Electric	Water
Net Retail Revenues	\$308.8 M	\$61.7 M
Capital Improvements	\$42.1 M	\$18.5 M
General Fund Transfer	\$39.6 M	\$6.5 M
Financial Metrics		
Operating Ratio	78.3%	68.0%
Unrestricted Current Ratio	10.4	6.6
Debt to Total Asset Ratio	50.7%	47.2%
Debt Service Coverage Ratio	2.62	1.80
Ratings		
Fitch	AA- (March 2020)	AA+ (November 2020)
Moody's	-	Aa2 (July 2019)
S&P Global Ratings	AA- (January 2019)	AAA (December 2019)



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Unrestricted, Undesignated Cash Reserves

June 30, 2020 (Audited)

	Electric	Water
Beginning Balance – 7/1/2019	\$199 M	\$32 M
Ending Balance – 6/30/2020	\$193 M	\$29 M
Available Line of Credit (LOC)	\$35 M	\$25 M
Minimum Reserve Level – 6/30/2020	\$137 M	\$46 M
Maximum Reserve Level – 6/30/2020	\$216 M	\$70 M
Met Policy Requirements	✓	✓

Water Fund's unrestricted, undesignated reserve balance combined with the line of credit (LOC) in compliance with RPU Cash Reserve Policy at 6/30/2020 is above target minimum, which is consistent with projections provided during the biennial budget and rate plan proposal processes. The LOC provides flexibility and operating liquidity similar to cash reserve allowing the Water Fund to maintain compliance with RPU Cash Reserve Policy.

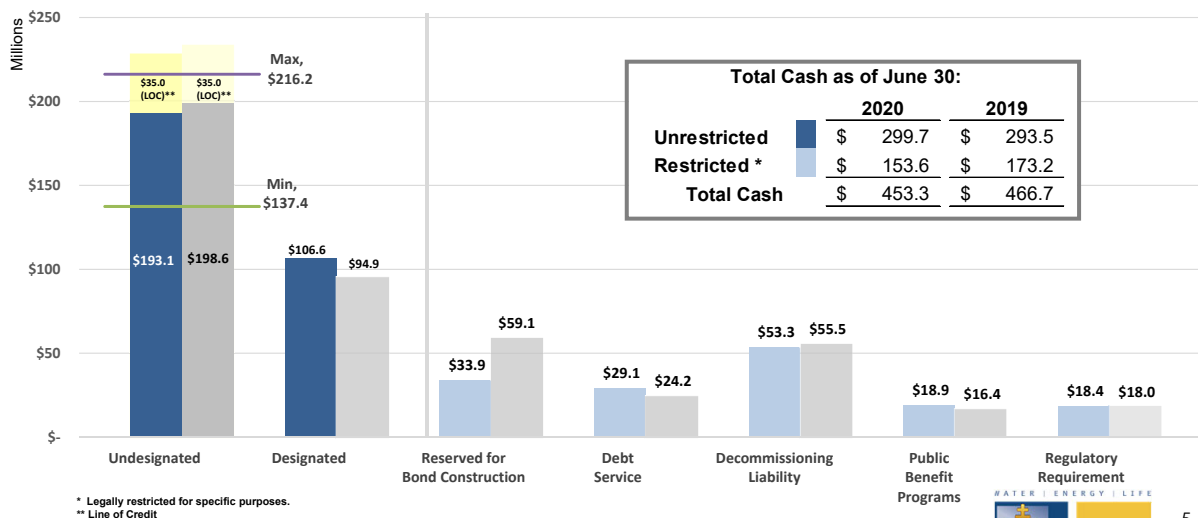


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Electric Utility - June 30, 2020 (Audited)

Cash Balance



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Electric Utility - June 30, 2020 (Audited)

Designated Reserves

In Millions	June 30, 2020	June 30, 2019
Customer Deposits	\$4.8	\$4.6
Capital Repair and Replacement	5.6	3.2
Electric Reliability	79.1	72.7
Mission Square Improvement	1.8	1.5
Additional Decommissioning Liability	11.7	9.9
Dark Fiber	3.6	3.0
Total	\$106.6	\$94.9

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Electric Utility - June 30, 2020 (Audited)

Condensed Statement of Changes in Net Position

	2020	2019	2018
Revenues:			
Retail sales, net	\$ 308,823	\$ 304,172	\$ 305,969
Wholesale sales	-	344	2
Transmission revenues	34,817	35,730	37,484
Investment income	14,032	13,372	2,567
Other revenues	15,845	17,397	18,922
Public Benefit Programs	9,478	9,292	8,860
Capital contributions	9,492	6,383	20,182
Total revenues	392,487	386,690	393,986

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Electric Utility - June 30, 2020 (Audited)

Condensed Statement of Changes in Net Position

	2020	2019	2018
Expenses:			
Production and purchased power	157,540	155,264	136,423
Transmission	58,830	64,443	62,981
Distribution	64,546	58,729	67,436
Public Benefit Programs	6,440	8,933	7,820
Depreciation	35,151	34,471	33,585
Interest expenses and fiscal charges	26,269	25,053	24,129
Total expenses	348,776	346,893	332,374
Transfers to the City's general fund	(39,558)	(39,886)	(40,073)

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Electric Utility - June 30, 2020 (Audited)

Condensed Statement of Changes in Net Position

	2020	2019	2018
Changes in net position	4,153	(89)	21,539
Net position, July 1, as previously reported	510,732	505,412	484,201
Less: Cumulative effect of change in accounting principle ⁽¹⁾	-	5,409	(328)
Net position, July 1, as restated	510,732	510,821	483,873
Net position, June 30	\$ 514,885	\$ 510,732	\$ 505,412

⁽¹⁾ For the implementation of postemployment benefits other than pensions, GASB Statement No. 75, for the year ended June 30, 2018, and restatement of pension allocation, GASB Statement No. 68, for the year ended June 30, 2019.

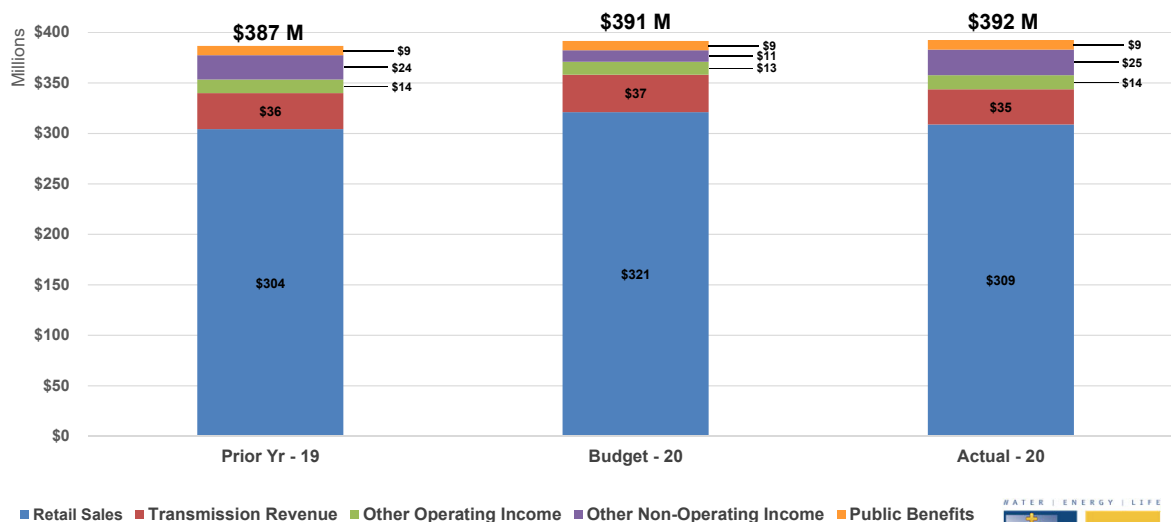
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Electric Utility - June 30, 2020 (Audited)

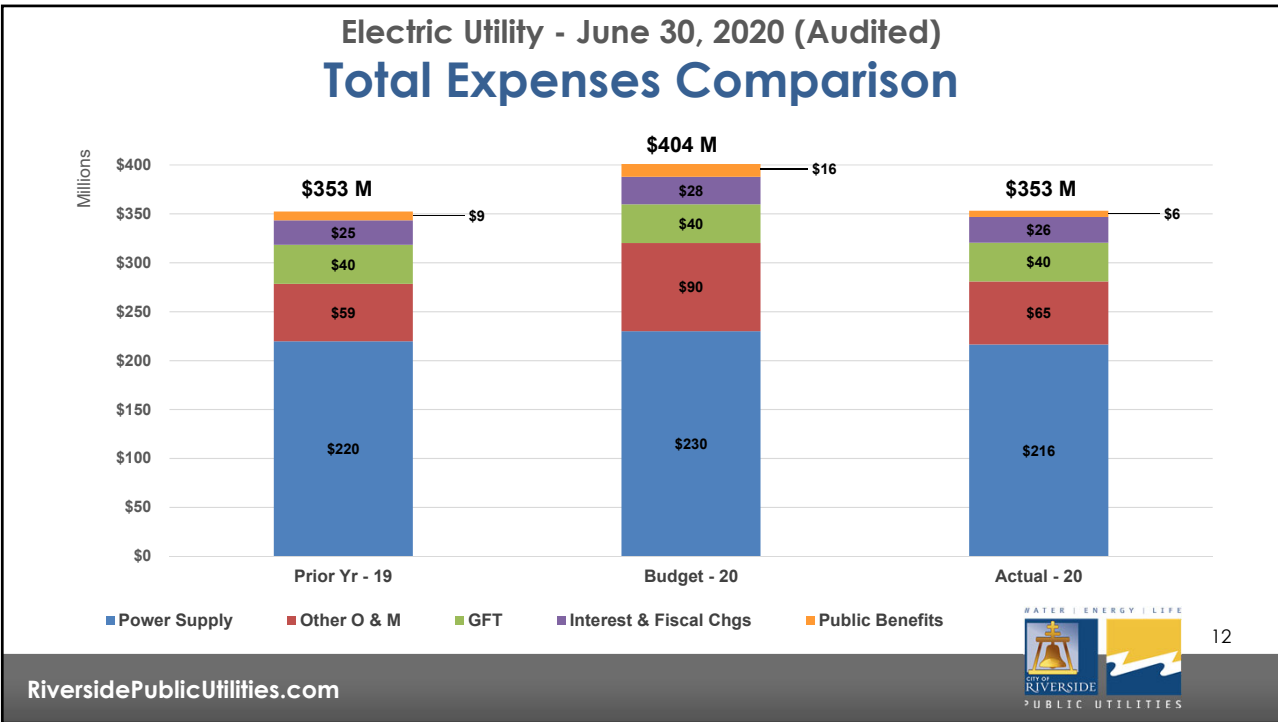
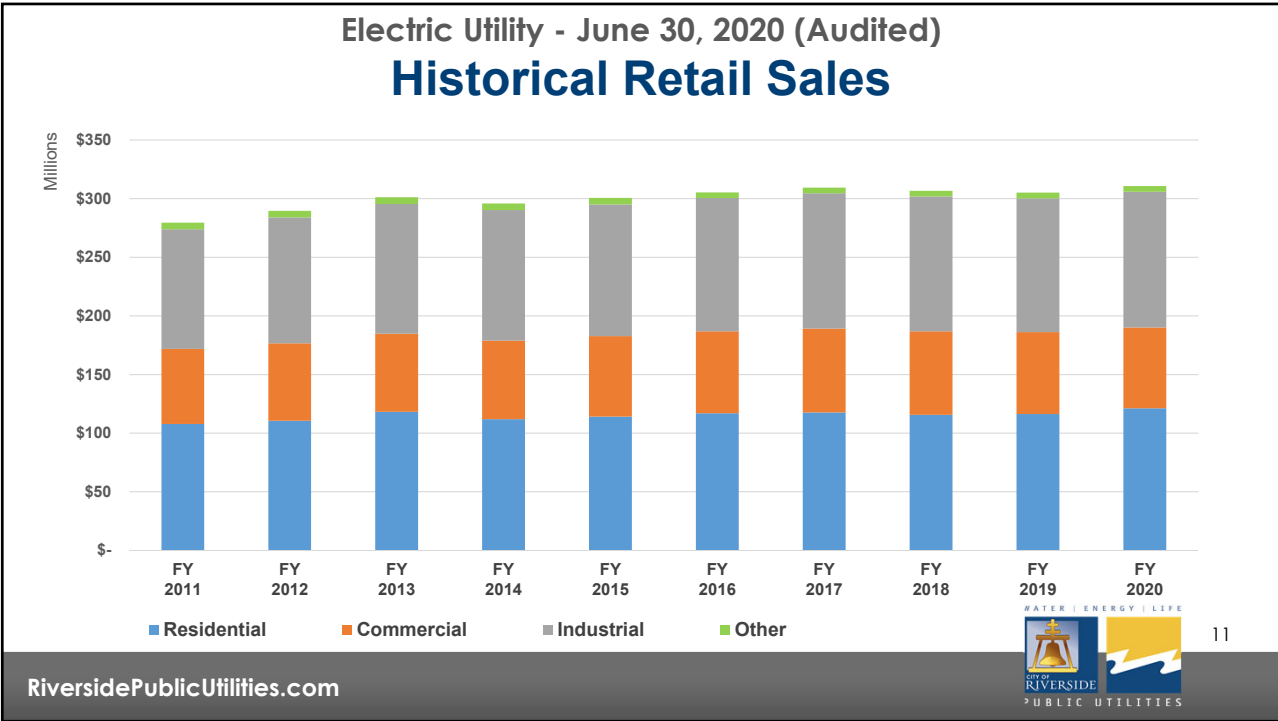
Total Revenues Comparison

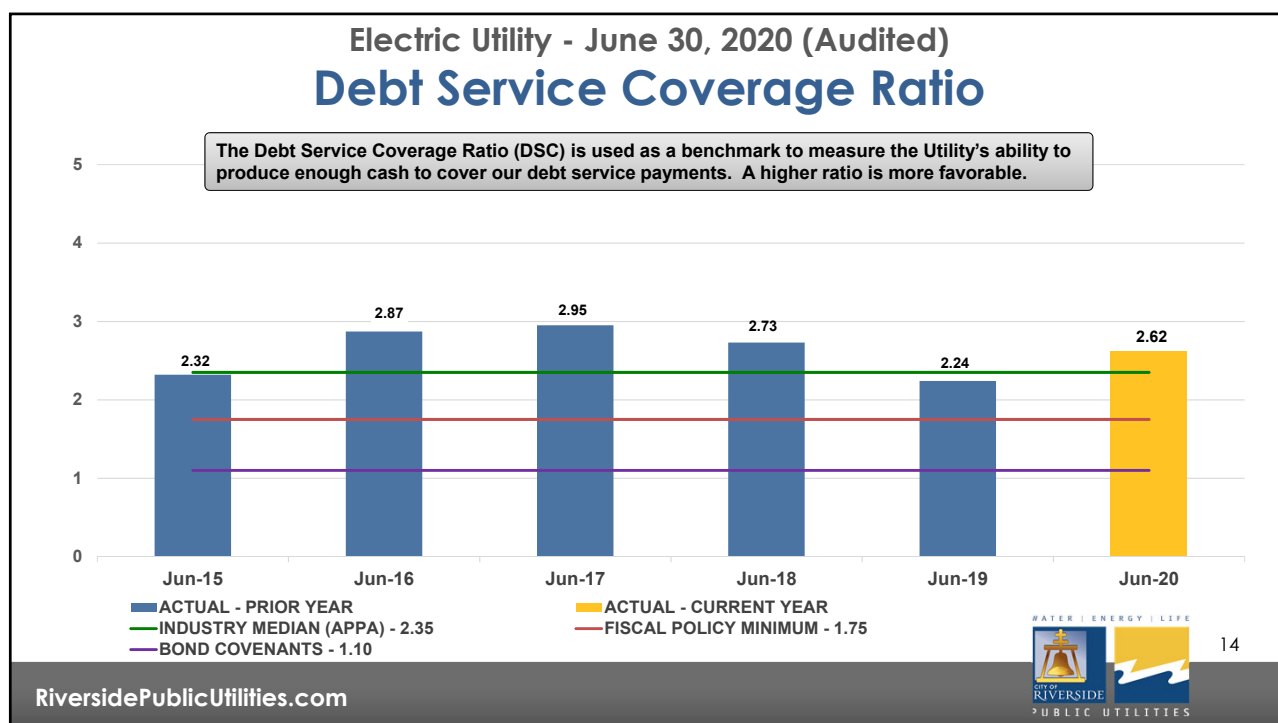
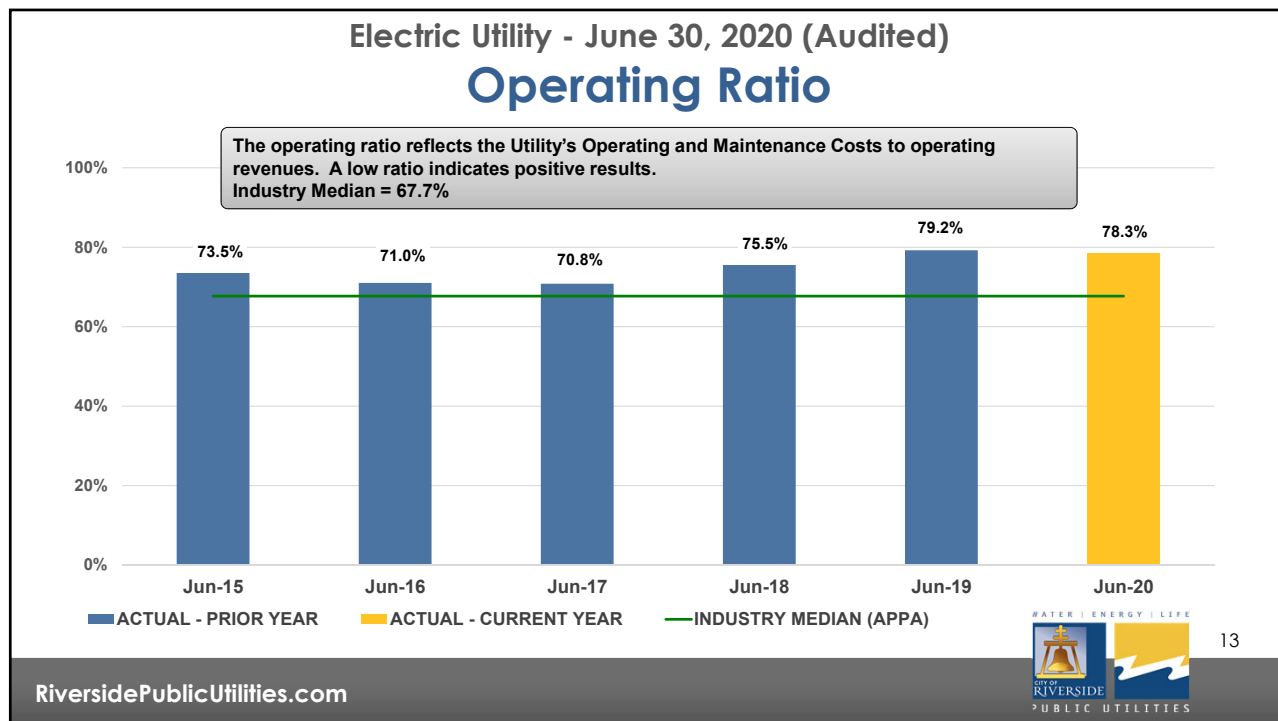


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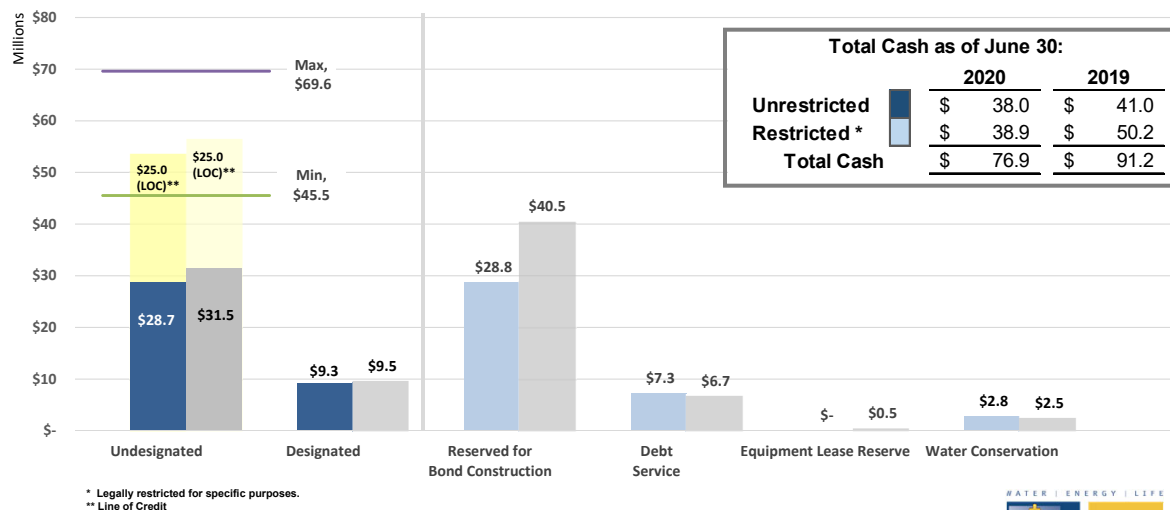
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Water Utility - June 30, 2020 (Audited)

Cash Balance



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Water Utility - June 30, 2020 (Audited)

Designated Reserves

In Millions	June 30, 2020	June 30, 2019
Customer Deposits	\$0.7	\$0.6
Capital Repair and Replacement	2.3	2.3
Recycled Water	1.1	1.5
Property	5.2	5.1
Total	\$9.3	\$9.5

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Water Utility - June 30, 2020 (Audited)

Condensed Statement of Changes in Net Position

	2020	2019	2018
Revenues:			
Retail sales, net	\$ 61,683	\$ 57,605	\$ 58,216
Other revenues	10,862	10,530	11,463
Investment income	2,073	2,044	250
Capital contributions	3,129	3,119	4,181
Total revenues	<u>77,747</u>	<u>73,298</u>	<u>74,110</u>

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Water Utility - June 30, 2020 (Audited)

Condensed Statement of Changes in Net Position

	2020	2019	2018
Expenses:			
Operations and maintenance	41,845	39,217	38,976
Purchased energy	5,583	5,748	5,827
Depreciation	16,010	15,450	14,914
Interest expenses and fiscal charges	9,857	10,412	8,435
Total expenses	<u>73,295</u>	<u>70,827</u>	<u>68,152</u>
Transfers:			
Transfers to the City's general fund	<u>(6,518)</u>	<u>(6,584)</u>	<u>(6,173)</u>

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Water Utility - June 30, 2020 (Audited)

Condensed Statement of Changes in Net Position

	2020	2019	2018
Changes in net position	(2,066)	(4,113)	(215)
Net position, July 1, as previously reported	302,701	305,078	305,418
Less: Cumulative effect of change in accounting principle ⁽¹⁾	-	1,736	(125)
Net position, July 1, as restated	302,701	306,814	305,293
Net position, June 30	\$ 300,635	\$ 302,701	\$ 305,078

⁽¹⁾ For the implementation of postemployment benefits other than pensions, GASB Statement No. 75, for the year ended June 30, 2018, and restatement of pension allocation, GASB Statement No. 68, for the year ended June 30, 2019.

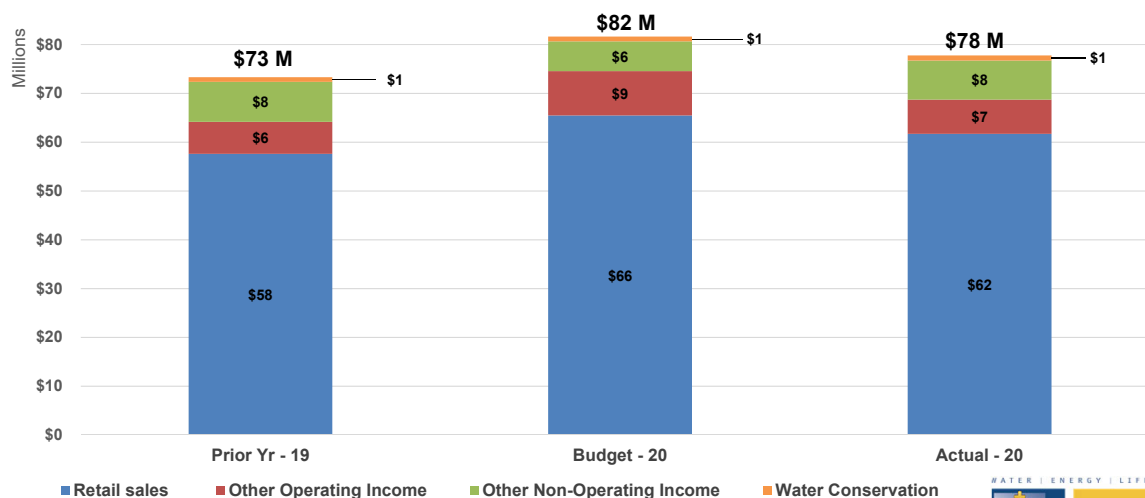
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Water Utility - June 30, 2020 (Audited)

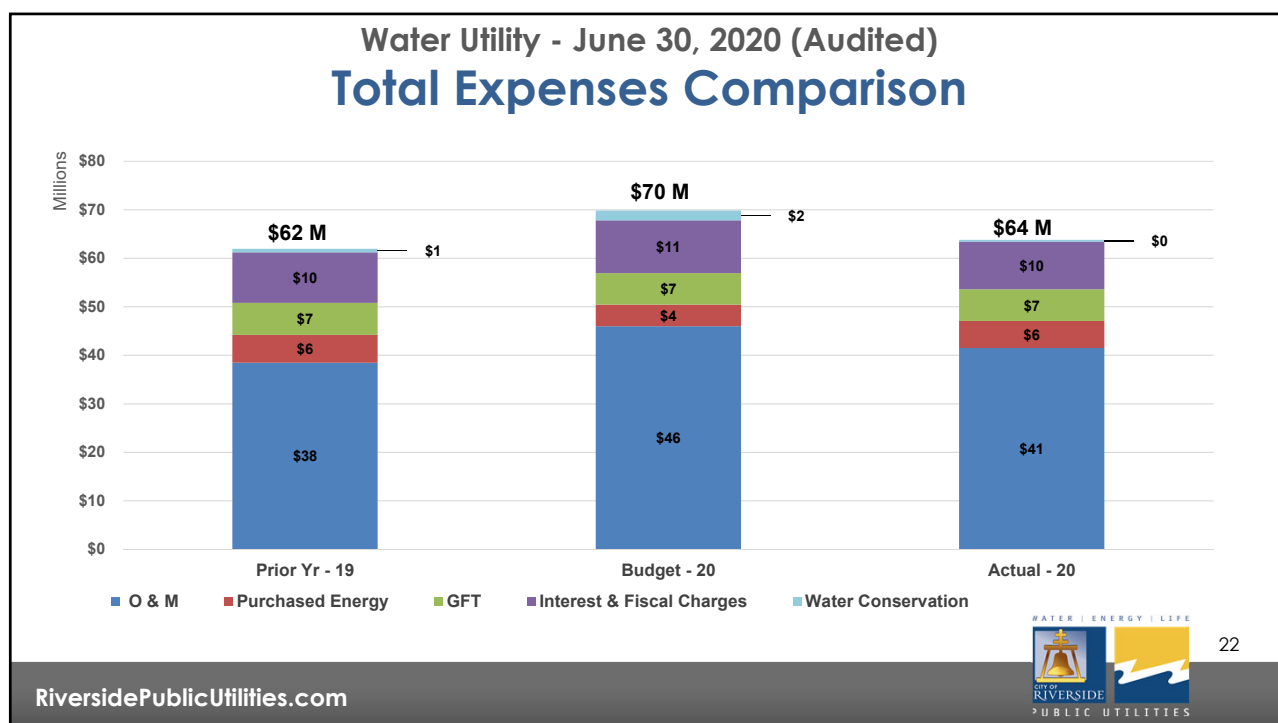
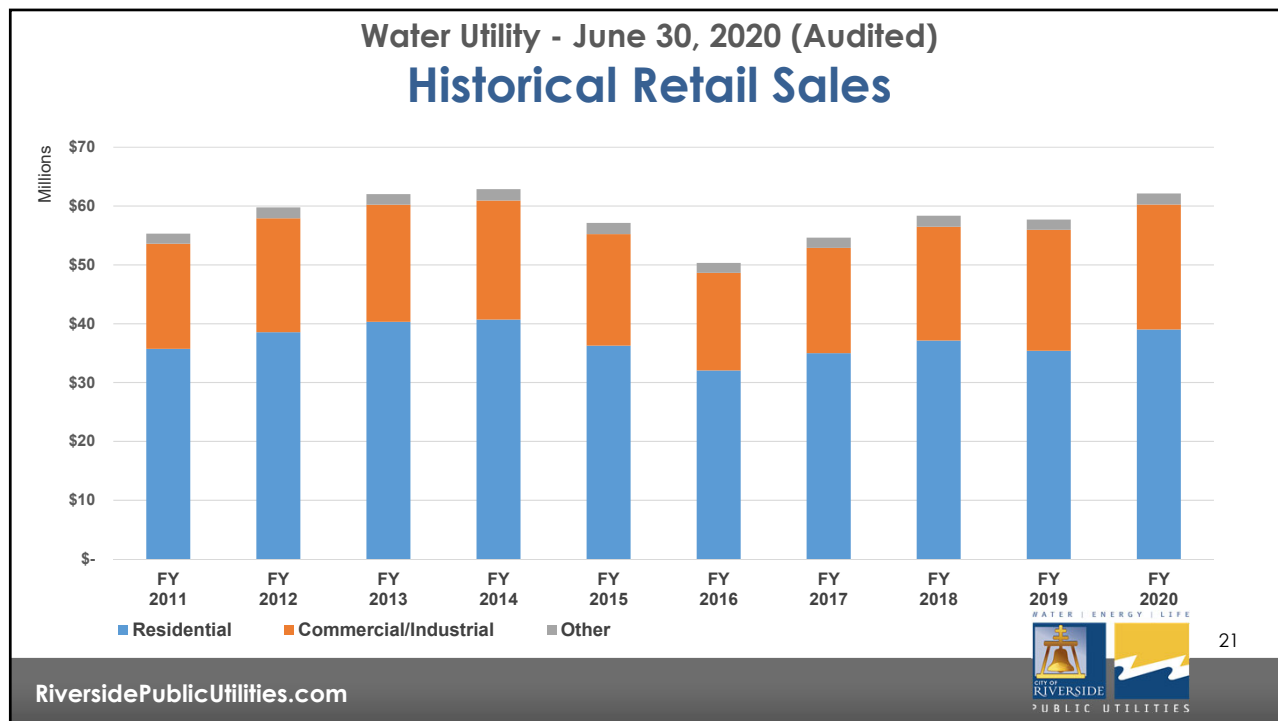
Total Revenues Comparison

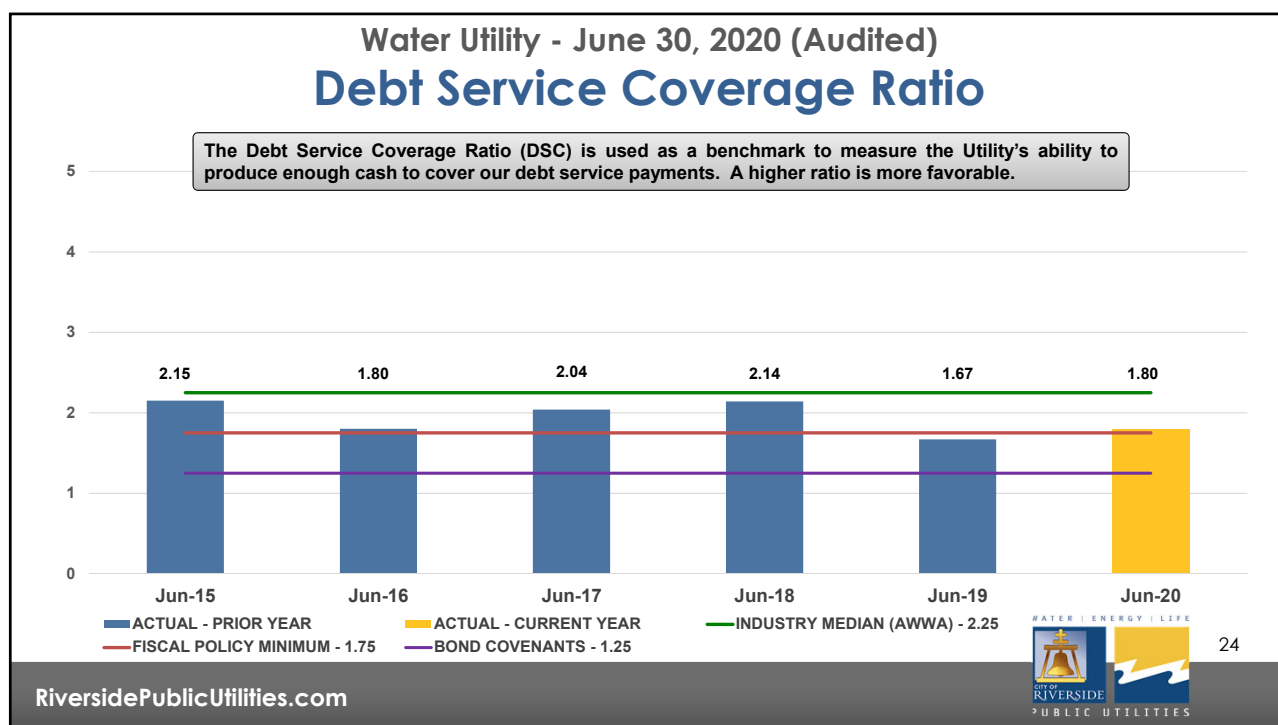
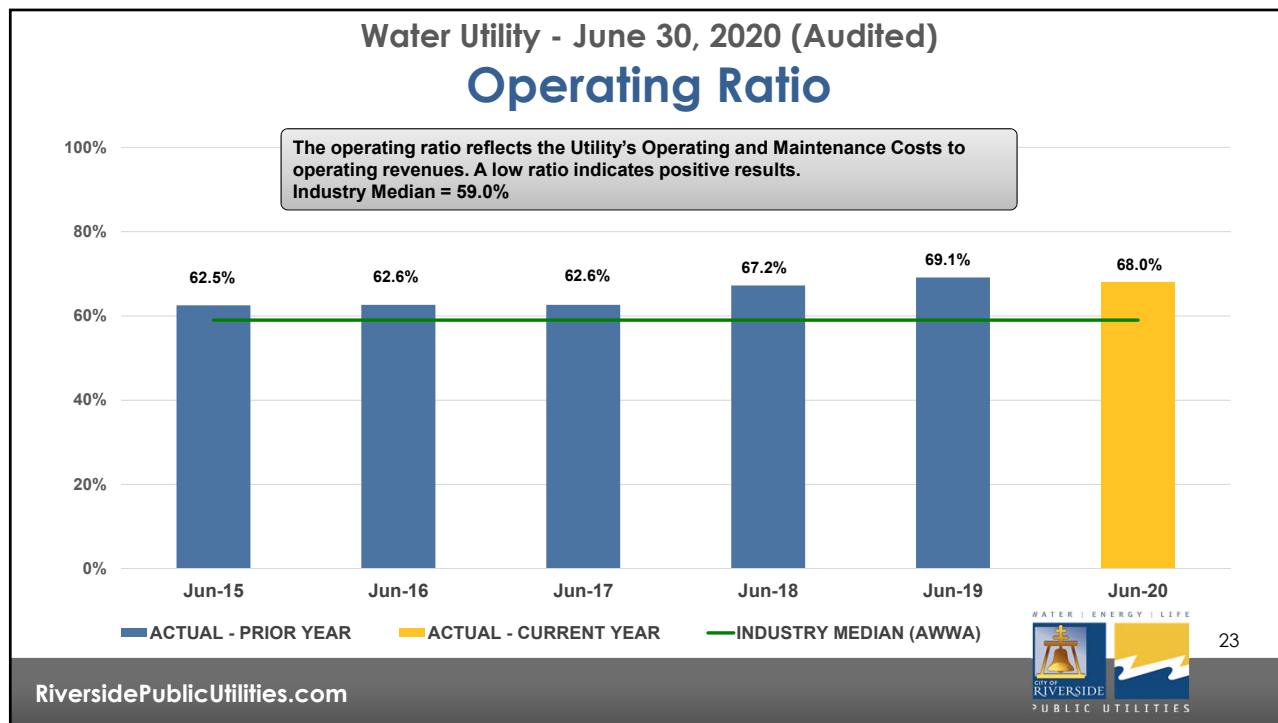


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2020 Annual Report



- Full report will be published on the City's Website after CAFR is presented to City Council
- <https://riversideca.gov/utilities/about-rpu/annual-reports.asp>

Recommendation

That the Board of Public Utilities receive the Riverside Public Utilities 2020 Annual Audit Report and Financial Results.