

Arts & Innovation

QUARTERLY FINANCIAL REPORT

March 31, 2015



I OWN IT

Riverside Public Utilities

Customer-owned since 1895

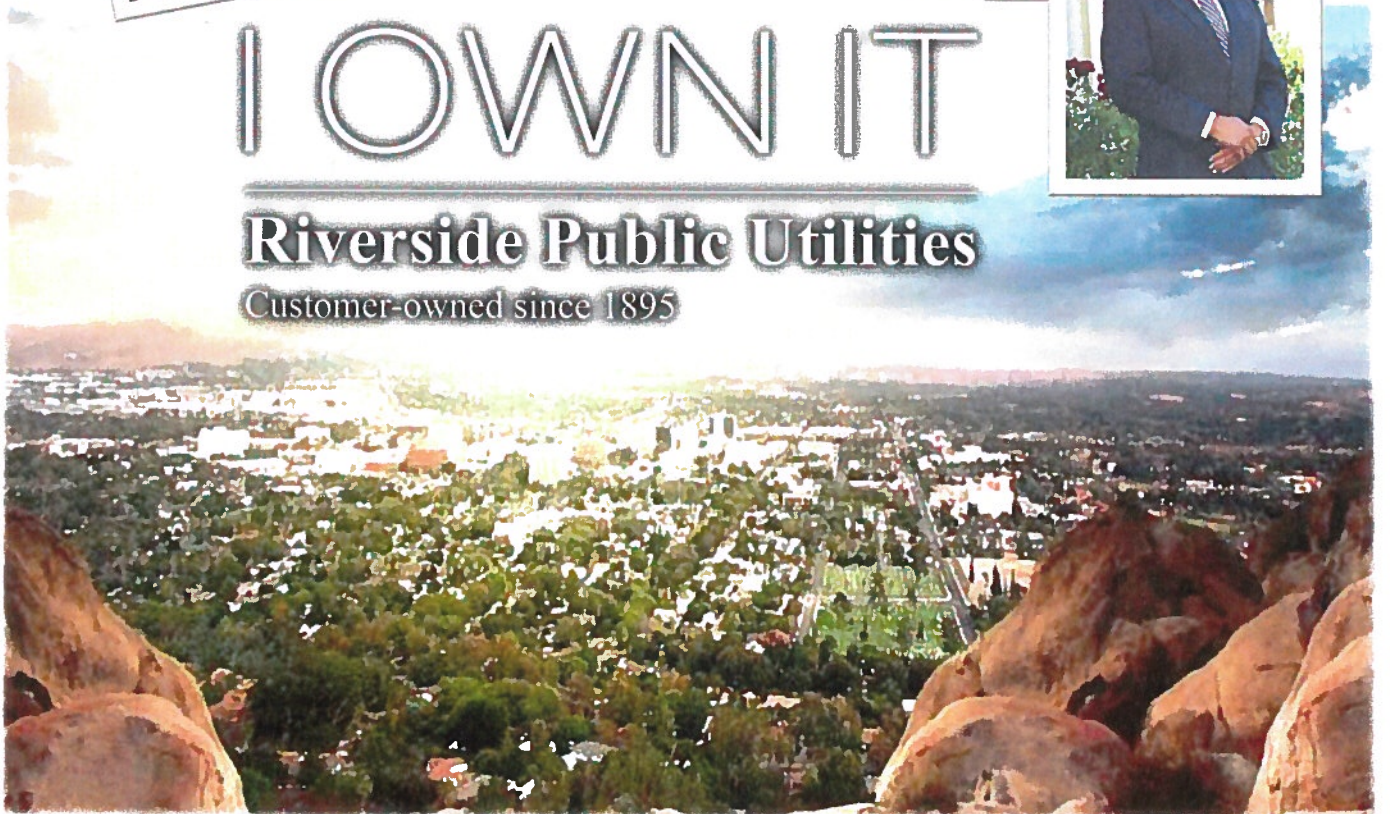


TABLE OF CONTENTS

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

MARCH FINANCIAL REPORT EXECUTIVE SUMMARY

BACKGROUND:

These financial statements provide the Public Utilities Board with information about the operating performance and financial condition of Riverside Public Utilities. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows are presented in the Annual Report format. The Income Statement Analysis schedule which displays the relationship between revenues, expenses and the budget is also included. Each quarter, this analysis compares current year activity to the budget and the prior year. Attached is a PowerPoint graphic presentation of the financial results for the nine months ended March 31, 2015.

Electric Utility: Comparison to prior year

Retail sales were \$230.7 million and were \$6.9 million (3.1%) higher than prior year primarily from a 2.5% increase in load as a result of warmer weather patterns in the fall compared to prior year. (Graphs A-2 and A-5)

Transmission revenue of \$23.0 million was \$2.0 million (7.9%) lower than prior year due to a lower revised access charge rate applied by the California Independent System Operator (CAISO). (Page 3)

Power supply costs of \$146.4 million were \$1.4 million (0.9%) lower than prior year primarily due to lower generation costs as a result of a decline in natural gas prices. (Graph A-3)

Distribution operating expenses of \$38.1 million were \$0.8 million (2.0%) lower than prior year due to a decrease in general operating expenses. (Graph A-4)

Total cash balances of \$421.2 million decreased by \$6.5 million primarily due to the use of bond proceeds for capital projects offset by positive operating results. (Graph A-6)

Utility plant assets increased by \$10.9 million primarily due to construction in progress and the completion of significant capital projects such as substation upgrades, transmission system improvements, and technology upgrades. (Page 4)

Unamortized purchased power increased by \$3.4 million due to the prepayments of power supply costs related to the Salton Sea power purchase agreement and Hoover Upgrading Project. (Page 4)

Deferred changes in derivative values and derivative instruments liability increased by \$9.7 million and \$9.1 million, respectively, due to an increase in the negative fair value of the Electric Utility's derivative instruments. (Pages 4 and 5)

Total net position increased by \$23.6 million due to positive operating results from fiscal year ended June 30, 2014 and higher-than-anticipated operating revenues in the current fiscal year due to warmer weather patterns. (Page 5)

Long-term obligations, including the current portion, decreased by \$16.5 million primarily due to principal payments made and amortization of bond premiums. (Page 5)

Accounts payable and other accruals decreased by \$3.6 million due to a reduction in payables related to power supply costs. (Page 5)

Electric Utility: Comparison to budget

Retail sales were consistent with budget. (Graphs A-2 and A-5)

Power supply costs were \$15.6 million (9.6%) lower than budget primarily due to lower than anticipated transmission costs, lower generation costs as a result of a decline in natural gas prices, and a decrease in SONGS ongoing maintenance costs. (Graph A-3)

Distribution operating expenses were \$9.5 million (19.9%) below anticipated levels primarily due to timing of certain expenditures and savings in personnel costs, professional services, and other general operating expenses. (Graph A-4)

With 75% of the year completed, the Electric Utility spent 66% 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 \$44.6 million were \$3.3 million (7.0%) lower than prior year due to an 8.1% decrease in consumption as a result of water conservation measures enacted due to current drought conditions. (Graphs A-13 and A-15)

Distribution operating expenses of \$26.7 million were \$0.4 million (1.5%) lower than prior year due to a decrease in general operating expenses as a result of reducing controllable expenses where possible to offset the reduction in revenues. (Graph A-14)

Total cash balances of \$96.6 million decreased by \$12.1 million primarily due to the use of bond proceeds for capital projects, offset by an increase in operating reserve resulting from prior year's positive operating results. (Graph A-16)

Utility plant assets increased by \$22.6 million due to the completion and construction in progress of transmission and distribution system assets, as well as land acquisition. (Page 11)

Other receivables, including the current portion, decreased by \$3.3 million, reflecting the first of three payments received in June 2014 from the settlement agreement against the City. Under the settlement agreement, the City agreed to pay the Utility \$10 million over a three-year period beginning in fiscal year 2013-14. The offsetting deferred regulatory charge also decreased by \$3.3 million. The funds received, reduced by related legal costs, have been set aside in an internally restricted account reserved for recycled water projects. (Pages 11, 12 and 15)

Deferred changes in derivative values and derivative instruments liability increased by \$5.4 million and \$5.1 million, respectively, due to an increase in the negative fair value of the Water Utility's derivative instruments. (Pages 11 and 12)

Total net position increased by \$5.3 million due to the receipt of \$3.3 million in June 2014 from the City on the settlement agreement and maintaining positive operating results by reducing controllable expenses in response to the reduction in operating revenues as a result of conservation measures taken by customers. (Page 12)

Long-term obligations, including the current portion, decreased by \$5.5 million due to principal payments made on outstanding debt. (Page 12)

Note payable of \$9.5 million is a result of the purchase of land with a subsequent lease back to Hillwood Enterprises for their development of the site. The note payable will be paid in the form of rent credits for the first 15 years under the terms of the lease agreement. (Page 12)

Water Utility: Comparison to budget

Retail sales were \$0.3 million (0.7%) lower than budget due to a slightly lower-than-anticipated consumption as a result of conservation measures taken by customers. (Graphs A-13 and A-15)

Distribution operating expenses were \$5.2 million (16.2%) lower than anticipated levels due to savings in water pumping and production costs as a result of lower consumption levels and reducing controllable expenses resulting in savings in personnel costs, professional services and other general operating expenses. (Graph A-14)

With 75% of the year completed, the Water Utility spent 59% of its authorized operating budget. (Page 10)

Water Utility: Overall financial condition

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

ELECTRIC UTILITY

**CITY OF RIVERSIDE
ELECTRIC UTILITY
INCOME STATEMENT ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2015
(75% of the year completed)**

	QUARTERLY (in thousands)			TOTAL BUDGET FY 14/15	CURRENT YTD AS % OF TOTAL BUDGET	YEAR-TO-DATE (in thousands)		
	CURRENT Jan-Mar 2015	BUDGET Jan-Mar 2015	PRIOR Jan-Mar 2014			CURRENT Mar 2015	BUDGET Mar 2015	PRIOR Mar 2014
OPERATING REVENUES:								
RESIDENTIAL SALES	\$ 24,042	\$ 26,028	\$ 23,741	\$ 115,844	77%	\$ 89,622	\$ 90,054	\$ 86,509
COMMERCIAL SALES	15,410	15,755	15,103	69,131	75%	52,041	52,079	50,557
INDUSTRIAL SALES	25,354	25,460	25,267	112,995	75%	84,843	85,012	82,631
OTHER SALES	1,307	1,324	1,151	5,691	74%	4,231	4,244	4,122
WHOLESALE SALES	-	-	4	-	0%	46	-	114
TRANSMISSION REVENUE	6,591	6,914	6,585	31,000	74%	23,006	23,715	24,971
OTHER OPERATING REVENUE	1,609	1,971	1,999	7,987	75%	5,967	6,073	4,824
PUBLIC BENEFIT PROGRAMS	1,924	1,966	1,885	8,706	77%	6,672	6,634	6,470
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	76,237	79,418	75,735	351,354	76%	266,428	267,811	260,198
ESTIMATED UNCOLLECTIBLES	(152)	(298)	(245)	(1,193)	75%	(899)	(894)	(898)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	76,085	79,120	75,490	350,161	76%	265,529	266,917	259,300
OPERATING EXPENSES:								
MANAGEMENT SERVICES	672	2,074	1,402	8,294	45%	3,712	6,221	4,967
UTILITY BUS SUPPORT	721	709	477	2,836	51%	1,445	2,127	794
BILLING SERVICES	105	179	254	716	44%	314	537	769
FIELD SERVICES	847	1,120	756	4,479	55%	2,444	3,359	2,384
CUSTOMER SERVICES	908	1,093	952	4,373	67%	2,941	3,279	2,706
MARKETING/COMMUNICATIONS	521	720	586	2,880	54%	1,566	2,160	2,824
PRODUCTION AND OPERATIONS	1,705	1,964	1,508	7,856	68%	5,326	5,892	4,918
FIELD OPERATIONS	3,089	3,788	3,812	15,152	60%	9,070	11,364	9,465
ENERGY DELIVERY ENGINEERING	1,085	1,061	870	4,242	68%	2,888	3,182	2,619
CUSTOMER ENGINEERING	615	706	703	2,826	69%	1,941	2,119	1,969
POWER RESOURCES	2,187	2,456	1,655	9,822	66%	6,476	7,367	5,493
PURCHASED POWER:								
TRANSMISSION	13,320	14,455	12,291	57,821	68%	39,252	43,365	38,990
GENERATION	29,245	36,848	31,961	156,060	69%	107,099	118,559	108,733
PUBLIC BENEFIT PROGRAMS	1,402	3,371	1,784	13,484	28%	3,717	10,113	5,325
DEPRECIATION	7,024	7,020	6,775	28,081	75%	21,065	21,061	20,325
TOTAL OPERATING EXPENSES	63,446	77,564	65,786	318,922	66%	209,256	240,705	212,281
OPERATING INCOME	12,639	1,556	9,704	31,239	180%	56,273	26,212	47,019
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	1,113	1,432	1,070	5,729	57%	3,238	4,297	4,123
INTEREST EXPENSE	(6,733)	(7,094)	(6,887)	(28,376)	70%	(19,978)	(21,282)	(21,669)
GENERAL FUND CONTRIBUTIONS	(9,545)	(9,545)	(9,676)	(38,178)	75%	(28,634)	(28,634)	(29,028)
GAIN ON SALE OF ASSETS	14	139	12	557	29%	160	418	376
OTHER	668	749	793	2,995	75%	2,238	2,246	2,803
TOTAL NON-OPERATING EXPENSES	(14,483)	(14,319)	(14,688)	(57,273)	75%	(42,976)	(42,955)	(43,395)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,844)	(12,763)	(4,984)	(26,034)	-51%	13,297	(16,743)	3,624
CAPITAL CONTRIBUTIONS	529	378	1,030	1,512	96%	1,458	1,134	2,252
NET INCOME (LOSS)	\$ (1,315)	\$ (12,385)	\$ (3,954)	\$ (24,522)	-60%	\$ 14,755	\$ (15,609)	\$ 5,876

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	March 31	
	2015	2014
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant:	\$ 914,573	\$ 880,902
Less accumulated depreciation	<u>(312,428)</u>	<u>(288,526)</u>
	602,145	592,376
Land	8,717	7,683
Intangibles	10,651	10,651
Construction in progress	<u>72,226</u>	<u>72,088</u>
Total utility plant	<u>693,739</u>	<u>682,798</u>
Restricted assets:		
Cash and investments at fiscal agent	<u>152,536</u>	<u>187,634</u>
Other non-current assets:		
Advances to other funds of the City	5,800	5,742
Net pension asset	11,450	11,954
Unamortized purchased power	4,441	1,571
Regulatory assets	<u>17,254</u>	<u>18,149</u>
Total other non-current assets	<u>38,945</u>	<u>37,416</u>
Total non-current assets	<u>885,220</u>	<u>907,848</u>
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	230,014	208,251
Accounts receivable, less allowance for doubtful accounts		
2015 \$829; 2014 \$1,059	32,946	30,070
Advances to other funds of the City	765	1,134
Accrued interest receivable	874	730
Inventory	1,202	1,202
Prepaid expenses	19,035	20,607
Unamortized purchased power	<u>496</u>	<u>-</u>
Total unrestricted current assets	<u>285,332</u>	<u>261,994</u>
Restricted assets:		
Cash and cash equivalents	26,834	22,384
Public Benefit Programs - cash and cash equivalents	11,774	9,456
Public Benefit Programs receivable	<u>887</u>	<u>777</u>
Total restricted current assets	<u>39,495</u>	<u>32,617</u>
Total current assets	<u>324,827</u>	<u>294,611</u>
Total assets	<u>1,210,047</u>	<u>1,202,459</u>
Deferred outflows of resources:		
Deferred changes in derivative values	23,913	14,226
Deferred loss on refunding	<u>12,191</u>	<u>13,622</u>
Total deferred outflows of resources	<u>36,104</u>	<u>27,848</u>
Total assets and deferred outflows of resources	<u>\$ 1,246,151</u>	<u>\$ 1,230,307</u>

City of Riverside Electric Utility

STATEMENTS OF NET POSITION

	March 31	
	2015	2014
	(in thousands)	
Net position and liabilities		
Net position:		
Net investment in capital assets	\$ 189,296	\$ 200,154
Restricted for :		
Regulatory requirements	6,377	2,088
Debt service	20,457	20,296
Public Benefit Programs	12,683	10,233
Unrestricted	<u>269,917</u>	<u>242,377</u>
Total net position	<u>498,730</u>	<u>475,148</u>
Long-term obligations, less current portion	<u>576,381</u>	<u>593,751</u>
Other non-current liabilities:		
Compensated absences	830	762
Capital leases payable	973	1,691
Derivative instruments	29,685	20,584
Nuclear decommissioning liability	77,623	74,509
Advances from other funds of the City-pension obligation	10,719	11,284
Postemployment benefits payable	<u>5,749</u>	<u>4,928</u>
Total other non-current liabilities	<u>125,579</u>	<u>113,758</u>
Current liabilities payable from restricted assets:		
Accrued interest payable	12,120	12,410
Current portion of long-term obligations	<u>15,825</u>	<u>14,920</u>
Total current liabilities payable from restricted assets	<u>27,945</u>	<u>27,330</u>
Current liabilities:		
Accounts payable and other accruals	12,603	16,196
Customer deposits	4,445	4,124
Unearned revenue	<u>468</u>	<u>-</u>
Total current liabilities	<u>17,516</u>	<u>20,320</u>
Total liabilities	<u>747,421</u>	<u>755,159</u>
Total net position and liabilities	<u>\$ 1,246,151</u>	<u>\$ 1,230,307</u>

City of Riverside Electric Utility

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

	March 31	
	2015	2014
	(in thousands)	
Operating revenues:		
Residential sales	\$ 89,622	\$ 86,509
Commercial sales	52,041	50,557
Industrial sales	84,843	82,631
Other sales	4,231	4,122
Wholesale sales	46	114
Transmission revenue	23,006	24,971
Other operating revenue	5,967	4,824
Public Benefit Programs	6,672	6,470
	<u>266,428</u>	<u>260,198</u>
Total operating revenues before uncollectibles		
Estimated uncollectibles, net of bad debt recovery	(899)	(898)
	<u>265,529</u>	<u>259,300</u>
Operating expenses:		
Production and purchased power	107,982	109,618
Transmission	39,252	38,990
Distribution	37,240	38,023
Public Benefit Programs	3,717	5,325
Depreciation	21,065	20,325
	<u>209,256</u>	<u>212,281</u>
Total operating expenses		
Operating income	<u>56,273</u>	<u>47,019</u>
Non-operating revenues (expenses):		
Investment income	3,238	4,123
Interest expense and fiscal charges	(19,978)	(21,669)
Gain on sale of assets	160	376
Other	2,238	2,803
	<u>(14,342)</u>	<u>(14,367)</u>
Total non-operating expenses		
Income before capital contributions and transfers out	41,931	32,652
Capital contributions	1,458	2,252
Transfers out - contributions to the City's general fund	(28,634)	(29,028)
	<u>(27,176)</u>	<u>(26,776)</u>
Total capital contributions and transfers out		
Increase in net position	14,755	5,876
Net position, July 1	<u>483,975</u>	<u>469,272</u>
Net position, March 31	<u>\$ 498,730</u>	<u>\$ 475,148</u>

City of Riverside Electric Utility

STATEMENTS OF CASH FLOWS
For the Nine Months Ended

	March 31	
	2015	2014
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 269,667	\$ 271,135
Cash paid to suppliers and employees	(189,740)	(199,935)
Other receipts	2,238	2,803
Net cash provided by operating activities	<u>82,165</u>	<u>74,003</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(28,634)	(29,028)
Payment on advances from other funds of the City - pension obligation	(565)	(497)
Advances to other funds of the City	149	631
Net cash used by non-capital financing activities	<u>(29,050)</u>	<u>(28,894)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(23,389)	(23,672)
Proceeds from the sale of utility plant	160	381
Proceeds from revenue bonds, for payment of interest	-	2,315
Principal paid on long-term obligations	(15,513)	(21,711)
Interest paid on long-term obligations	(13,572)	(15,146)
Capital contributions	1,707	2,197
Bond issuance costs	-	(455)
Net cash used by capital and related financing activities	<u>(50,607)</u>	<u>(56,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment securities	2,584	5,990
Income from investments	3,491	4,222
Net cash provided by investing activities	<u>6,075</u>	<u>10,212</u>
Net increase (decrease) in cash and cash equivalents	8,583	(770)
CASH AND CASH EQUIVALENTS, JULY 1	<u>321,057</u>	<u>335,085</u>
CASH AND CASH EQUIVALENTS, MARCH 31	<u>\$ 329,640</u>	<u>\$ 334,315</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 56,273	\$ 47,019
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	21,065	20,325
Increase in allowance for uncollectible accounts	182	285
Decrease in accounts receivable	3,355	10,799
Increase in inventory	-	(1,202)
Decrease in prepaid expenses	3,792	1,770
Increase in unamortized purchased power	(1,422)	(1,571)
Decrease in accounts payable and other accruals	(6,556)	(4,678)
Increase in postemployment benefits payable	-	59
Decrease in Public Benefit Programs payable	(154)	(702)
Increase in unearned revenue	468	-
Increase in customer deposits	600	753
Increase (decrease) in decommissioning liability	2,324	(1,657)
Other receipts	2,238	2,803
Net cash provided by operating activities	<u>\$ 82,165</u>	<u>\$ 74,003</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Borrowing under capital lease	-	408
Proceeds of refunding debt placed into an irrevocable trust:		
Defeasance of bonds	-	37,575
Payment of loan payable	-	42,661

City of Riverside Electric Utility

SCHEDULES OF CASH AND CASH EQUIVALENTS

	March 31	
	2015	2014
	(in thousands)	
Unrestricted cash and cash equivalents:		
Operating cash	\$ 51,051	\$ 45,895
Regulatory risk reserve	15,000	15,000
Energy risk reserve	30,000	30,000
Operating reserve	131,031	116,031
Decommissioning reserve	2,932	1,325
	<hr/>	<hr/>
Total unrestricted cash and cash equivalents	230,014	208,251
	<hr/>	<hr/>
Legally restricted cash and cash equivalents:		
Reserved for debt service	20,457	20,296
Reserved for bond construction	61,018	94,224
Reserved for regulatory requirements	6,377	2,088
Reserved for Public Benefit Programs	11,774	9,456
	<hr/>	<hr/>
Total legally restricted cash and cash equivalents	99,626	126,064
	<hr/>	<hr/>
Total cash and cash equivalents	329,640	334,315
	<hr/>	<hr/>
Cash and investments at fiscal agent:		
Reserved for decommissioning liability	79,162	77,395
Reserved for other cash at fiscal agent	1,548	1,178
Reserved for debt service	10,808	14,837
	<hr/>	<hr/>
Total cash and investments at fiscal agent	91,518	93,410
	<hr/>	<hr/>
Total restricted and unrestricted cash	<u>\$ 421,158</u>	<u>\$ 427,725</u>

TABLE I
CITY OF RIVERSIDE - ELECTRIC UTILITY
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	3/31/15	3/31/14	6/30/14	6/30/13	6/30/12	6/30/11	6/30/10
Operating Ratio	76.9%	70.9%	74.0%	72.5%	67.7%	69.6%	72.3%	68.2%
Debt Ratio	54.9%	60.0%	61.4%	60.9%	62.3%	62.6%	63.7%	58.9%
Unrestricted Current Ratio **	2.1	16.3	12.9	13.0	10.9	10.8	11.0	10.2
Debt Service Coverage	2.41	2.52	2.14	2.16	2.73	2.24	2.21	2.75

* Industry median obtained from the 2013-14 APPA Survey (based on customer size class of more than 100,000)

** Includes Cash Reserves.

WATER UTILITY

**CITY OF RIVERSIDE
WATER UTILITY
INCOME STATEMENT ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2015
(75% of the year completed)**

	QUARTERLY (in thousands)			TOTAL BUDGET FY 14/15	CURRENT YTD AS % OF TOTAL BUDGET	YEAR-TO-DATE (in thousands)		
	CURRENT	BUDGET	PRIOR			CURRENT	BUDGET	PRIOR
	Jan-Mar 2015	Jan-Mar 2015	Jan-Mar 2014			Mar 2015	Mar 2015	Mar 2014
OPERATING REVENUES:								
RESIDENTIAL SALES	\$ 6,751	\$ 6,440	\$ 7,569	\$ 37,071	77%	\$ 28,403	\$ 28,256	\$ 30,975
COMMERCIAL SALES	3,524	3,396	3,775	19,836	74%	14,745	15,305	15,538
OTHER SALES	367	374	372	1,773	81%	1,436	1,358	1,417
WATER CONVEYANCE REVENUE	704	572	1,012	2,287	59%	1,356	1,715	2,000
WATER CONSERVATION PROGRAMS	419	1,399	182	5,595	21%	1,199	4,196	794
OTHER OPERATING REVENUE	653	578	549	2,310	76%	1,750	1,733	1,856
TOTAL OPERATING REVENUES, BEFORE UNCOLLECTIBLES	12,418	12,759	13,459	68,872	71%	48,889	52,563	52,580
ESTIMATED UNCOLLECTIBLES	(46)	(52)	(48)	(210)	75%	(158)	(157)	(157)
TOTAL OPERATING REVENUES, NET OF UNCOLLECTIBLES	12,372	12,707	13,411	68,662	71%	48,731	52,406	52,423
OPERATING EXPENSES:								
FIELD OPERATIONS	3,411	3,642	3,020	14,569	67%	9,819	10,927	9,427
PRODUCTION AND OPERATIONS	3,021	4,143	3,696	18,669	58%	10,862	13,719	11,414
ENGINEERING	1,699	1,803	1,548	7,212	70%	5,029	5,409	5,280
WATER RESOURCES	426	610	365	2,441	42%	1,024	1,830	1,008
WATER CONSERVATION PROGRAMS	458	2,013	227	8,050	16%	1,284	6,038	487
DEPRECIATION	3,227	3,227	2,893	12,907	75%	9,680	9,680	8,679
TOTAL OPERATING EXPENSES	12,242	15,438	11,749	63,848	59%	37,698	47,603	36,295
OPERATING INCOME	130	(2,731)	1,662	4,814	229%	11,033	4,803	16,128
NON-OPERATING REVENUES (EXPENSES):								
INVESTMENT INCOME	246	224	145	897	57%	514	673	657
INTEREST EXPENSE	(2,226)	(2,199)	(1,933)	(8,795)	73%	(6,445)	(6,597)	(6,619)
GENERAL FUND CONTRIBUTIONS	(1,775)	(1,775)	(1,748)	(7,098)	75%	(5,324)	(5,324)	(5,243)
GAIN (LOSS) ON SALE OF ASSETS	71	20	13	78	105%	82	59	74
OTHER	145	146	204	584	73%	428	438	479
TOTAL NON-OPERATING EXPENSES	(3,539)	(3,584)	(3,319)	(14,334)	75%	(10,745)	(10,751)	(10,652)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(3,409)	(6,315)	(1,657)	(9,520)	-3%	288	(5,948)	5,476
CAPITAL CONTRIBUTIONS	861	240	1,045	964	223%	2,147	764	1,667
NET INCOME (LOSS)	\$ (2,548)	\$ (6,075)	\$ (612)	\$ (8,556)	-28%	\$ 2,435	\$ (5,184)	\$ 7,143

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	March 31	
	2015	2014
	(in thousands)	
Assets and deferred outflows of resources		
Noncurrent assets:		
Utility plant:	\$ 583,813	\$ 563,066
Less accumulated depreciation	<u>(189,633)</u>	<u>(176,812)</u>
	394,180	386,254
Land	20,484	10,996
Construction in progress	22,661	17,496
Intangibles	<u>10,841</u>	<u>10,841</u>
Total utility plant	<u>448,166</u>	<u>425,587</u>
Restricted assets:		
Cash and investments at fiscal agent	<u>629</u>	<u>18,289</u>
Other non-current assets:		
Net pension asset	4,926	5,143
Other non-current receivables	3,333	6,670
Regulatory assets	<u>887</u>	<u>1,466</u>
Total other non-current assets	<u>9,146</u>	<u>13,279</u>
Total non-current assets	<u>457,941</u>	<u>457,155</u>
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	86,001	81,242
Accounts receivable, less allowance for doubtful accounts 2015 \$193; 2014 \$205	7,663	7,501
Accrued interest receivable	313	272
Advances to other funds of the City	328	496
Prepaid expenses	15	15
Other receivables	<u>3,333</u>	<u>3,330</u>
Total unrestricted current assets	<u>97,653</u>	<u>92,856</u>
Restricted assets:		
Cash and cash equivalents	6,700	6,676
Water Conservation Programs -cash and cash equivalents	3,280	2,531
Water Conservation Programs receivable	161	98
Total restricted current assets	<u>10,141</u>	<u>9,305</u>
Total current assets	<u>107,794</u>	<u>102,161</u>
Total assets	<u>565,735</u>	<u>559,316</u>
Deferred outflows of resources:		
Deferred changes in derivative values	5,668	275
Deferred loss on refunding	<u>7,822</u>	<u>8,343</u>
Total deferred outflows of resources	<u>13,490</u>	<u>8,618</u>
Total assets and deferred outflows of resources	<u>\$ 579,225</u>	<u>\$ 567,934</u>

City of Riverside Water Utility

STATEMENTS OF NET POSITION

	March 31	
	2015	2014
	(in thousands)	
Net position, liabilities and deferred inflows of resources		
Net position:		
Net investment in capital assets	\$ 246,065	\$ 245,722
Restricted for:		
Debt service	6,700	6,676
Water Conservation Programs	3,413	2,595
Unrestricted	<u>78,987</u>	<u>74,849</u>
Total net position	<u>335,165</u>	<u>329,842</u>
Long-term obligations, less current portion	<u>197,335</u>	<u>203,083</u>
Other non-current liabilities:		
Advances from other funds of the City - pension obligation	4,612	4,855
Postemployment benefits payable	2,422	2,083
Compensated absences	333	201
Derivative instrument	10,810	5,722
Note payable	<u>9,482</u>	<u>-</u>
Total other non-current liabilities	<u>27,659</u>	<u>12,861</u>
Current liabilities payable from restricted assets:		
Accrued interest payable	3,905	4,001
Water Conservation Programs payable	28	34
Current portion of long-term obligations	<u>5,260</u>	<u>5,015</u>
Total current liabilities payable from restricted assets	<u>9,193</u>	<u>9,050</u>
Current liabilities:		
Accounts payable and other accruals	2,632	2,179
Current portion of long-term obligations	150	150
Customer deposits	<u>424</u>	<u>769</u>
Total current liabilities	<u>3,206</u>	<u>3,098</u>
Total liabilities	<u>237,393</u>	<u>228,092</u>
Deferred inflows of resources:		
Deferred regulatory charges	<u>6,667</u>	<u>10,000</u>
Total deferred inflows of resources	<u>6,667</u>	<u>10,000</u>
Total net position, liabilities and deferred inflows of resources	<u>\$ 579,225</u>	<u>\$ 567,934</u>

City of Riverside Water Utility

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

	March 31	
	2015	2014
	(in thousands)	
Operating revenues:		
Residential sales	\$ 28,403	\$ 30,975
Commercial sales	14,745	15,538
Other sales	1,436	1,417
Water conveyance revenue	1,356	2,000
Water Conservation Programs	1,199	794
Other operating revenue	1,750	1,856
	<hr/>	<hr/>
Total operating revenues before uncollectibles	48,889	52,580
Estimated uncollectibles, net of bad debt recovery	(158)	(157)
	<hr/>	<hr/>
Total operating revenues, net of uncollectibles	48,731	52,423
	<hr/>	<hr/>
Operating expenses:		
Operations	19,564	19,767
Maintenance	3,520	3,470
Purchased energy	3,650	3,892
Water Conservation Programs	1,284	487
Depreciation	9,680	8,679
	<hr/>	<hr/>
Total operating expenses	37,698	36,295
	<hr/>	<hr/>
Operating income	11,033	16,128
	<hr/>	<hr/>
Non-operating revenues (expenses):		
Investment income	514	657
Interest expense and fiscal charges	(6,445)	(6,619)
Gain (loss) on sale of assets	82	74
Other	428	479
	<hr/>	<hr/>
Total non-operating revenues (expenses)	(5,421)	(5,409)
	<hr/>	<hr/>
Income before capital contributions and transfers	5,612	10,719
Capital contributions	2,147	1,667
Transfers out - contributions to the City's general fund	(5,324)	(5,243)
	<hr/>	<hr/>
Total capital contributions and transfers	(3,177)	(3,576)
	<hr/>	<hr/>
Increase in net position	2,435	7,143
	<hr/>	<hr/>
Net position, July 1	332,730	322,699
	<hr/>	<hr/>
Net position, March 31	\$ 335,165	\$ 329,842
	<hr/> <hr/>	<hr/> <hr/>

City of Riverside Water Utility

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

	March 31	
	2015	2014
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	\$ 49,919	\$ 55,342
Cash paid to suppliers and employees	(32,341)	(29,563)
Other receipts	428	479
Net cash provided by operating activities	<u>18,006</u>	<u>26,258</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(5,324)	(5,243)
Advances to other funds of the City	64	260
Payment on advances from other funds of the City-pension obligation	(243)	(214)
Net cash used for non-capital financing activities	<u>(5,503)</u>	<u>(5,197)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(15,001)	(11,988)
Proceeds from the sale of utility plant	82	74
Principal paid on long-term obligations	(5,015)	(4,360)
Interest paid on long-term obligations	(4,265)	(4,362)
Capital contributions	2,574	1,683
Net cash used for capital and related financing activities	<u>(21,625)</u>	<u>(18,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Income from investments	630	769
Net cash provided by investing activities	<u>630</u>	<u>769</u>
Net (decrease) increase in cash and cash equivalents	(8,492)	2,877
CASH AND CASH EQUIVALENTS, JULY 1	105,102	105,861
CASH AND CASH EQUIVALENTS, MARCH 31	<u>\$ 96,610</u>	<u>\$ 108,738</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 11,033	\$ 16,128
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,680	8,679
Increase in allowance for uncollectible accounts	61	87
Decrease in accounts receivable	1,480	2,664
Decrease in prepaid expenses	2	4
Decrease in accounts payable and other accruals	(4,129)	(1,758)
Decrease in Water Conservation Programs payable	(38)	(36)
(Decrease) increase in customer deposits	(511)	11
Other receipts	428	479
Net cash provided by operating activities	<u>\$ 18,006</u>	<u>\$ 26,258</u>

City of Riverside Water Utility

SCHEDULES OF CASH AND CASH EQUIVALENTS

	March 31	
	2015	2014
	(in thousands)	
Unrestricted operating cash and reserves:		
Operating cash	\$ 21,431	\$ 29,805
Operating cash reserve	35,435	25,435
Recycled water cash reserve	3,133	-
Water property sales reserve	26,002	26,002
	<hr/>	<hr/>
Total unrestricted cash and reserves	86,001	81,242
	<hr/>	<hr/>
Legally restricted cash and reserves:		
Reserved for debt service	6,700	6,676
Reserved for bond construction	629	18,289
Water Conservation Programs	3,280	2,531
	<hr/>	<hr/>
Total legally restricted cash and cash equivalents	10,609	27,496
	<hr/>	<hr/>
Total cash and cash equivalents	<u>\$ 96,610</u>	<u>\$ 108,738</u>

TABLE I
CITY OF RIVERSIDE - WATER UTILITY
FINANCIAL PERFORMANCE INDICATORS

	Industry Median*	3/31/15	3/31/14	6/30/14	6/30/13	6/30/12	6/30/11	6/30/10
Operating Ratio	72.0%	57.5%	52.7%	56.2%	54.2%	55.7%	58.1%	63.8%
Debt Ratio	33.0%	42.1%	41.9%	42.9%	43.1%	44.0%	43.7%	46.7%
Unrestricted Current Ratio **	2.3	30.5	30.0	15.3	18.1	12.6	11.4	9.1
Debt Service Coverage	1.89	2.33	2.77	2.56	2.61	2.82	3.49	2.08

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

** Includes Cash Reserves.

GRAPHICS

Electric Utility
Flow of Funds - Actual
 (For the Nine Months Ended March 31, 2015)

BEGINNING CASH BALANCES - \$321.1M



SOURCES - \$279.9M

Cash Sales - \$269.7M
Investment Income - \$6.1M
Other - \$2.4M
Capital Contributions - \$1.7M



**OPERATING EXPENSES, PURCHASED
 POWER, & OTHER PAYMENTS - \$(189.7)M**



BALANCE - \$90.2 M



DEBT SERVICE - \$(29.7)M



CAPITAL/EQUIPMENT - \$(23.4)M

Bonds \$(19.5)M
Cash \$(3.9)M



GENERAL FUND TRANSFER - \$(28.6)M



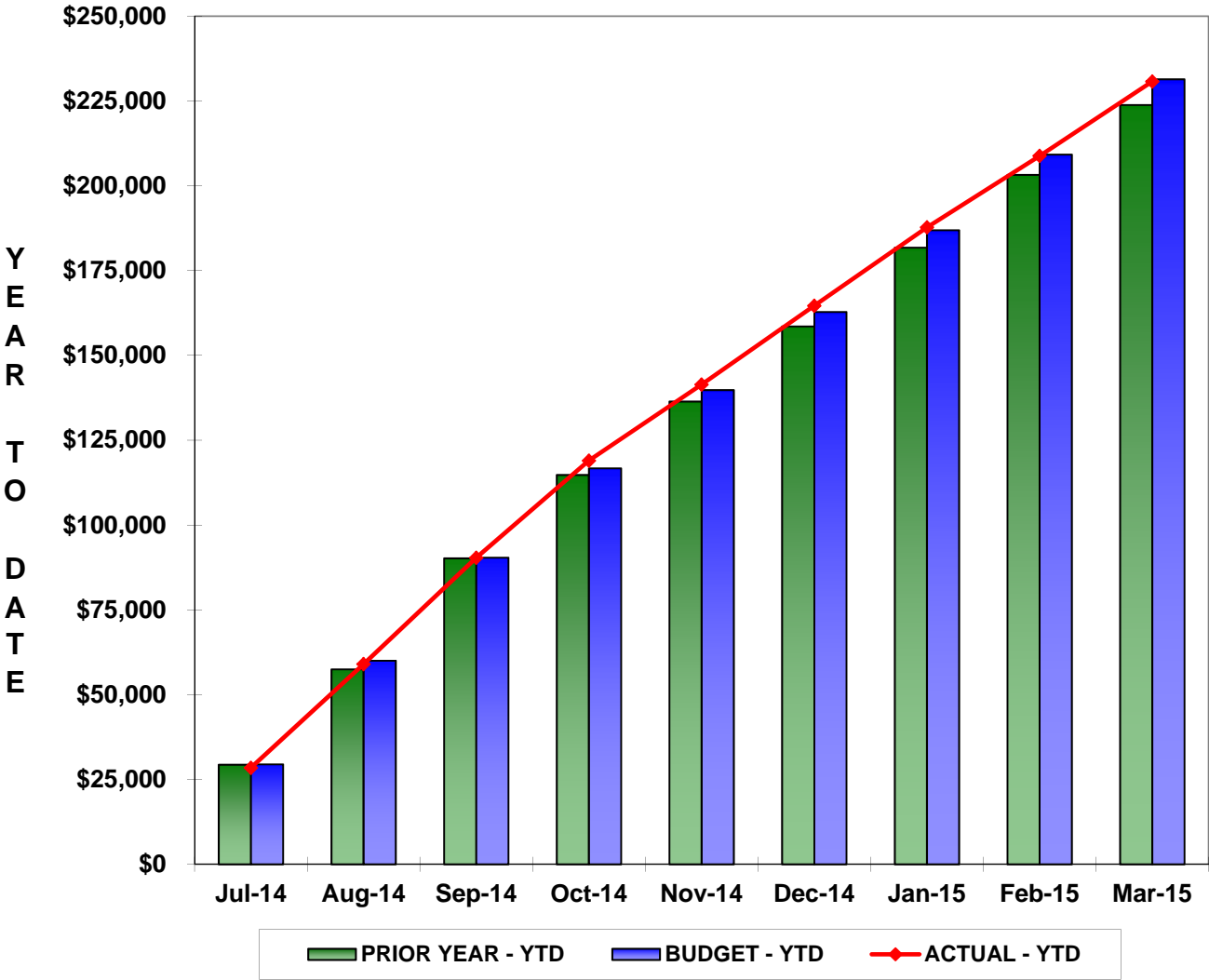
NET INCREASE TO CASH BALANCES - \$8.5M	Unrestricted – \$19.0M
	*Restricted – \$(10.5)M

ENDING CASH BALANCES - \$329.6M

*Excludes legally restricted cash and investments at fiscal agent of \$91.6M



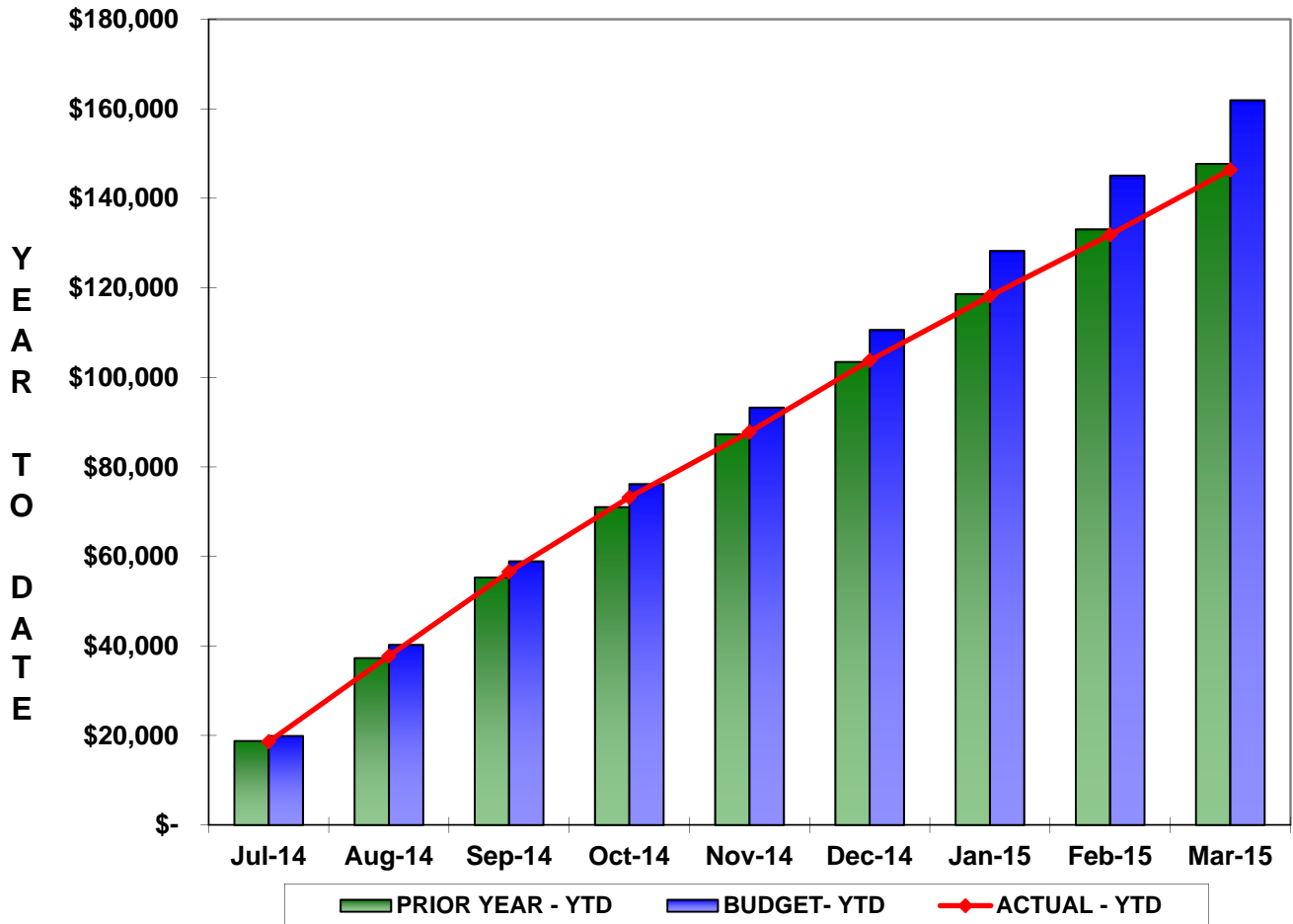
**ELECTRIC UTILITY
RETAIL SALES REVENUE
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)**



Actual to Prior: Year-to-date actual retail sales of \$230.7M are \$6.9M (3.1%) higher than prior year primarily from 2.5% increase in load as a result of warmer weather patterns in the fall compared to prior year.

Actual to Budget: Year-to-date actual retail sales are consistent with budget.

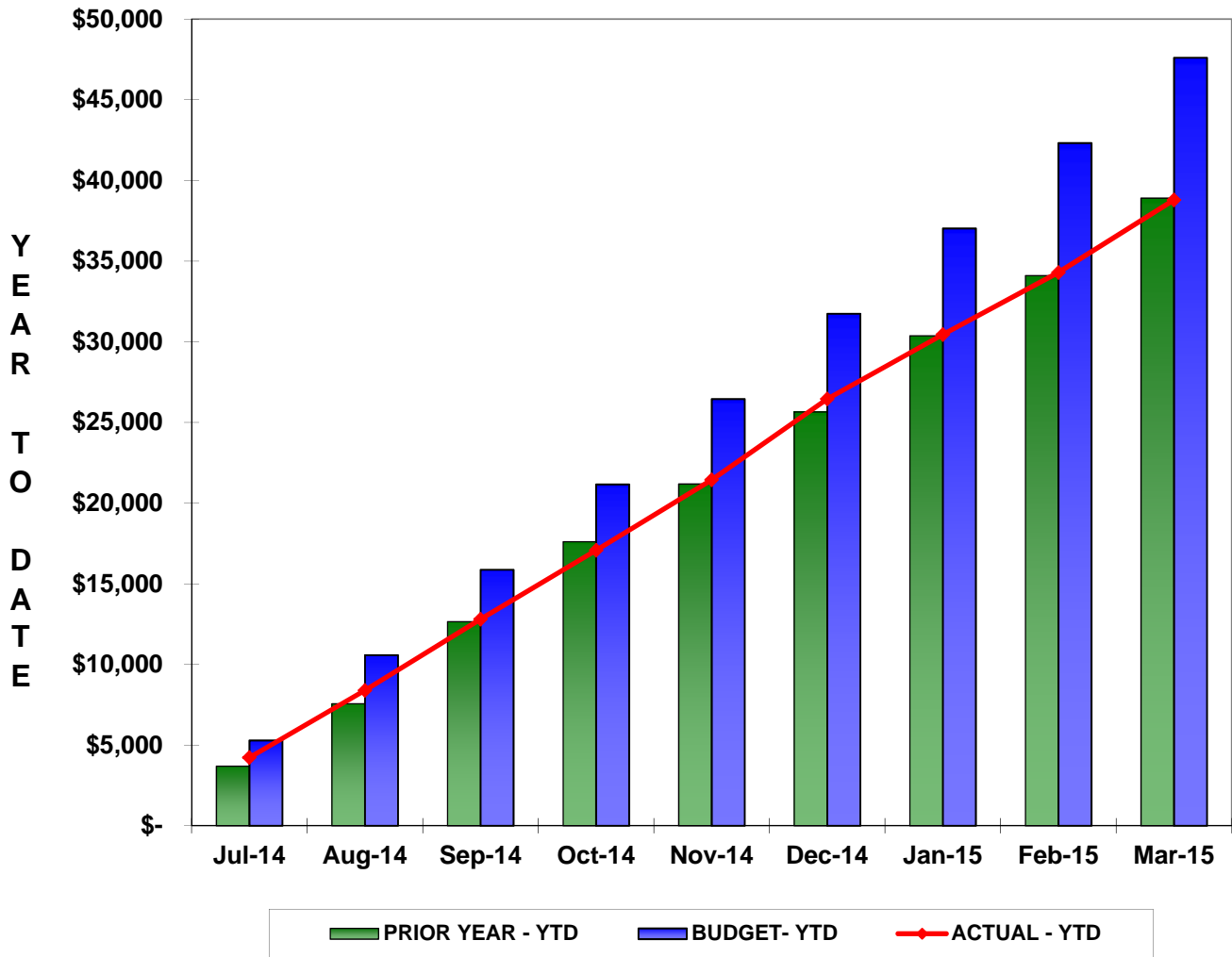
**ELECTRIC UTILITY
POWER SUPPLY EXPENSES
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)**



Actual to Prior: Year-to-date power supply costs of \$146.4M are \$1.4M (0.9%) lower than prior year primarily due to lower generation costs as a result of a decline in natural gas prices.

Actual to Budget: Year-to-date power supply costs are \$15.6M (9.6%) lower than budget primarily due to lower than anticipated transmission costs, lower generation costs as a result of a decline in natural gas prices, and a decrease in SONGS ongoing maintenance costs.

**ELECTRIC UTILITY
DISTRIBUTION OPERATING EXPENSES
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)**

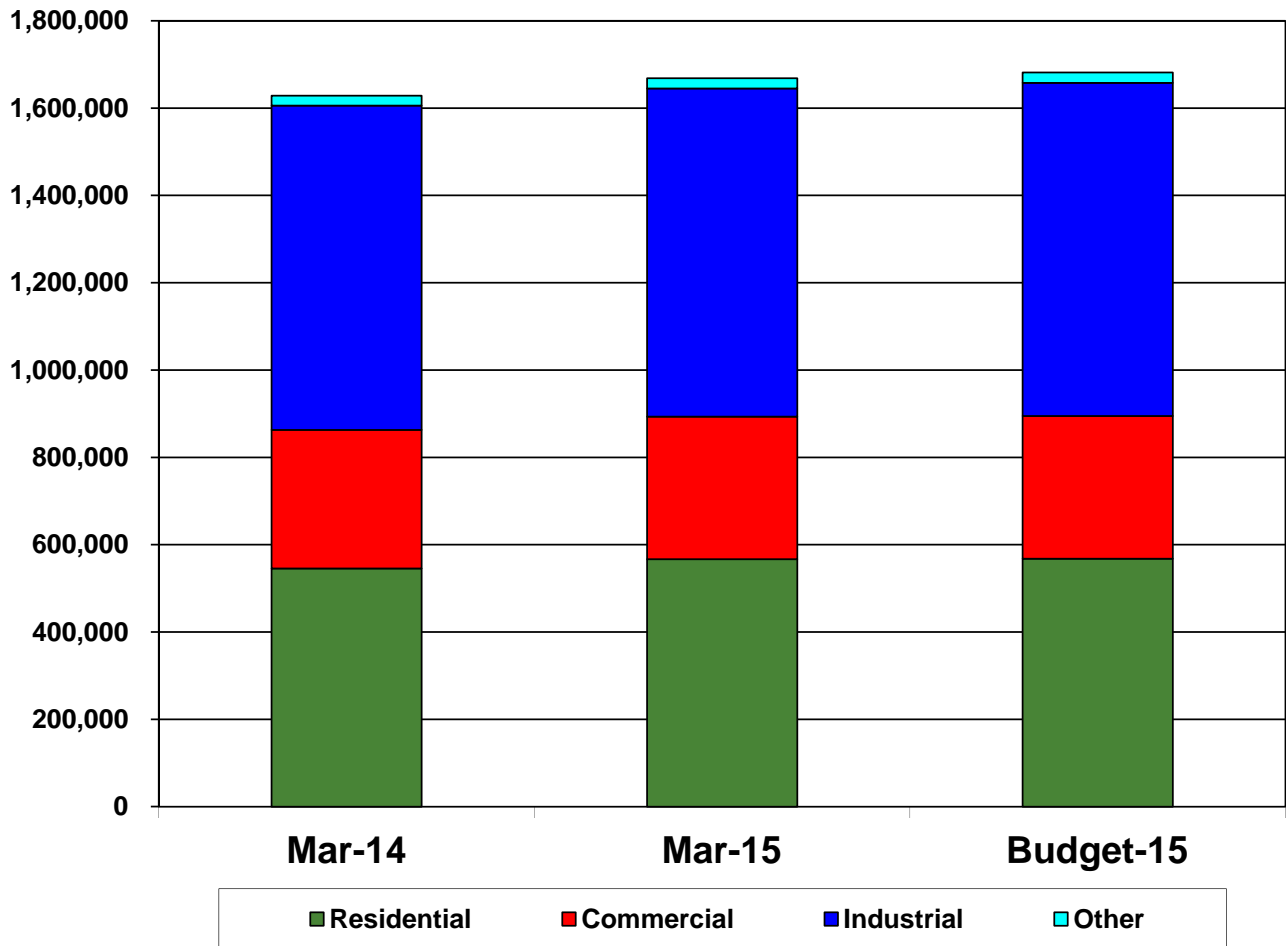


Actual to Prior: Year-to-date distribution operating expenses of \$38.1M are \$0.8M (2.0%) lower than prior year due to a decrease in general operating expenses.

Actual to Budget: Year-to-date operating expenses are \$9.5M (19.9%) below anticipated levels primarily due to timing of certain expenditures and savings in personnel costs, professional services, and other general operating expenses.

**ELECTRIC UTILITY
RETAIL KWH SALES (In Thousands)
FOR THE PERIOD ENDED MARCH 31, 2015**

Total - YTD 1,628,655 1,668,517 1,681,652

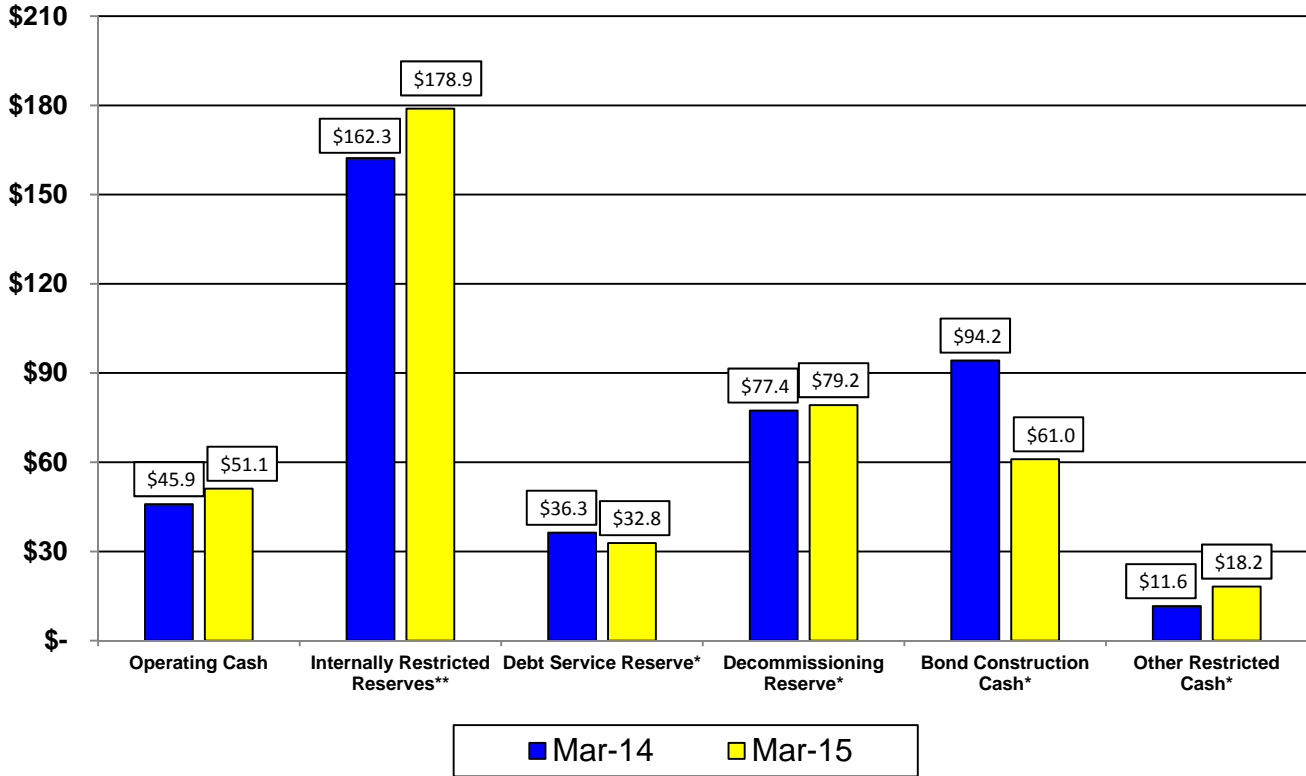


Actual to Prior: Retail kWh sales are 2.5% higher than prior year as a result of warmer weather patterns in the fall compared to prior year.

Actual to Budget: Retail kWh sales are slightly below budget.

ELECTRIC UTILITY CASH BALANCES MARCH 31, 2014 AND 2015 (In Millions)

Total Cash 3/31/14 – \$427.7M
Total Cash 3/31/15 – \$421.2M



Total cash balances are \$6.5M lower than prior year primarily due to the use of bond proceeds for capital projects offset by positive operating results.

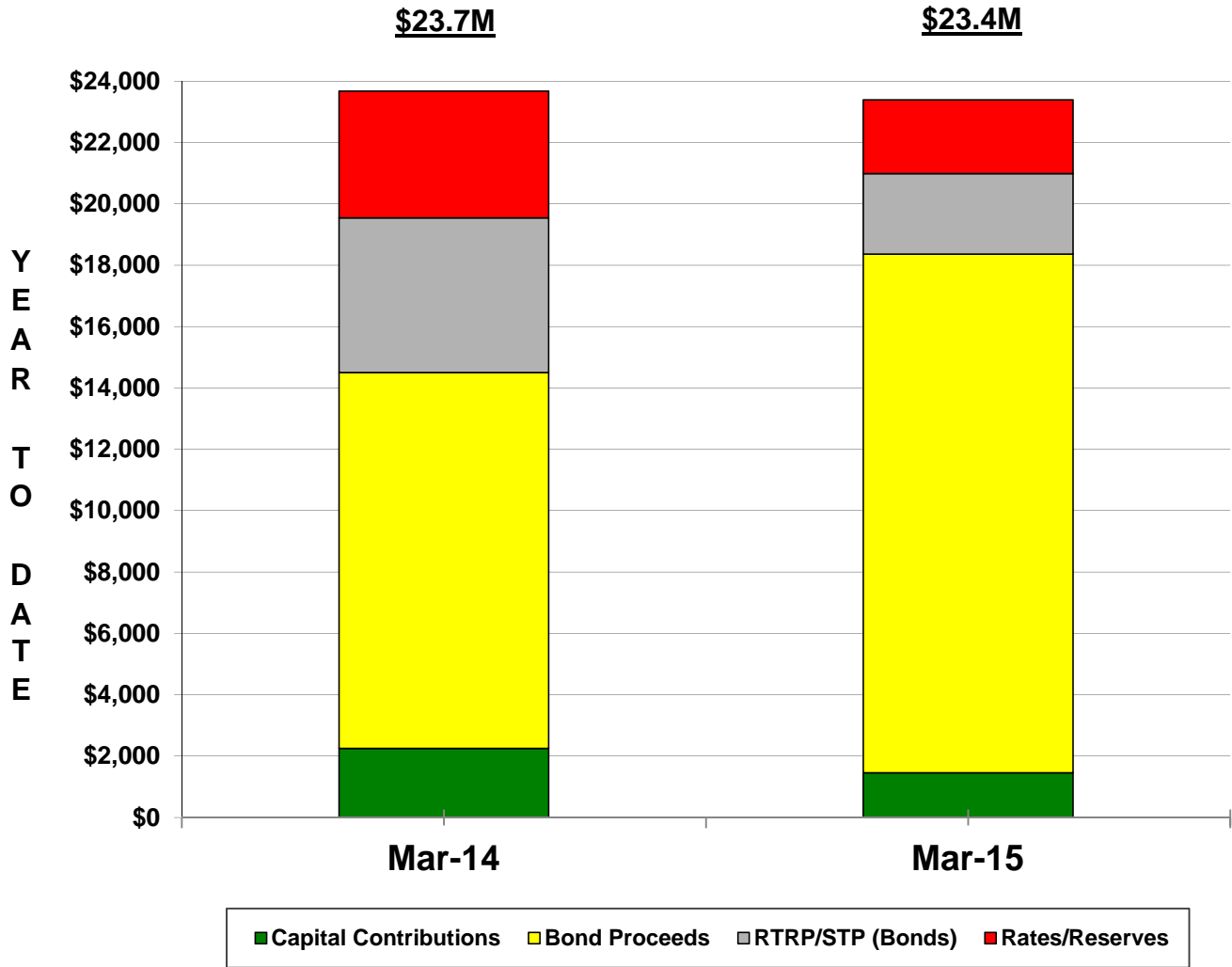
* Legally restricted for specific purposes. Other Restricted Cash includes reserves for Public Benefits and Regulatory Requirements.

** The components of these accounts are as follows:

	FY 13/14	FY 14/15
Regulatory Risk Reserve	\$ 15.0	\$ 15.0
Energy Risk Management Reserve	\$ 30.0	\$ 30.0
Operating Reserve	\$ 116.0	\$ 131.0
Decommissioning Reserve	\$ 1.3	\$ 2.9
Total Reserves	\$ 162.3	\$ 178.9



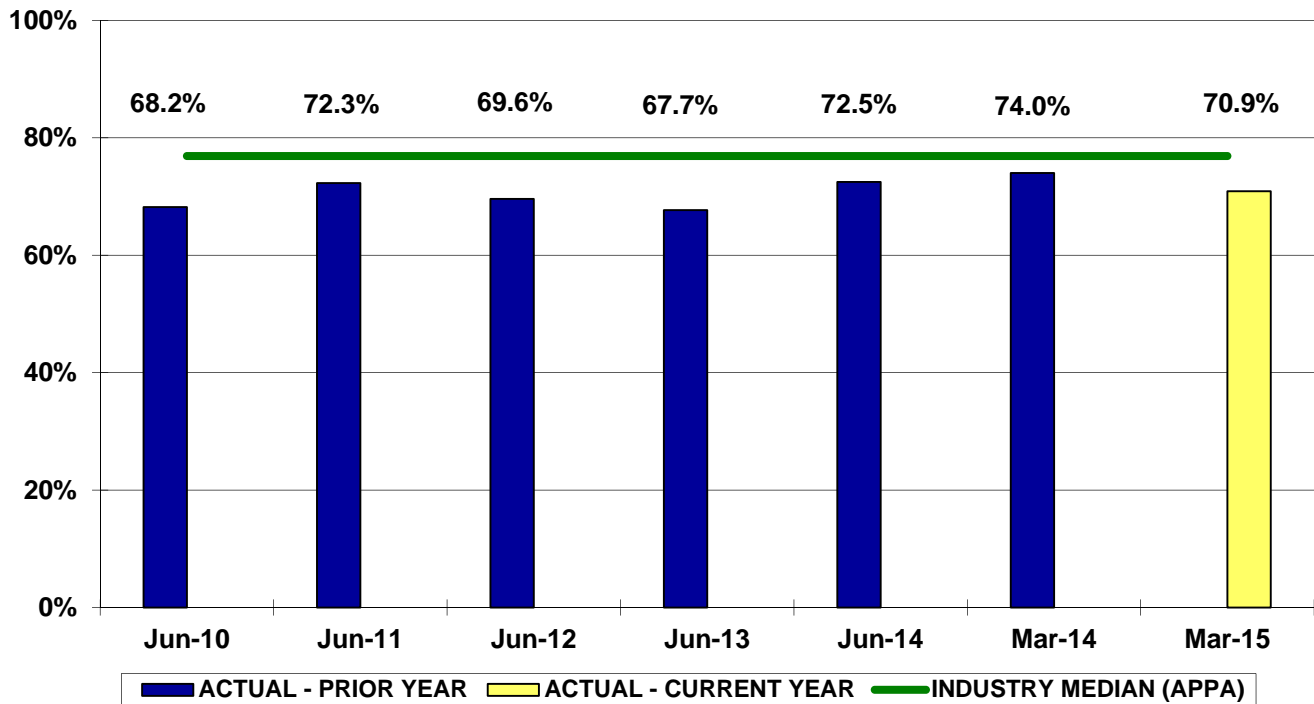
**ELECTRIC UTILITY
CAPITAL/EQUIPMENT FUNDING
MARCH 31, 2014 AND 2015
(In Thousands)**



Current year capital expenses (projects + equipment) of \$23.4M are consistent with prior year.

ELECTRIC UTILITY OPERATING RATIO

The Operating Ratio reflects the Utility's Operating and Maintenance costs to operating revenues. A low ratio indicates positive results.
Industry Median = 76.9%

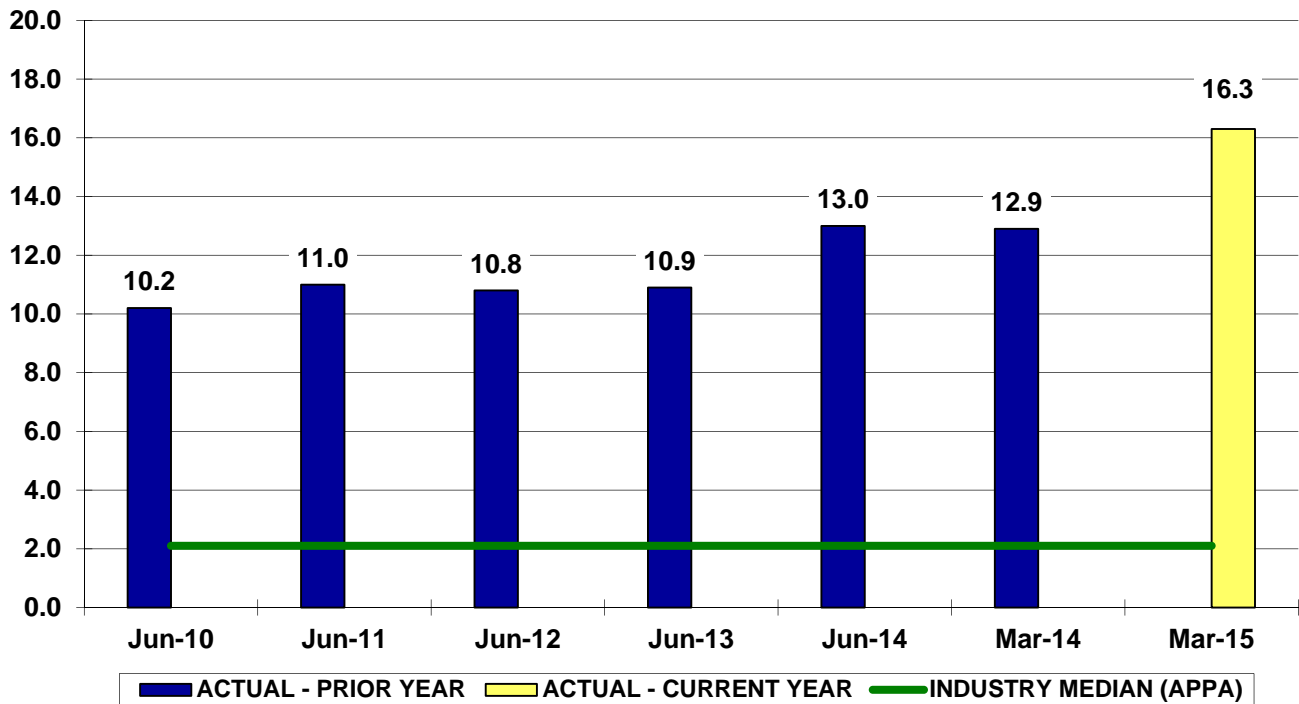


The Utility's Operating Ratio shows a 1.6 point (favorable) change from last fiscal year end. This ratio also reflects a 3.1 point (favorable) change from prior year primarily due to an increase in retail sales.

The Operating Ratio of 70.9% is 6.0 points lower (favorable) than the industry median of 76.9%.

ELECTRIC UTILITY UNRESTRICTED CURRENT RATIO

The Unrestricted Current Ratio indicates the Utility's ability to meet short term liabilities. A higher ratio indicates positive results.
Industry Median = 2.1

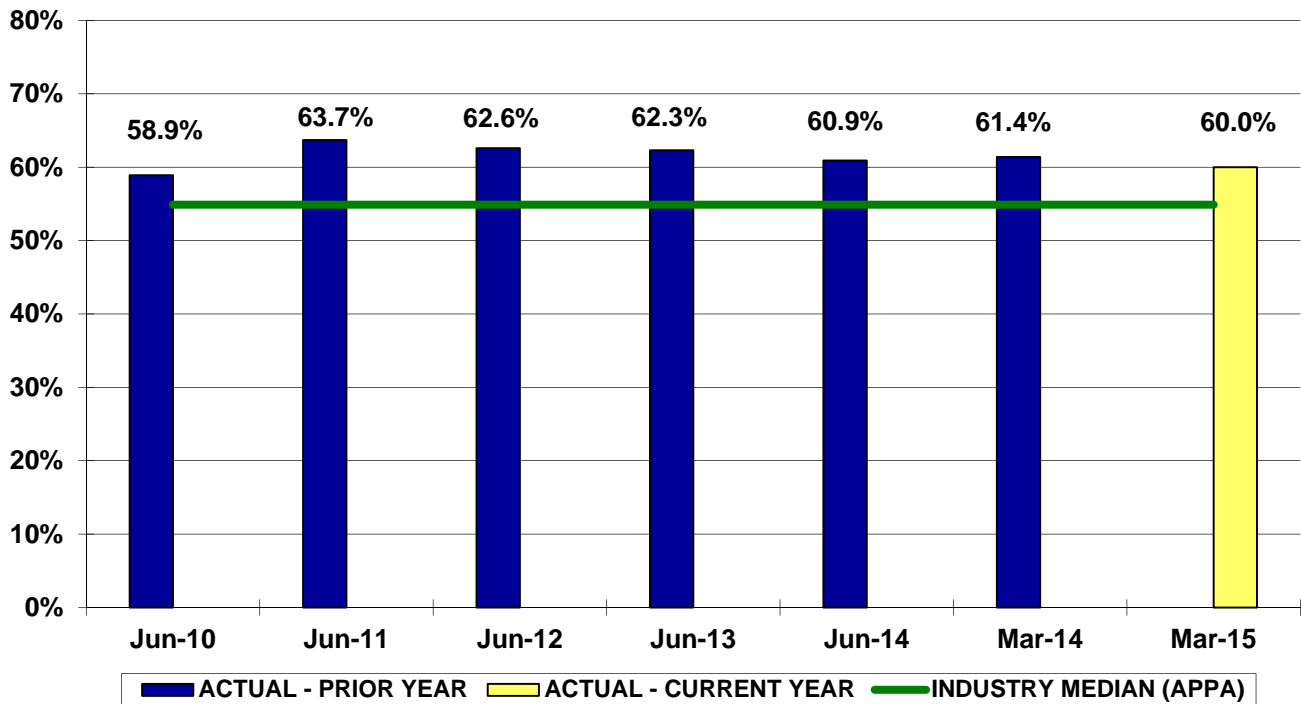


The Utility's Unrestricted Current Ratio shows a 3.3 point (favorable) change from last fiscal year end. This ratio also reflects a 3.4 point (favorable) change from prior year primarily due to an increase in operating cash and reserves.

The Unrestricted Current Ratio of 16.3 is 14.2 points higher (favorable) than the industry median of 2.1, which indicates strong liquidity and positive operating results.

ELECTRIC UTILITY DEBT 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 = 54.9%

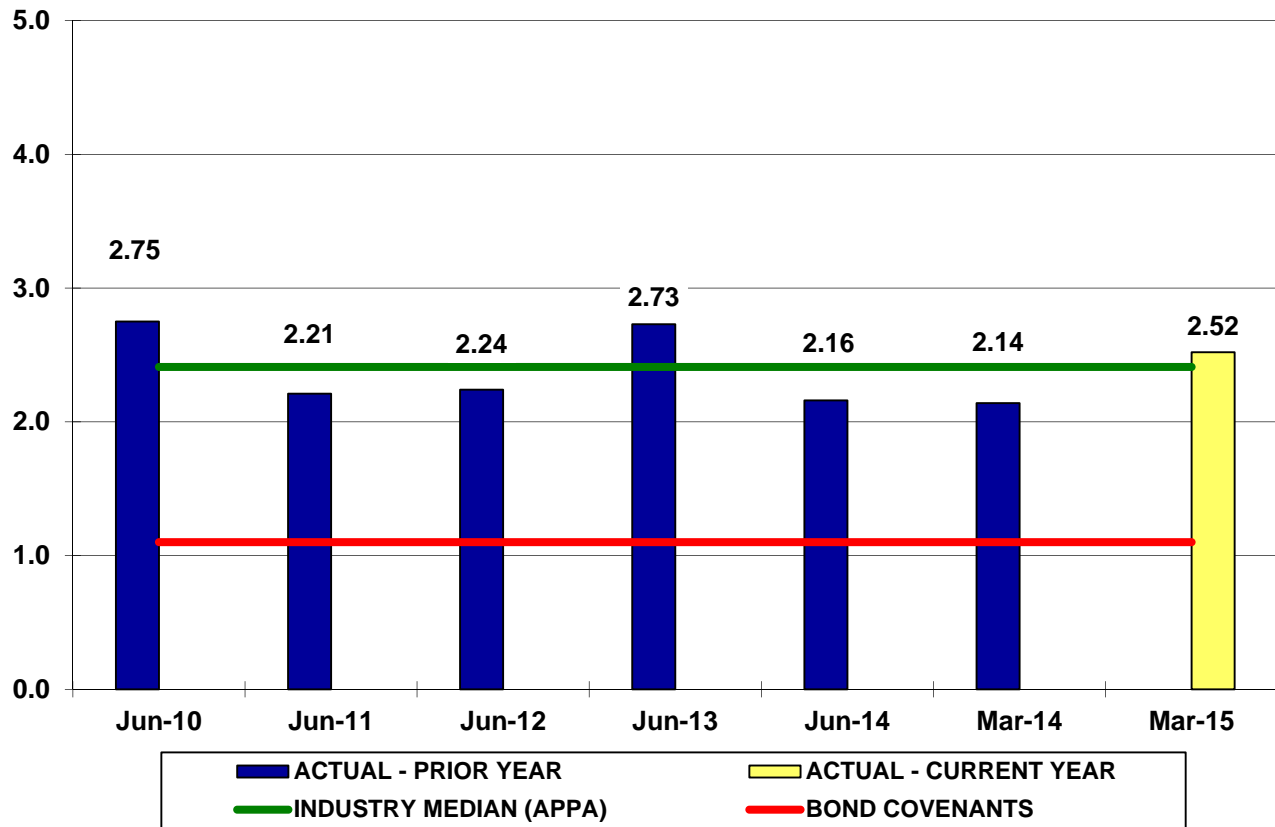


The Utility's Debt Ratio of 60.0% is 0.9 points lower (favorable) than last fiscal year end and 1.4 points lower (favorable) than prior year primarily due to principal payments on outstanding debt.

The Debt Ratio of 60.0% is 5.1 points higher (unfavorable) than the industry median of 54.9%.

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 = 2.41

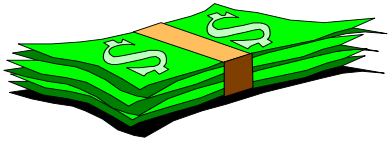


The Utility's Debt Service Coverage Ratio of 2.52 indicates that sufficient revenues are available to cover debt service. This ratio is higher than last fiscal year end's ratio of 2.16 and prior year's ratio of 2.14 primarily due to an increase in operating revenues and a decrease in debt service. This ratio is also higher than the industry median of 2.41.

*The 2003 Electric Refunding bond issue and all subsequent bond issues allowed for a new springing provision resulting in changes to the Debt Service Coverage Ratio calculation. This provision is only for the purposes of determining compliance with the Utility's Bond Covenants of 1.10. Under this method, the Debt Service Coverage Ratio would be 9.62 compared to the traditional calculation of 2.52.

Water Utility
 Flow of Funds - Actual
 (For the Nine Months Ended March 31, 2015)

BEGINNING CASH BALANCES - \$105.1M



SOURCES - \$53.6M

- Cash Sales - \$49.9M
- Investment Income - \$0.6M
- Other - \$0.5M
- Capital Contributions - \$2.6M



OPERATING EXPENSES - \$(32.3)M



BALANCE - \$21.3M



DEBT SERVICE - \$(9.5)M



CAPITAL/EQUIPMENT - \$(15.0)M

- Bonds \$(8.6)M
- Cash \$(6.4)M



GENERAL FUND TRANSFER - \$(5.3)M

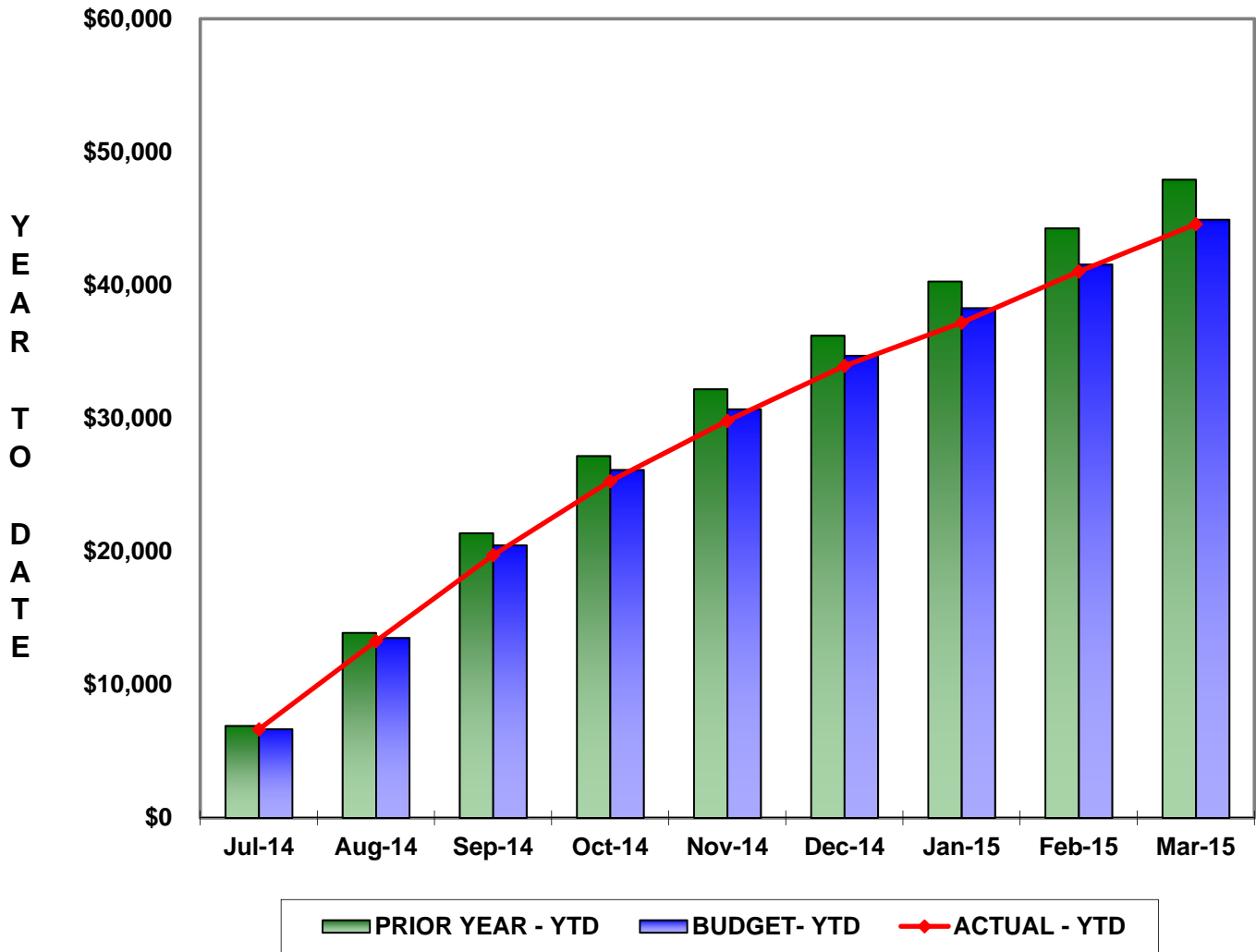


NET DECREASE TO CASH BALANCES- \$(8.5) M	<ul style="list-style-type: none"> Unrestricted – \$(0.2)M Restricted – \$(8.3)M
---	--

ENDING CASH BALANCES - \$96.6M



**WATER UTILITY
RETAIL SALES REVENUE
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)**

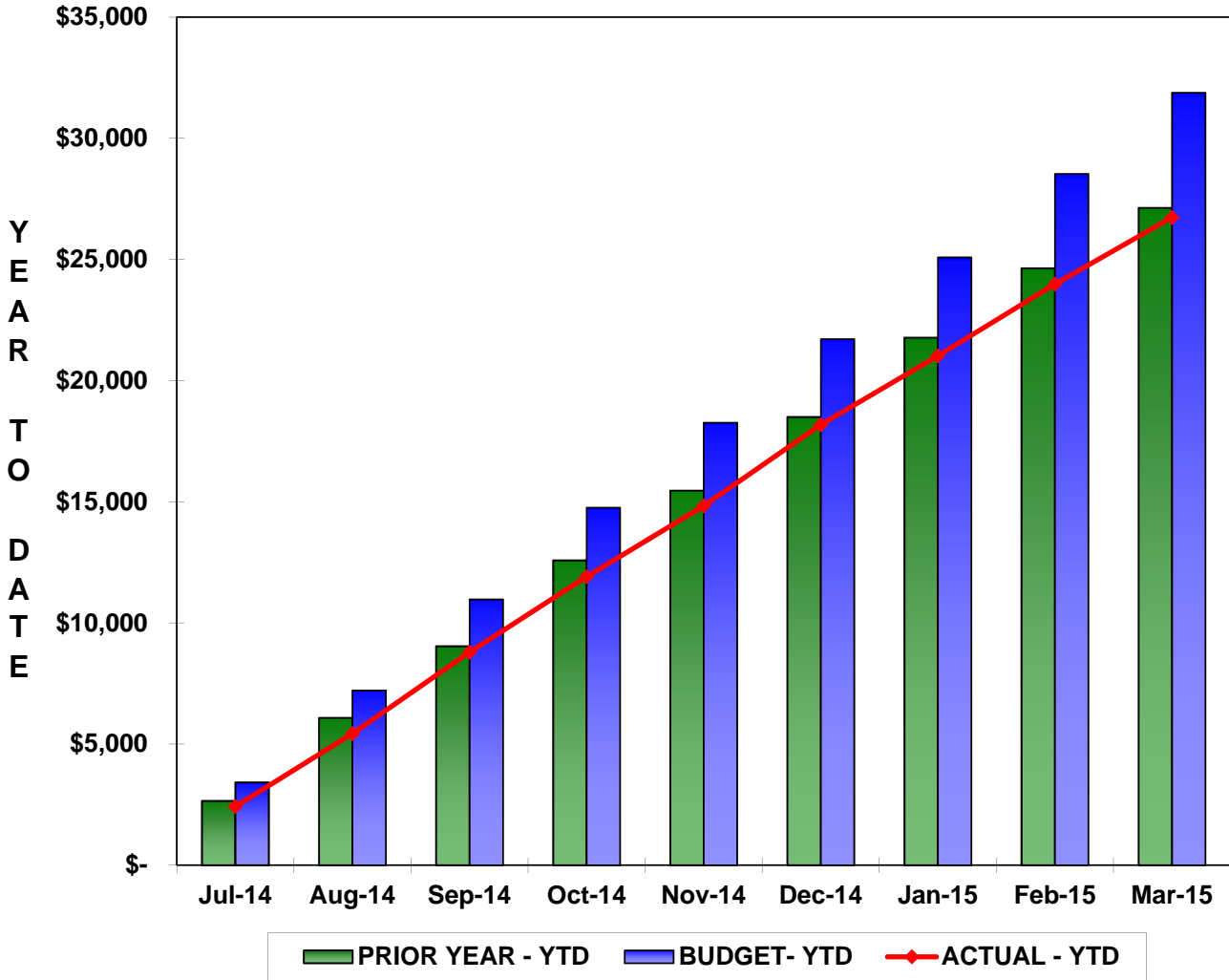


Actual to Prior: Year-to-date actual retail sales of \$44.6M are \$3.3M (7.0%) lower than prior year primarily due to an 8.1% decrease in consumption as a result of water conservation measures enacted due to the current drought conditions.

Actual to Budget: Year-to-date actual retail sales are \$0.3M (0.7%) lower than budget due to a slightly lower-than-anticipated consumption level as a result of conservation measures taken by customers.



**WATER UTILITY
DISTRIBUTION OPERATING EXPENSES
FOR THE PERIOD ENDED MARCH 31, 2015
(In Thousands)**

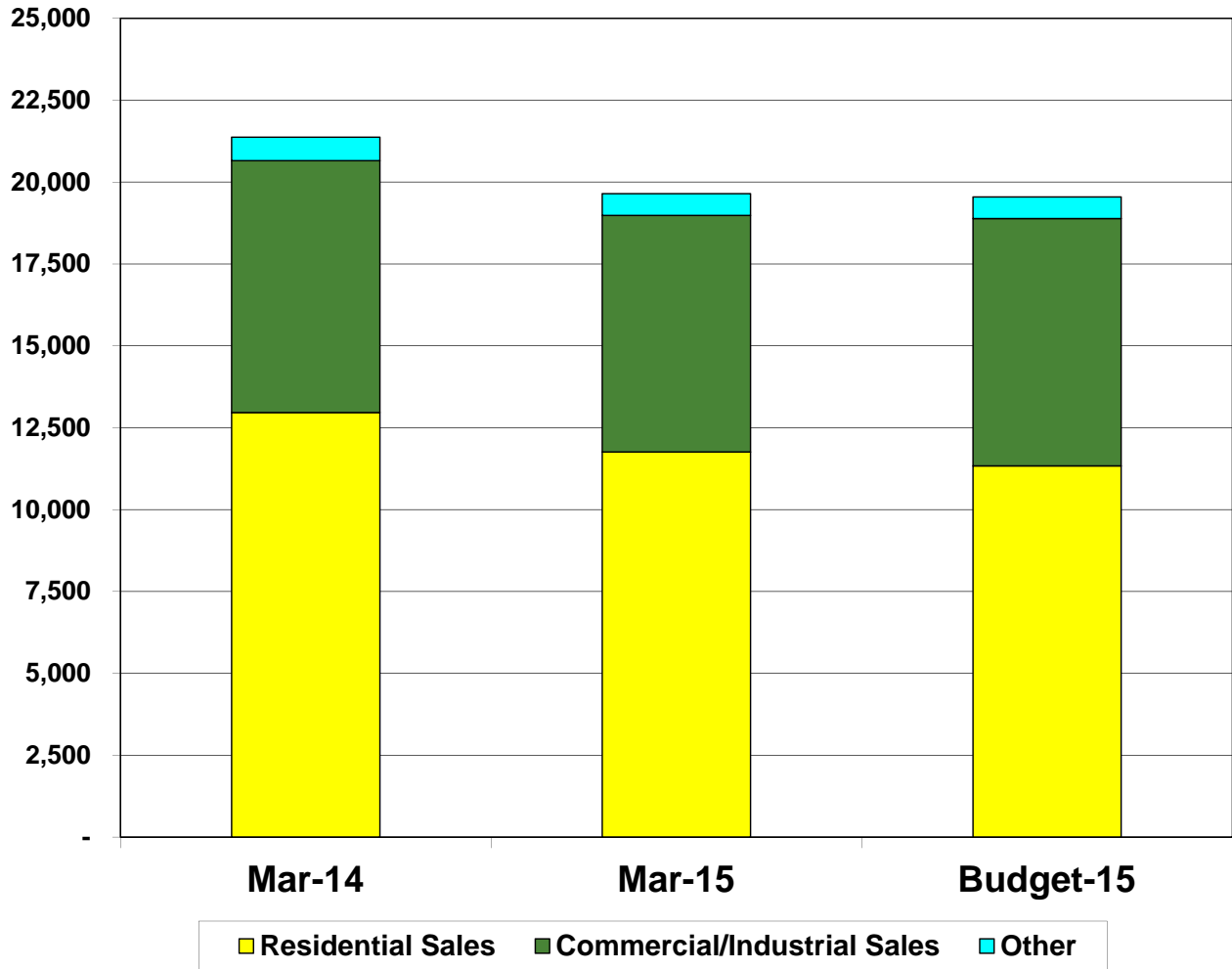


Actual to Prior: Year-to-date distribution operating expenses of \$26.7M are \$0.4M (1.5%) lower than prior year primarily due to a decrease in general operating expenses.

Actual to Budget: Year-to-date operating expenses are \$5.2M (16.2%) below anticipated levels due to savings in water pumping and production costs as a result of lower consumption levels and reducing controllable expenses resulting in savings in personnel costs, professional services, and other general operating expenses.

**WATER UTILITY
CCF SALES (In Thousands)
FOR THE PERIOD ENDED MARCH 31, 2015**

Total - YTD **21,368** **19,645** **19,545**

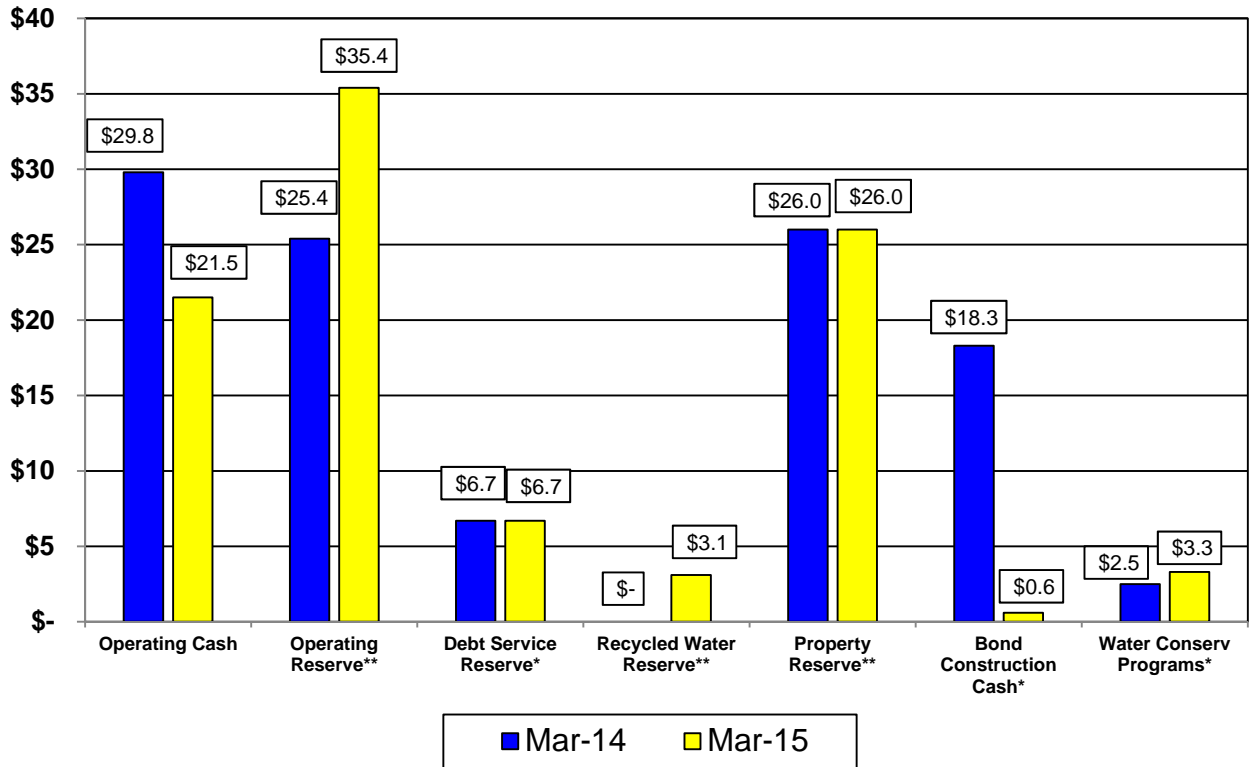


Actual to Prior: Retail CCF sales are 8.1% lower than prior year due to water conservation measures enacted for the current drought conditions.

Actual to Budget: Retail CCF sales are slightly below budget.

WATER UTILITY CASH BALANCES MARCH 31, 2014 AND 2015 (In Millions)

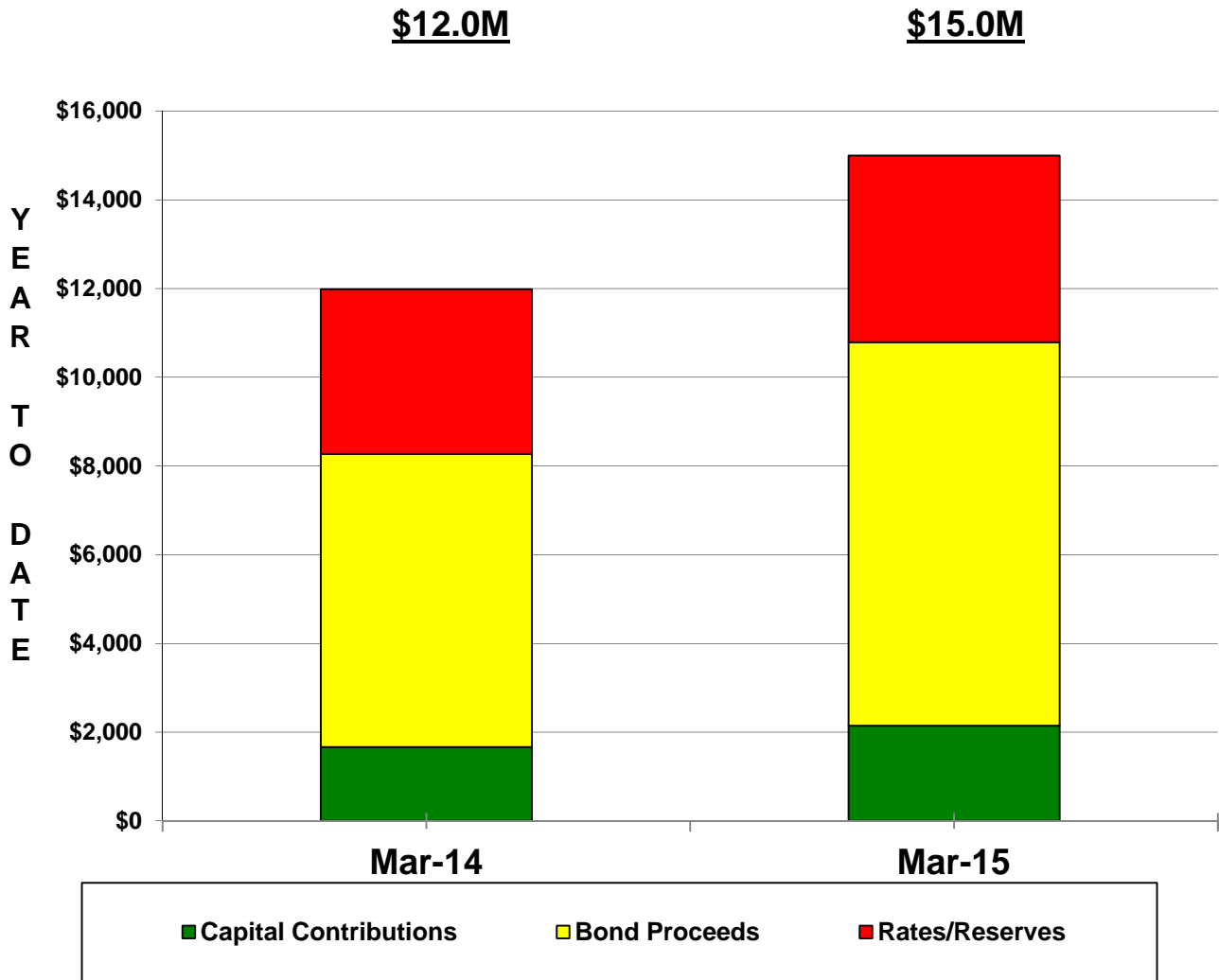
Total Cash 3/31/14 – \$108.7M
 Total Cash 3/31/15 – \$96.6M



* Legally Restricted for specific purposes.
 ** Internally Restricted.

Total cash balances are \$12.1M lower than prior year primarily due to the use of bond proceeds to fund capital projects, offset by an increase in operating reserve resulting from prior year's positive operating results.

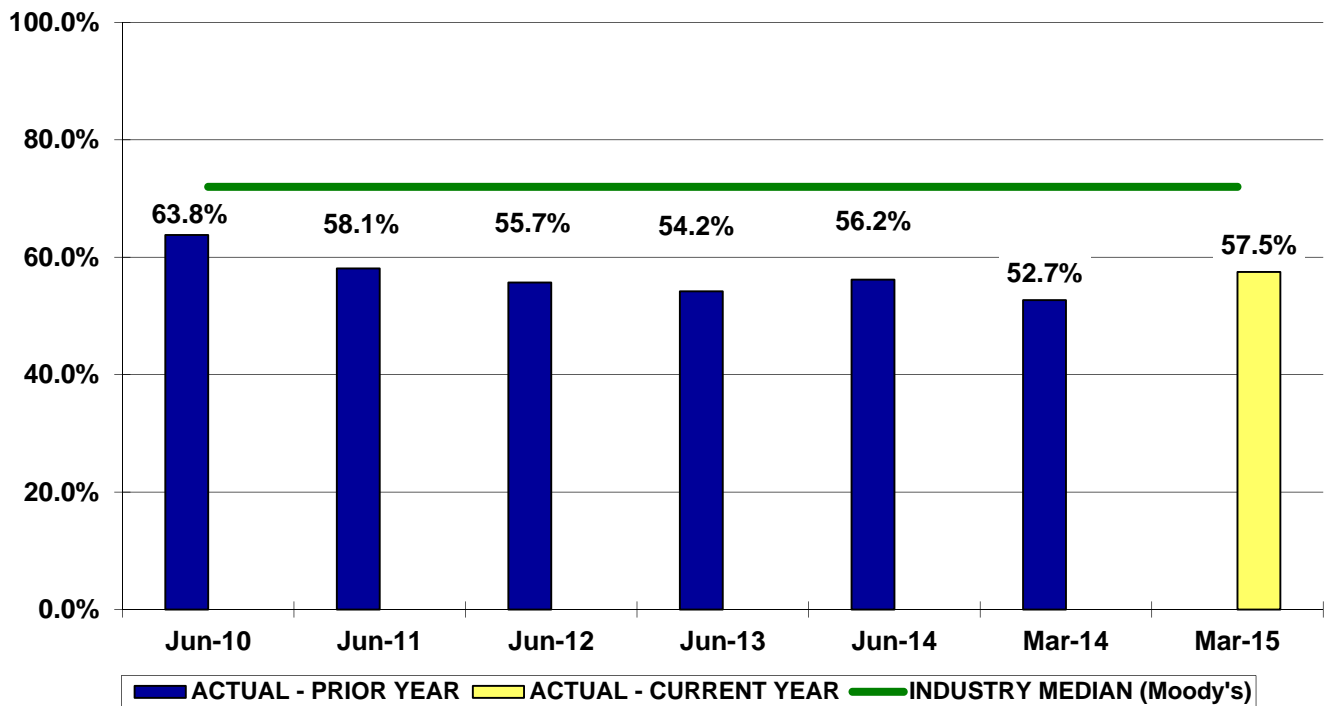
**WATER UTILITY
CAPITAL/EQUIPMENT FUNDING
MARCH 31, 2014 AND 2015
(In Thousands)**



Current year capital expenses (capital projects + equipment) increased by \$3.0M primarily due to an increase in main replacements, facility rehabilitation and system expansion projects.

WATER UTILITY OPERATING RATIO

The Operating Ratio reflects the Utility's Operating and Maintenance costs to operating revenues. A low ratio indicates positive results.
Industry Median = 72.0%

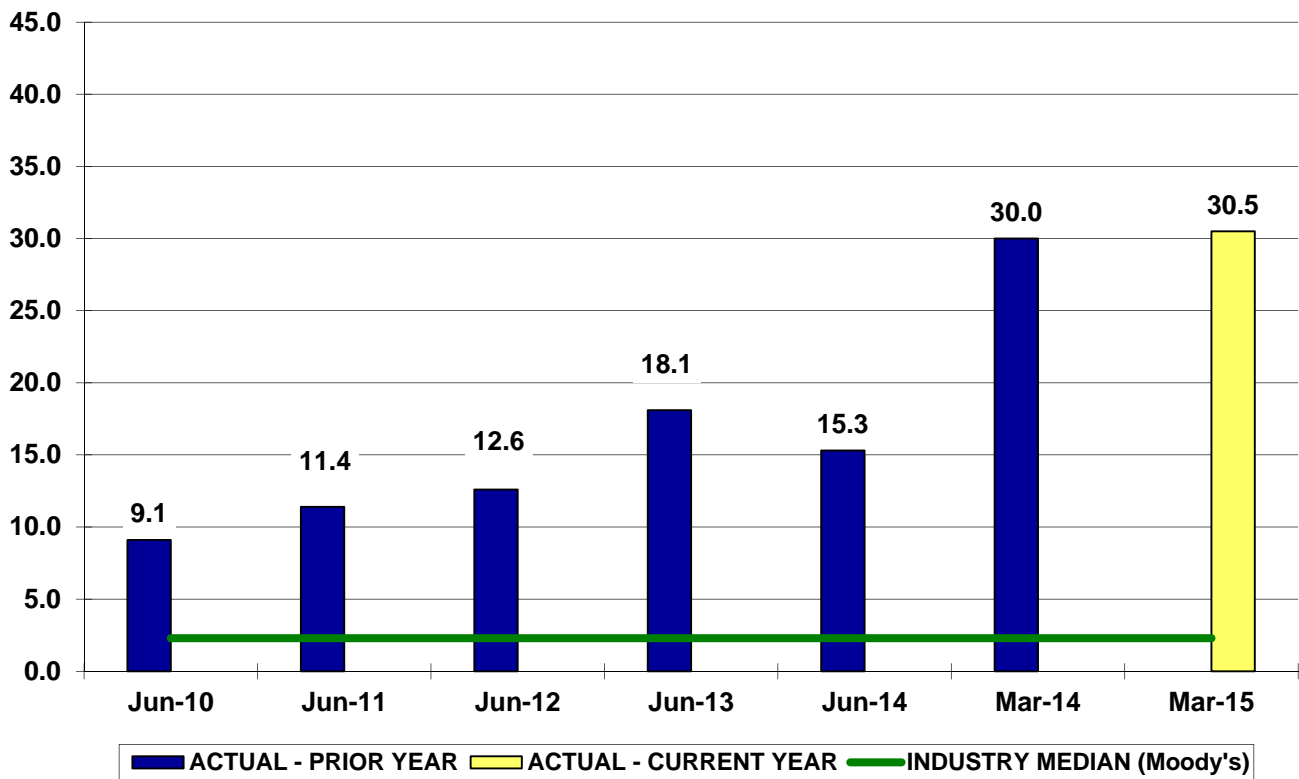


The Utility's Operating Ratio shows a 1.3 point (unfavorable) change from last fiscal year end. This ratio also reflects a 4.7 point (unfavorable) change from prior year due to a decrease in operating revenues.

The Operating Ratio of 57.5% is 14.5 points lower (favorable) than the industry median of 72.0% which indicates strong operating results.

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 = 2.3

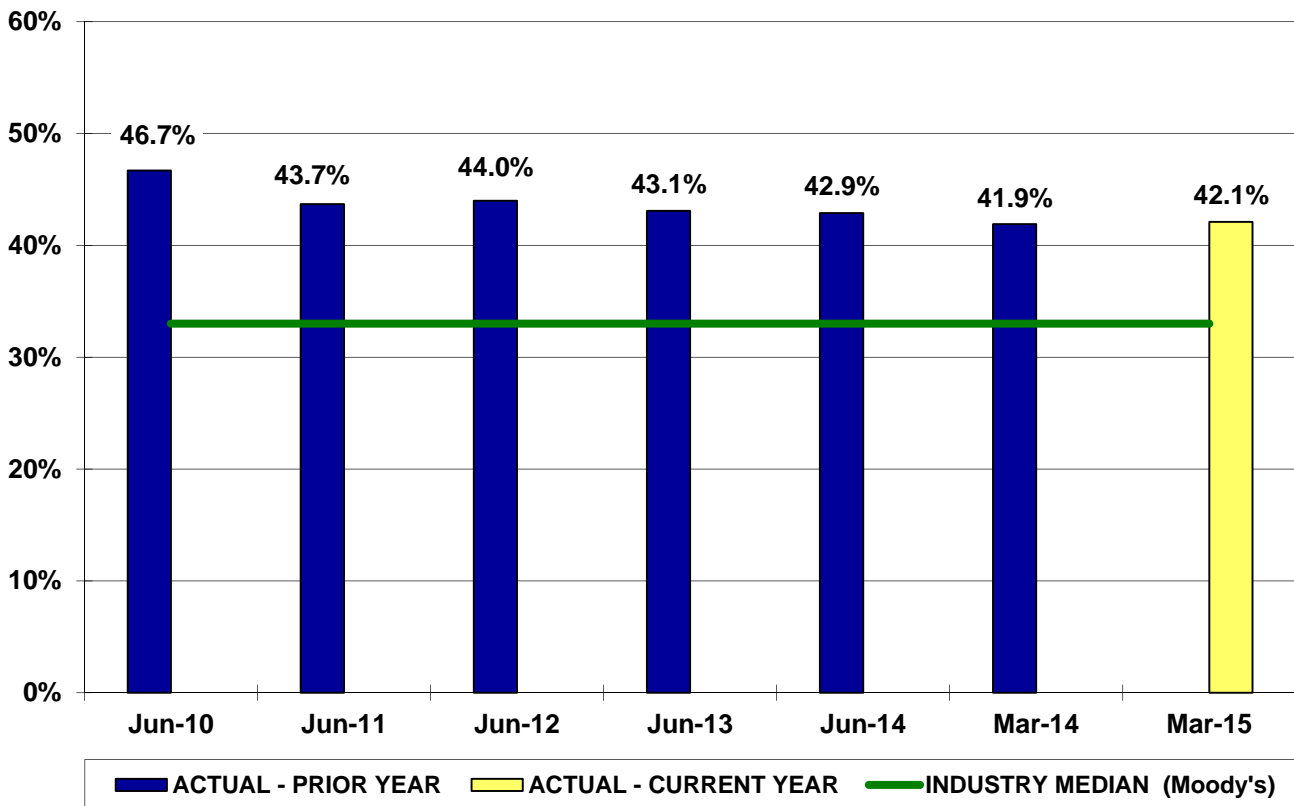


The Utility's Unrestricted Current Ratio shows a 15.2 point (favorable) increase from last fiscal year end due to a decrease in accounts payable and other accruals. This ratio is consistent with prior year.

The Unrestricted Current Ratio of 30.5 is 28.2 points higher (favorable) than the industry median of 2.3 which indicates strong liquidity and positive operating results.

WATER UTILITY DEBT 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 = 33.0%



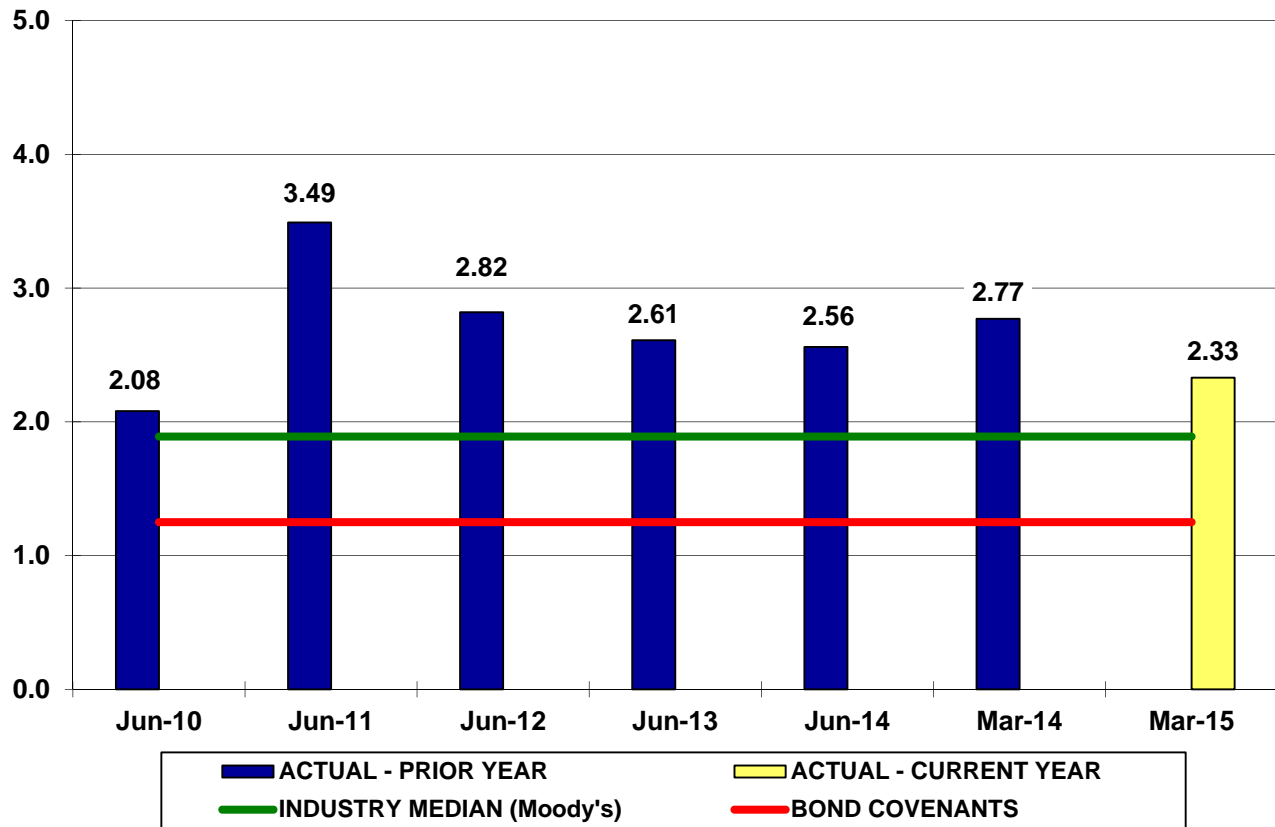
The Utility's Debt Ratio of 42.1% is 0.8 point lower (favorable) than last fiscal year end due to principal payments on outstanding debt. This ratio is consistent with prior year.

The Debt Ratio is 9.1 points higher (unfavorable) than the industry median of 33.0%.

WATER UTILITY DEBT SERVICE COVERAGE RATIO

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

Industry Median = 1.89



The Debt Service Coverage Ratio of 2.33 indicates that sufficient revenues are available to cover debt service. This ratio is lower than last fiscal year end's ratio of 2.56 and prior year's ratio of 2.77 as a result of lower operating revenues due to water conservation measures.

This ratio is higher than the Utility's Bond Covenants of 1.25 and the industry median of 1.89.