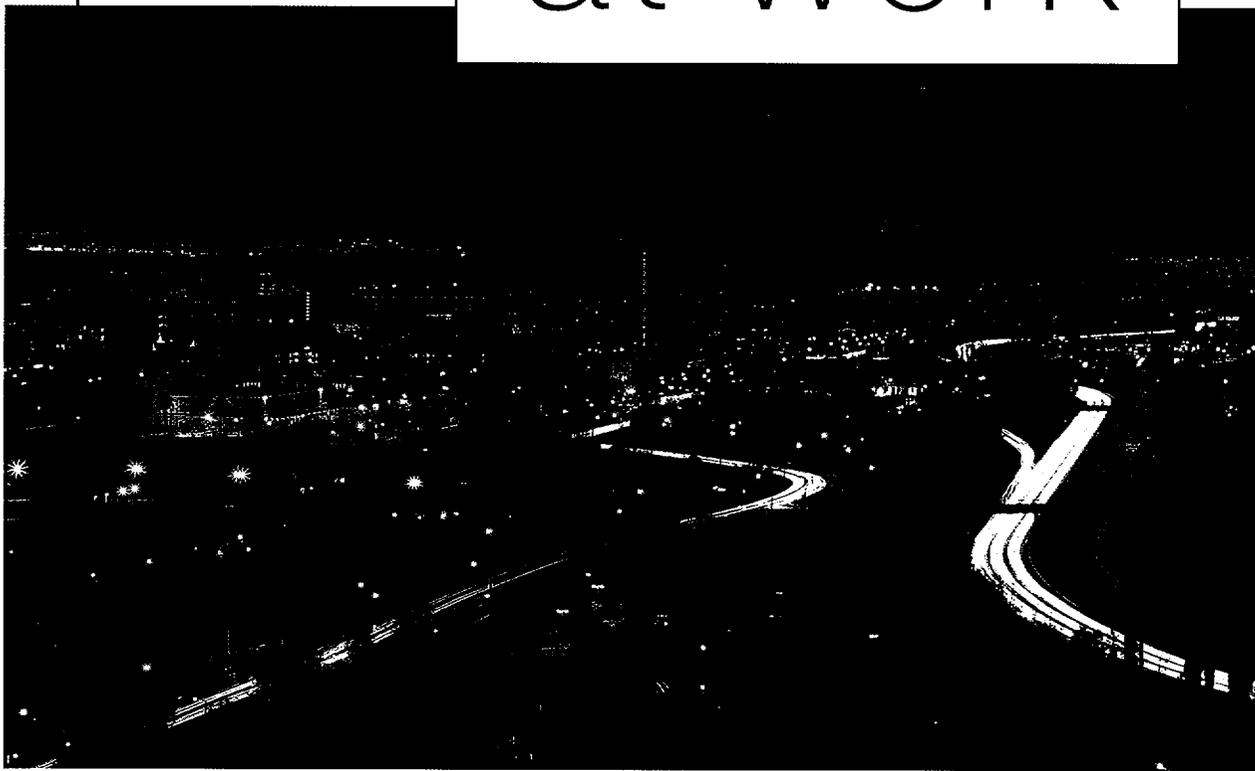


your resources

at work



RIVERSIDE PUBLIC UTILITIES

1998 - 1999

ANNUAL REPORT



Dog Wash

\$1.00

1645

III

EDYER



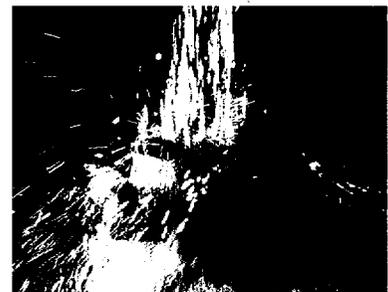
working for  
you

As an existing or potential customer of Riverside Public Utilities, it's important for you to know that Riverside Public Utilities wants you to be successful. It's part of our mission as a customer-owned utility. We also understand that your needs will probably not be the same as your neighbors. But Riverside Public Utilities is equally committed to being your resource for electric and water services.

To accomplish this goal, we're offering long-term power agreements to major electric accounts, expanding our public benefit programs to assist all of our customers, implementing financial strategies to strengthen our position in the deregulated energy market, and taking steps to remain competitive by reducing operating expenses without affecting our excellent service marks.

Our commitment to our customers and community is very evident. Whether we're donating electric bikes to the police to promote electric transportation, giving a water conservation presentation, hosting an event for business customers, or delivering water and electricity, Riverside Public Utilities is busy working to provide the low rates, quality services and benefits you deserve.

Bill D. Carnahan  
Riverside Public Utilities Director



working to keep

rates low

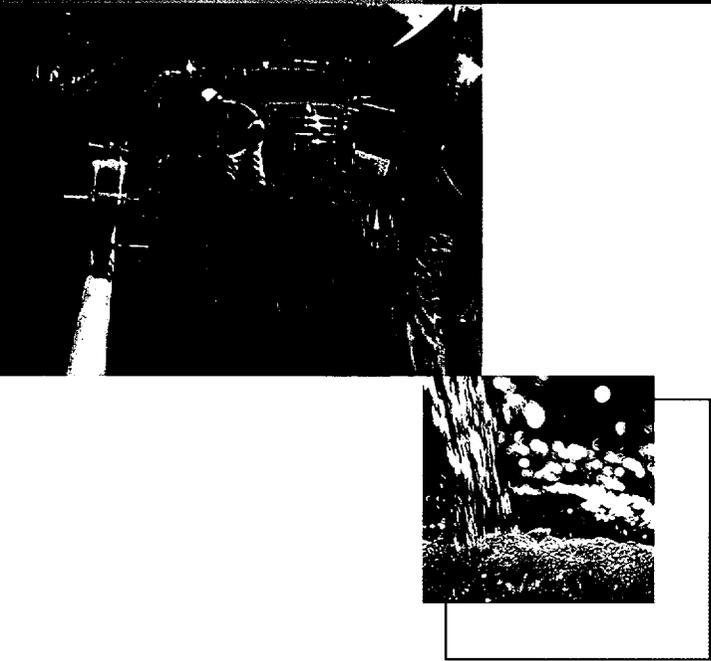


### A Sound Commitment To Savings

In today's economy, it takes hard work and reliable resources to turn a profit. This is true for your business and for ours, for your home and for the city that Riverside Public Utilities calls home. As a customer-owned utility, Riverside Public Utilities is uniquely tied to the economic

success of its community. We've proven our ability to serve you well by maintaining competitive electric rates and water rates that are among the lowest in Southern California. In the energy arena, Riverside Public Utilities is working closely with major electric customers to analyze their service requirements and offer competitively-priced

power agreements. Riverside's Board of Public Utilities and City Council have been working to keep rates low too. To help maintain stable electric rates, the City Council has gradually decreased the transfer level of electric revenue to the city's general fund from 10.5 percent to 9 percent.



## Keeping Electric Dollars In Riverside

Just as each business is unique in its operations and energy use, each power agreement drafted by Riverside Public Utilities is designed to fit the profile of the business. As a result, several major businesses have recently signed power agreements with Riverside Public Utilities including Stater Bros., Metal Container Corp. and Wal-Mart. These businesses join the ranks of many other key accounts, such as the University of California at Riverside, Kaiser Foundation Hospitals and BF Goodrich Aerospace, which are already under contract with Riverside Public Utilities for power resources. These agreements not only provide cost-based competitive rates for industrial customers, but also enable the utility to retain long-term revenue stability. Most importantly, all of Riverside's customers benefit from these contracts due to greater sharing of fixed costs and expanded purchasing power for wholesale energy.

## Minimizing System And Business Risks

In Riverside, working to keep rates low means making sound, proven business decisions. Unlike investor-owned utilities that spend millions of dollars on risky ventures, untested marketing concepts and uncharted territory, Riverside Public Utilities cannot afford to risk your hard earned dollars. In fact, during the past year, Riverside Public Utilities has taken additional steps to minimize the risk and exposure associated with the deregulated energy market and price variability by implementing a sophisticated risk management program. And to help prevent costly repairs and outages to its water system, Riverside Public Utilities has implemented an aggressive pipeline replacement program, which will be financed over four years with an annual 1 percent water rate increase, in order to replace aging pipes throughout the city.

## Financial Resources

### Electric Utility

*Annual Operating Budget*  
\$197.5 Million

*Electric Bond Ratings*  
A+ Fitch IBCA  
A+ Standard & Poor's Corp.

*Competitive Transition Account*  
\$36.7 Million Balance as of June 30, 1999

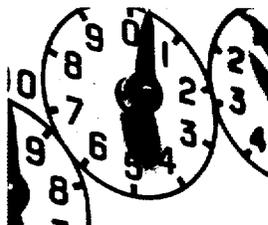
*Average Residential Rate*  
10.74 Cents per Kilowatt-hour (kWh)

### Water Utility

*Annual Operating Budget*  
\$33.2 Million

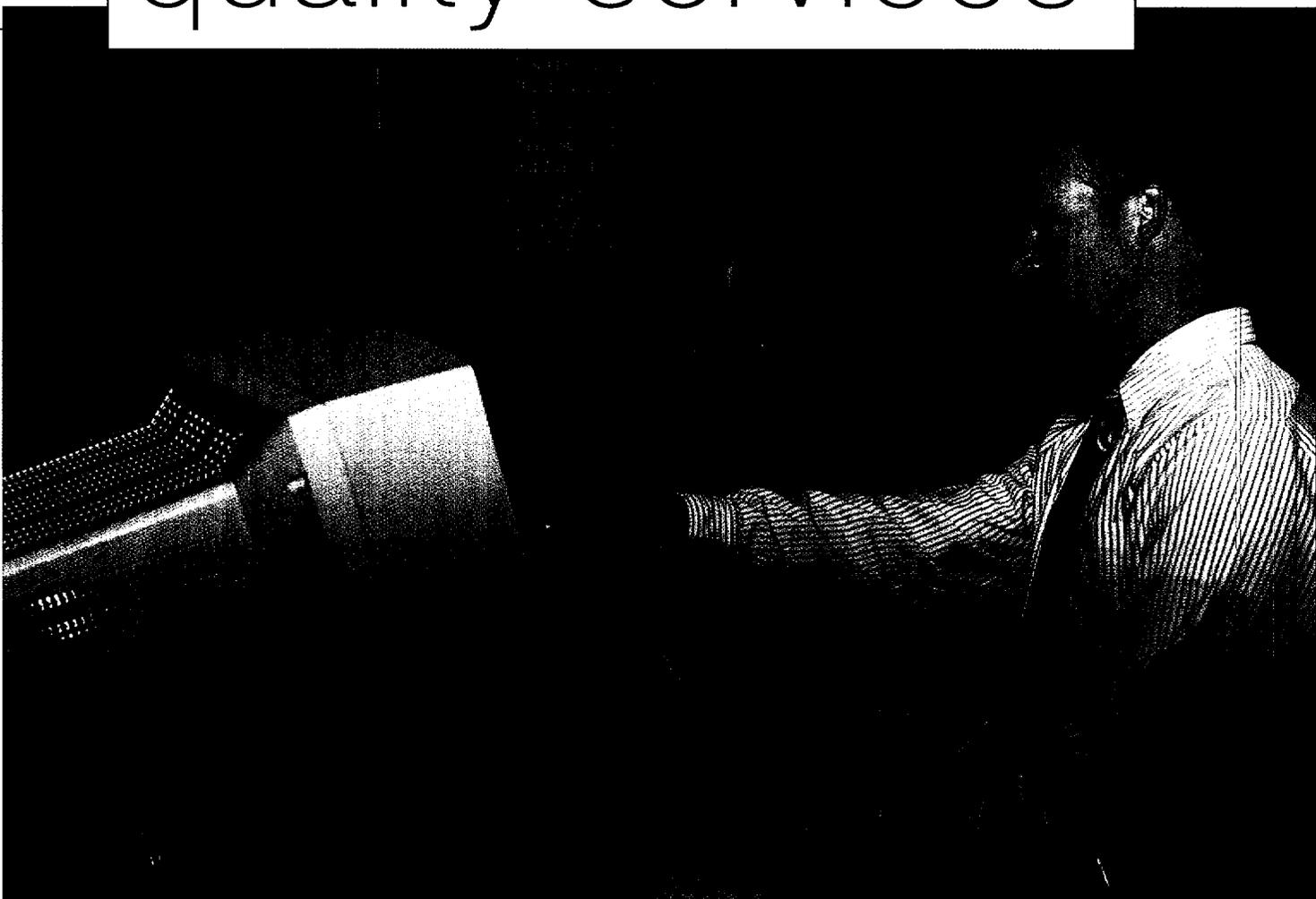
*Water Bond Ratings*  
AA Fitch IBCA  
AA Standard & Poor's Corp.

*Average Residential Rate*  
93.3 Cents per Hundred Cubic Feet (CCF)



working to ensure

quality services



### Depend On Riverside Public Utilities

A valuable resource is one you can depend on. In the city of Riverside, Riverside Public Utilities is your resource for quality water and electric services.

We offer reliable around-the-clock service – 24 hours a day, seven days a week. In fact, our electric and water reliability

continues to outrank many investor-owned utilities in comparative studies.

But a treasured resource offers more than just availability. It delivers quality service, trusted advice and valuable support.

At Riverside Public Utilities, we take this responsibility seriously. For us, it means making sure that our customers' needs are

met on all fronts – from simplifying the application process for new service to answering inquiries accurately, to responding quickly during a power outage. Because we know that the little things count, whether it's just a friendly smile or helpful words of advice.



### Defining Quality Service

Quality service can be measured in many different ways. One of the ways it's measured at Riverside Public Utilities is by our ability to provide safe, reliable water and electric services to more than 250,000 people in the city of Riverside. To further this goal, Riverside Public Utilities reviews and implements strategies and technologies that will help ensure the highest levels of service possible. In 1998-99, improvements at 11 substations were made to reduce the likelihood of a citywide power outage, while two state-of-the-art chlorination stations with back-up generators were added to the water system to advance the water quality and emergency readiness of Riverside's water supply. Riverside Public Utilities staff also staunchly defended its water resources from two advancing contaminant plumes by negotiating acceptable cleanup and treatment plans with the responsible parties.

### Offering Trusted Advice

When it comes to trusted advice, all of Riverside Public Utilities' staff, from administrators to meter readers to line crews, are trained to put customer safety and concerns first. To address the complex needs of business customers, Riverside Public Utilities established a business development group. Business development staff serve as utility liaisons by assisting local businesses with new service requirements, energy and water efficiency, technology and industry advancements, and troubleshooting.

### Providing Valuable Support

For Riverside Public Utilities, valuable support takes many forms. The smooth transition to a new state-of-the-art customer information system has enabled customer service representatives to post payments, review billing histories, track energy and water usage, and handle customer inquiries quicker. The utility also makes it easy for customers to pay bills, open new accounts and obtain information about utility services by operating local full-service customer service offices.

## Physical Resources

### Electric Utility

#### *Energy Sources*

48.8 % Coal  
21.0 % Nuclear  
27.8 % Third-party Purchases  
2.4 % Hydropower

#### *System Statistics*

92,200 Connected  
Electric Meters  
Transmission Lines: 89.8  
in Circuit Miles  
Distribution Lines: 1,061.1  
in Circuit Miles  
15 Electric Substations

### Water Utility

#### *Water Sources*

83.8 % San Bernardino  
Basin Wells  
15.8 % Riverside Basin Wells  
0.4 % Purchased water for  
1998-99

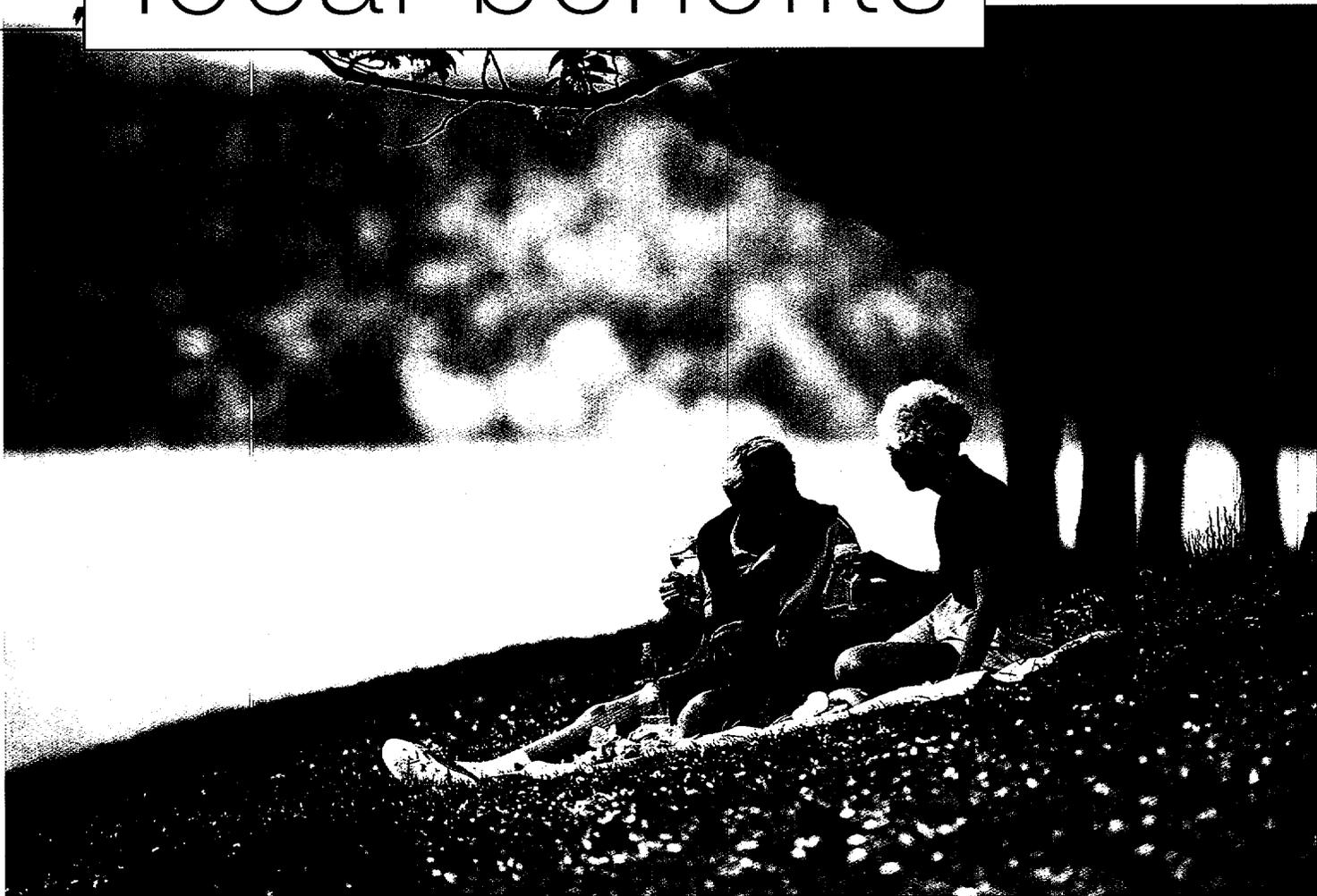
#### *System Statistics*

58,343 Connected Water Meters  
47 Operating Domestic Wells  
899 Miles of Pipeline  
39 Booster Stations  
16 Active Reservoirs  
1 Active Treatment Plant



working to provide

local benefits



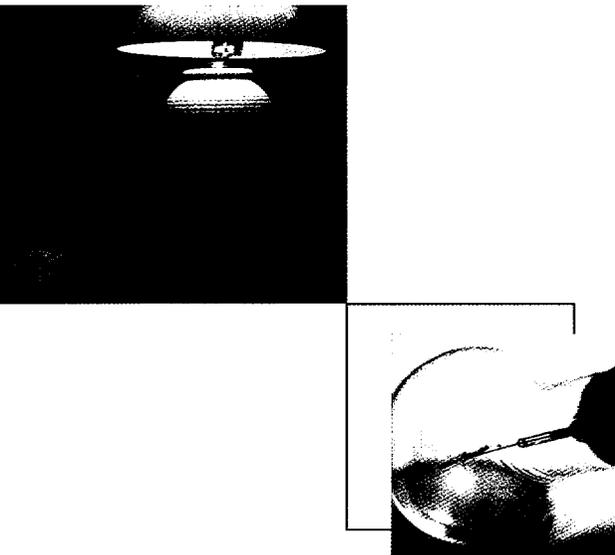
### The Importance Of Hometown Benefits

When people support a certain organization or cause, it's usually because they believe in the benefits of the work being performed. In most cases, it's important for those benefits to be distributed locally. This is one of the growing reasons why many people appreciate being served by

a customer-owned utility.

As a customer-owned water and electric utility, Riverside Public Utilities' commitment to Riverside is the cornerstone of an operating philosophy that sets it apart from investor-owned utilities. One way that Riverside Public Utilities reinvests in its community is by returning a portion of its electric and water

revenues to the city's general fund. Last year alone, Riverside Public Utilities transferred \$17 million of electric and water revenues to the general fund to help support vital city services such as fire, police, park and recreation, museum, and library programs.



## For The Benefit Of All

Public benefit programs remain a top priority for Riverside Public Utilities. In 1998-99, Riverside Public Utilities broadened and enhanced its public benefit programs for residential, commercial and industrial customers. Through targeted marketing campaigns, the utility increased public awareness and participation in low-income assistance programs, weatherization services, energy efficiency rebates, and energy research and development opportunities. A number of water conservation incentives were also offered to non-residential customers for installing low-flush toilets, automatic faucet shut-off valves and water efficient horizontal commercial washers.

## Investing In Our Community

When you consider the factors that make a community great, quality education is high on the list. As the local resource for water and electric services, Riverside Public Utilities supports the study and wise use of

water and electricity. Last year, Riverside Public Utilities provided more than 20,000 students in 63 schools with water and energy materials and programs. One very successful outreach program was a bottled water fundraiser called "Splash into Cash." The program raised more than \$50,000 for local high schools and recognized students for designing winning labels for Riverside's bottled water. But it's often a city's sense of community that is its biggest benefit. Riverside Public Utilities demonstrates its community spirit by sponsoring various activities that support such causes as cultural and performing arts, community events, educational opportunities, and economic development. The utility's employees extend this commitment to the community by donating thousands of hours to local causes every year, resulting in immeasurable benefits. Because, at the end of the day, Riverside Public Utilities understands that our customers will judge us by how we've made their lives easier and better.

## Community Resources

*Customer Service*  
Residential Customers  
782-0330  
Business Customers  
276-1895

*24-Hour Water  
& Electric Emergencies*  
687-0791

*Business Development  
Public Benefit Programs*  
826-5485

*School Education Program*  
826-5816

*Speakers Bureau*  
826-5518

*Water Quality*  
351-6331

*Riverside Public Utilities proudly served as a major sponsor at these community events:*

- *Mission Inn Festival of Lights*
- *Orange Blossom Festival*
- *Riverside Air Show*
- *Riverside Wednesday Night*
- *Congressional Medal of Honor Society*
- *RAF Mayor's Ball for the Arts*
- *Riverside Black History Parade & Expo*
- *Riverside Dickens Festival*



working for a better

# Riverside

## Riverside Public Utilities Mission Statement

*"To provide water, electric and other related services for our customers in a safe, reliable, environmentally sensitive, and fiscally responsible manner that furthers the immediate and long-term goals of the city."*



Bill D. Carnahan  
Director, Public Utilities

## Board of Public Utilities

The Board of Public Utilities is composed of seven citizens appointed to four-year terms by City Council to govern utility policies and represent the community. Citizens serve on a voluntary basis without compensation. Applications for new members are solicited annually through an insert with the city services bill. Applicants must be at least 18 years of age and reside within the City of Riverside in order to be eligible to serve on the board. The Board of Public Utilities meets at 8:15 a.m. on the first and third Fridays of each month in the City Council Chambers at City Hall, 3900 Main St., Riverside. Board meetings are open to the public.



Raphael de la Cruz  
1998-1999  
Board Chairman  
Occupation:  
Administrative Analyst  
Riverside Resident: Lifetime  
Years of Service: 6



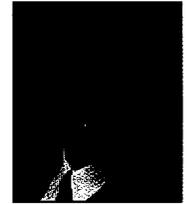
David C. Macher  
Occupation:  
Certified Public Accountant  
Riverside Resident: Lifetime  
Years of Service: 7



Peter G. Hubbard  
Occupation:  
Director Medical Services  
Riverside Resident: Lifetime  
Years of Service: 1



Jacqueline Mimms  
Occupation:  
Assistant Vice Chancellor  
of Campus Relations  
Riverside Resident: 14 years  
Years of Service: 8



Conrad Newberry Jr.  
Occupation:  
Registered Mechanical  
Engineer  
Riverside Resident: 6 years  
Years of Service: 2



Lalit N. Acharya  
Occupation:  
Associate Professor  
Communications  
Riverside Resident: Lifetime  
Years of Service: 1



Dwight Tate  
Occupation:  
Personal Finance Advisor  
Riverside Resident: Lifetime  
Years of Service: 5

### MAYOR

Ronald O. Loveridge

### CITY MANAGER

John Holmes

### CITY COUNCIL

Chuck Beaty  
Ward 1  
Ameal Moore  
Ward 2  
Joy Defenbaugh  
Ward 3  
Maureen Kane  
Ward 4  
Alex Clifford  
Ward 5  
Terri Thompson  
Ward 6  
Laura Pearson  
Ward 7

### PUBLIC UTILITIES ADMINISTRATION

Bill D. Carnahan  
Director

David H. Wright  
Deputy Director  
Marketing & Customer  
Service

Michael J. Baldwin  
Assistant Director,  
Electric

Dieter P. Wirtzfeld  
Assistant Director, Water

Donna I. Stevener  
Chief Financial Officer

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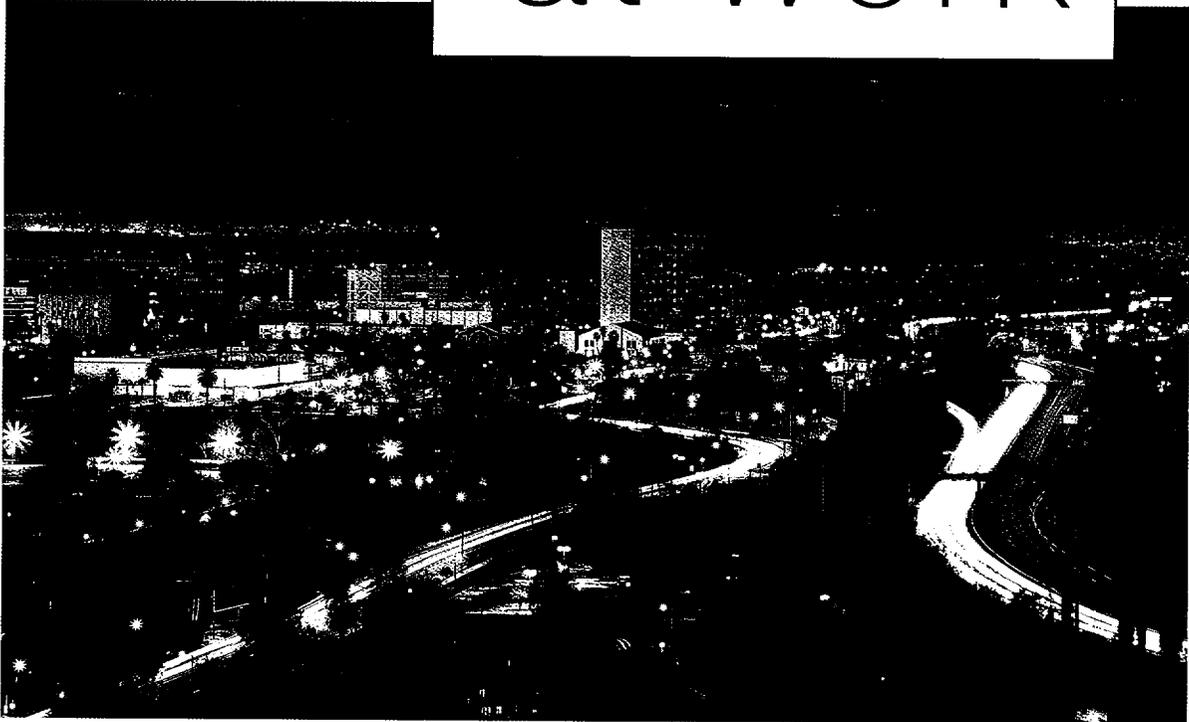
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Cynthia B. Reeley  
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your resources

at work



RIVERSIDE PUBLIC UTILITIES

1998 - 1999

FINANCIAL STATEMENTS

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fiscal

message

For over 100 years, Riverside Public Utilities has been dedicated to providing the citizens of Riverside with quality electric and water services at competitive rates. From water rights obtained by our founding fathers in the 1800's to the daily purchase of energy in the new deregulated power market, we strive to use all resources in the best possible manner for you —our customer-owners.

During the 1998-1999 fiscal year, the utility continued its focus on preparing for the new electric marketplace. Through the efforts of the management team and staff, several significant accomplishments were achieved. Noteworthy endeavors included: a reduction in operating expenses and capital improvement projects, a decrease in the general fund transfer, an early payoff of generation debt, and the renegotiations of above-market power contracts.

Establishing a plan for the replacement of aging pipelines was a focus of the water utility. Implementation of the replacement plan is underway. Careful monitoring of water quality continues to provide Riverside customers with water that meets or exceeds all federal and state drinking water standards at rates among the lowest in Southern California.

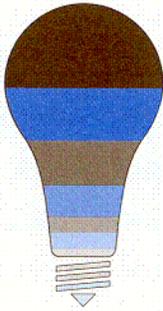
As we look to the future, it is clear that our quick response and proactive strategic planning will put us in a competitive position for delivering reliable water and power at competitive prices well into the next century. Your resources at work for another hundred years!

# City of Riverside Electric Utility Statistics

1998/99

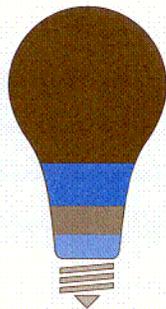
Electric Dollar and Resources

## Source of Revenue



- Residential Sales (34¢)
- Industrial Sales (27¢)
- Commercial Sales (23¢)
- Sales to Other Utilities (6¢)
- Other Sales (3¢)
- Interest Income (3¢)
- Use of Reserves (2¢)
- Other Revenue (2¢)

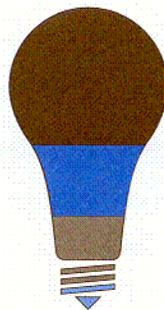
## Distribution of Revenue



- Purchased Power Supply (62¢)
- Operation & Maintenance (18¢)
- Debt Service (9¢)
- Transfer to City's General Fund (8¢)\*
- Additions & Replacements to the System (3¢)

*\*Based on transfer of 9.0 percent of fiscal year 1997-98 operating revenues (excludes interest and other non-operating income).*

## Energy Resources

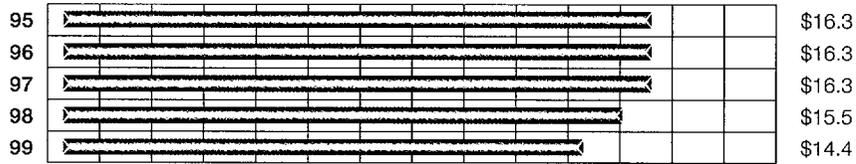


- Coal (50.5%)
- Third-Party-Purchases (27.9%)
- Nuclear (19.3%)
- Hydropower (2.3%)

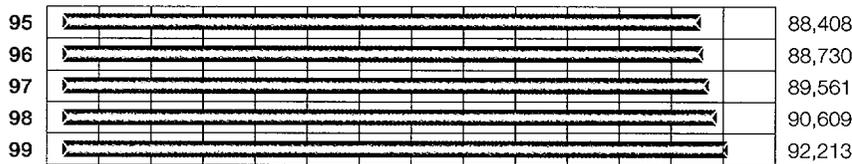
C1

# City of Riverside Electric Utility Statistics

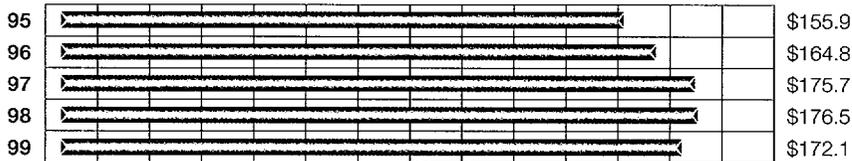
## General Fund Transfer (in millions)



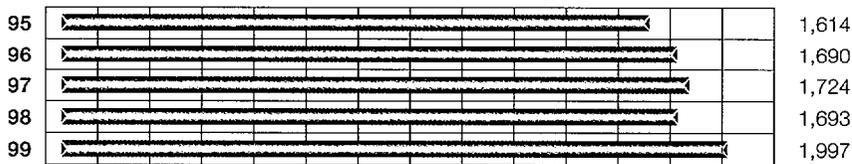
## Average Number of Customers (in thousands)



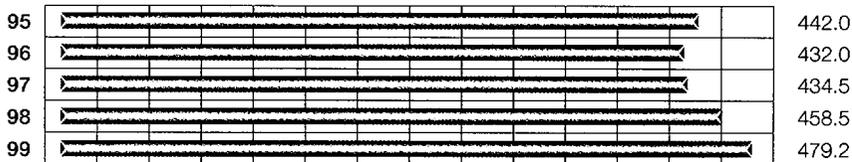
## Total Operating Revenue (in millions)



## Production (in million kilowatt-hours)



## Peak Day Demand (in megawatts)



## ELECTRIC FACTS AND SYSTEM STATISTICS

Established: 1895

Service Area Population: 254,300

Service Area Size (square miles): 78.1

### System Statistics:

Transmission lines (circuit miles): 89.8

Distribution lines (circuit miles): 1,061.1

Number of substations: 15

1998-99 Peak Day (megawatts): 479

Highest single hourly use:  
8/31/98, 3pm, 107 degrees

Historical peak (megawatts): 479

Highest single hourly use:  
8/31/98, 3pm, 107 degrees

## BOND RATINGS

FITCH IBCA A+

STANDARD & POOR'S CORP. A+

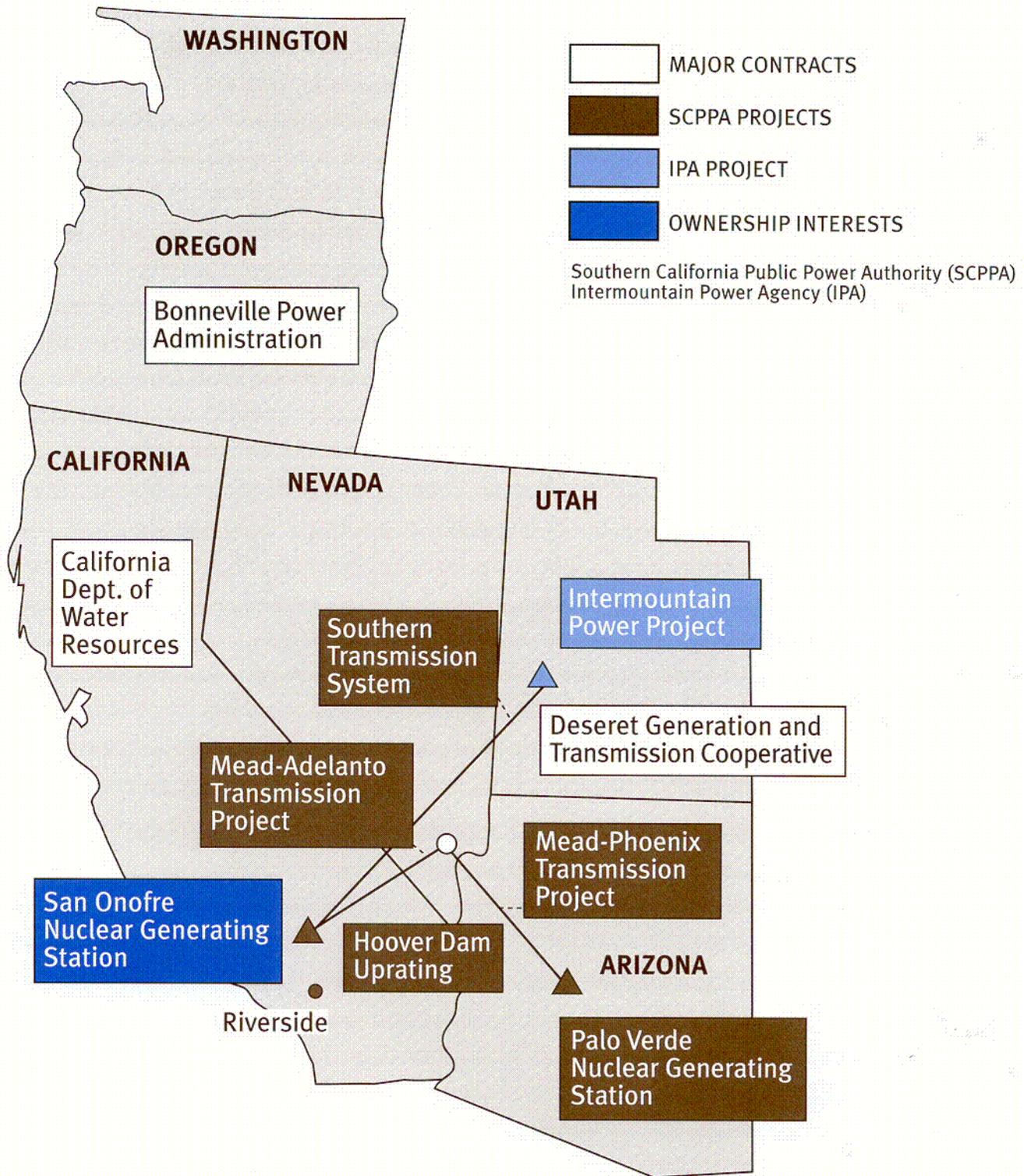
# City of Riverside Electric Utility Statistics

<b>POWER SUPPLY (MWH)</b>	<b>1998/99<sup>1</sup></b>	<b>1997/98</b>	<b>1996/97</b>	<b>1995/96</b>	<b>1994/95</b>
San Onofre	288,800	291,900	227,200	299,100	272,000
Intermountain Power	1,009,100	882,900	899,300	566,600	743,200
Palo Verde	96,500	92,200	94,300	88,400	83,400
Hoover	46,100	42,500	37,700	39,500	33,500
Firm contracts	383,000	272,800	267,300	248,400	276,800
Non-firm contracts	174,300	110,500	196,200	446,400	203,400
Southern California Edison	0	500	1,500	1,100	2,000
<b>Total</b>	<b>1,997,800</b>	<b>1,693,300</b>	<b>1,723,500</b>	<b>1,689,500</b>	<b>1,614,300</b>
System peak (MW)	479.2	458.5	434.5	432.0	442.0
<i><sup>1</sup>Energy shown before losses.</i>					

<b>ELECTRIC USE</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>	<b>1995/96</b>	<b>1994/95</b>
Average number of customers					
Residential	82,937	81,640	80,656	79,904	79,749
Commercial	8,859	8,650	8,577	8,500	8,337
Industrial	292	203	200	199	201
Other	125	116	128	127	121
<b>Total</b>	<b>92,213</b>	<b>90,609</b>	<b>89,561</b>	<b>88,730</b>	<b>88,408</b>
Millions of kilowatt-hours sales					
Residential	575	555	563	566	544
Commercial	406	404	408	414	391
Industrial	619	620	618	606	574
Other	46	45	49	46	45
<b>Total</b>	<b>1,646</b>	<b>1,624</b>	<b>1,638</b>	<b>1,632</b>	<b>1,554</b>

<b>ELECTRIC FACTS</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>	<b>1995/96</b>	<b>1994/95</b>
Average annual kWh per residential customer	6,938	6,796	6,984	7,090	6,823
Average price (cents/kWh) per residential customer	10.74	10.78	10.69	10.86	10.58
Debt as a percent of net plant <sup>2</sup>	97.2%	101%	80.3%	82.4%	88.2%
Operating income as a percent of operating revenues	6.3%	11.4%	14.0%	12.6%	8.0%
Employees	274	278	298	313	311
<i><sup>2</sup>Net plant includes nuclear fuel inventory and work in progress.</i>					

# City of Riverside Electric Resources



c2

# City of Riverside Electric Utility

<b>BALANCE SHEETS</b>	<b>JUNE 30 1999</b>	<b>JUNE 30 1998</b>
	<i>(in thousands)</i>	
<b>ASSETS</b>		
<b>UTILITY PLANT:</b>		
Production	\$126,467	\$125,424
Transmission	15,021	15,017
Distribution	195,256	186,913
General	26,258	22,171
	<u>363,002</u>	<u>349,525</u>
Less accumulated depreciation and amortization	(153,895)	(141,269)
	<u>209,107</u>	<u>208,256</u>
Construction in progress	7,300	7,158
Nuclear fuel, at amortized cost	2,486	1,945
Total utility plant	<u>218,893</u>	<u>217,359</u>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	48,868	49,566
Investments	25,589	22,411
Public benefit programs receivable	524	471
Total restricted assets	<u>74,981</u>	<u>72,448</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	57,694	64,178
Accounts receivable, less allowance for doubtful accounts 1999 \$433; 1998 \$478 (in thousands)	21,736	21,465
Accrued interest receivable	893	689
Prepaid expenses	3,886	4,578
Nuclear materials inventory	974	989
Total current assets	<u>85,183</u>	<u>91,899</u>
<b>OTHER ASSETS:</b>		
Unamortized project costs	0	101
Unamortized bond issuance costs	2,395	2,448
Unamortized bond refunding costs	4,248	4,390
Total other assets	<u>6,643</u>	<u>6,939</u>
Total assets	<u>\$385,700</u>	<u>\$388,645</u>

See accompanying notes to the financial statements.

# City of Riverside Electric Utility

<b>BALANCE SHEETS</b>	<b>JUNE 30 1999</b>	<b>JUNE 30 1998</b>
<b>CAPITALIZATION AND LIABILITIES</b>	<i>(in thousands)</i>	
<b>EQUITY:</b>		
Retained earnings:		
Reserved for debt service	\$ 18,214	\$ 18,099
Unreserved	63,392	70,126
Total retained earnings	81,606	88,225
Contributed capital	46,829	43,470
Total equity	128,435	131,695
<b>LONG-TERM OBLIGATIONS, LESS CURRENT PORTION</b>		
Total capitalization	206,106	212,672
	334,541	344,367
<b>OTHER NON-CURRENT LIABILITIES:</b>		
Decommissioning liability	25,237	22,401
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest payable	2,685	2,604
Deferred revenue, public benefit programs	4,765	1,308
Current portion of long-term obligations	6,610	6,555
Total current liabilities payable from restricted assets	14,060	10,467
<b>CURRENT LIABILITIES:</b>		
Accounts payable	5,145	5,094
Accrued liabilities	4,340	4,017
Current portion of long-term obligations	9	19
Customer deposits	2,368	2,280
Total current liabilities	11,862	11,410
<b>COMMITMENTS AND CONTINGENCIES</b>		
Total capitalization and liabilities	\$385,700	\$388,645

See accompanying notes to the financial statements.

# City of Riverside Electric Utility

## STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

FOR THE FISCAL YEARS  
ENDED JUNE 30  
1999 1998  
*(in thousands)*

<b>OPERATING REVENUES:</b>		
Residential sales	\$ 61,674	\$ 59,827
Commercial sales	43,246	43,262
Industrial sales	49,796	51,588
Other sales	4,954	4,901
Sales to other utilities	10,911	4,899
Provision for rate stabilization	0	10,300
Other operating revenue	1,552	1,675
Total operating revenues	172,133	176,452
<b>OPERATING EXPENSES:</b>		
Purchased power	114,069	112,864
Operations	26,760	26,373
Maintenance	7,207	5,903
Depreciation and amortization	13,205	11,283
Total operating expenses	161,241	156,423
Operating income	10,892	20,029
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	6,200	5,411
Interest expense	(11,157)	(10,917)
Gain on retirement of utility plant	88	94
Other	1,769	1,413
Total non-operating revenues (expenses)	(3,100)	(3,999)
Income before operating transfer	7,792	16,030
<b>OPERATING TRANSFER OUT:</b>		
Contribution to the City's general fund	(14,411)	(15,491)
Net income (loss) before extraordinary item	(6,619)	539
<b>EXTRAORDINARY ITEM:</b>		
Transfer of rate stabilization funds to competitive transition account (see Note 1)	0	23,469
Net income (loss)	(6,619)	24,008
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	88,225	64,217
<b>RETAINED EARNINGS, END OF YEAR</b>	\$ 81,606	\$ 88,225

See accompanying notes to the financial statements.

# City of Riverside Electric Utility

## STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS  
ENDED JUNE 30  
1999 1998  
(in thousands)

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 171,897	\$ 163,703
Cash paid to suppliers and employees	(139,488)	(136,263)
Other non-operating revenue	1,769	1,413
Net cash provided by operating activities	34,178	28,853
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Contribution to the city's general fund	(14,411)	(15,491)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(12,348)	(8,007)
Purchase of nuclear fuel	(1,715)	(183)
Proceeds from the sale of utility plant	169	315
Proceeds from the sale of revenue bonds	0	99,689
Deposit to escrow account for advance refunding of revenue bonds	0	(56,232)
Principal paid on long-term obligations	(6,583)	(6,641)
Interest paid on long-term obligations	(10,819)	(9,472)
Bond issuance costs	0	(1,496)
Contributed capital	1,529	1,189
Net cash provided (used) by capital and related financing activities	(29,767)	19,162
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Reduction in note receivable to Riverside Redevelopment Agency	0	16,000
(Purchase) maturity of investment securities	(3,178)	922
Income from investments	5,996	5,320
Net cash provided by investing activities	2,818	22,242
Net increase (decrease) in cash and cash equivalents	(7,182)	54,766
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR<sup>1</sup></b>	113,744	58,978
<b>CASH AND CASH EQUIVALENTS, END OF YEAR<sup>1</sup></b>	\$ 106,562	\$ 113,744
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 10,892	\$ 20,029
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other non-operating revenue	1,769	1,413
Depreciation and amortization expense	13,205	11,283
Amortization (burn) of nuclear fuel	1,174	1,193
Provision for uncollectible accounts receivable	(45)	(299)
Increase in accounts receivable	(279)	(2,633)
Decrease in prepaid expenses	692	3,258
Decrease in nuclear materials inventory	15	18
Decrease in accounts payable	51	630
Increase (decrease) in accrued liabilities	323	(345)
Increase in public benefits charge deferred revenue	3,457	1,308
Increase in customer deposits	88	124
Increase in decommissioning liability	2,836	2,815
Decrease in rate stabilization account	0	(9,941)
Net cash provided by operating activities	\$ 34,178	\$ 28,853
<b>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Contributions in aid of construction	\$ 1,830	\$ 69
Purchase of equipment through capital lease	\$ 0	\$ 55

<sup>1</sup> Cash and cash equivalents also include cash and cash equivalents in restricted assets.  
See accompanying notes to the financial statements.

# City of Riverside Electric Utility Notes To The Financial Statements

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Utility exists under, and by virtue of, the City Charter enacted in 1883. The Electric Utility is responsible for the generation, transmission and distribution of electric power for sale in the City.

**Basis of Accounting** The accounting records of the Electric Utility are in accordance with generally accepted accounting principles as applicable to governments and substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission, except for the method of accounting for contributed capital described below. The Electric Utility is not subject to the regulations of the Federal Energy Regulatory Commission. The Electric Utility is not required to and does not elect to implement the pronouncements of the Financial Accounting Standards Board issued after November 1989.

**Revenue Recognition** The Electric Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Electric Utility customers are billed monthly. Unbilled electric service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled \$7,739,000 at June 30, 1999, and \$7,780,000 at June 30, 1998.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year-end to approximate the amount anticipated to be uncollectible.

**Utility Plant and Depreciation** Utility plant assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. Contributed plant assets are valued at estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Production plant.....	30 years
Transmission and distribution plant.....	20-50 years
General plant and equipment.....	5-15 years

**Nuclear Fuel** The Electric Utility amortizes the cost of nuclear fuel to expense using the "as burned" method. In accordance with the Nuclear Waste Disposal Act of 1982, the Electric Utility is charged one mill per kilowatt-hour of energy generated by the City's share of San Onofre Nuclear Generating Station's Units 2 and 3 to provide for estimated future storage and disposal of spent fuel. The Electric Utility

pays this fee to its operating agent, Southern California Edison Co. (SCE), on a quarterly basis (see Note 6).

**Restricted Assets** Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds set aside for the nuclear decommissioning reserve are also classified as restricted assets because their use is legally restricted to a specific purpose.

In January 1998, the Electric Utility began collecting a surcharge for public benefit programs on customer utility bills. This surcharge is mandated by state legislation included in Assembly Bill 1890 and is restricted to various socially beneficial programs and services. The programs and services include cost effective demand-side management services to promote energy efficiency and conservation and related education and information; ongoing support and new investments in renewable resource technologies; energy research and development; and programs and services for low-income electric customers. The activity associated with the surcharge for public benefit programs is reflected in the accompanying financial statements as a restricted asset and deferred revenue.

**Cash and Investments** The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Cash accounts for all City funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Interest income earned on pooled cash is allocated monthly to the various funds of the City based on the month-end cash balances. Cash and investments held by fiscal agents are credited directly to the related accounts.

The City values its cash and investments in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31: Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31), which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using quoted market prices.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and investments held on behalf of the Electric Utility by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the statement of cash flows.

**Inventories** The City maintains a separate Central Stores inventory. The Electric Utility expenses items as they are drawn out of Central Stores. As such, the Electric Utility does not include inventories in its financial statements.

# City of Riverside Electric Utility Notes To The Financial Statements

**Bond Discounts and Issuance Costs** Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as other assets.

**Contributed Capital** Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation of contributed assets is reflected as an operating expense.

During the year, contributed capital increased by the following amounts (in thousands):

	1999	1998
<b>Balance, July 1</b>	\$43,470	\$41,588
Impact fees	1,529	1,189
Contributed plant	1,830	693
<b>Balance, June 30</b>	<b>\$46,829</b>	<b>\$43,470</b>

**Nuclear Decommissioning Reserve** Federal regulations require the Electric Utility to provide for the future decommissioning of its ownership share of the nuclear units at San Onofre. The Electric Utility has established a trust account to accumulate resources for the decommissioning of the nuclear power plant and restoration of the beachfront at San Onofre. Each year the Electric Utility recognizes an expense in the amount of the contribution to the trust account. The funding will occur over the useful life of the generating plant. Amounts held in the trust account are classified as restricted assets in the accompanying balance sheet. To date, the Electric Utility has set aside \$25,238,000 in cash and investments with the trustee as Riverside's estimated share of the decommissioning cost of San Onofre. Based on a cost estimate completed by SCE and approved by the California Public Utilities Commission, the Electric Utility plans to set aside approximately \$1.6 million per year to fund this obligation. Decommissioning is expected to commence around the year 2015.

**Rate Stabilization Account** During the fiscal year ended June 30, 1998, the Electric Utility adhered to Statement of Financial Accounting Standards No. 101: Regulated Enterprises—Accounting for the Discontinuance of Application of FASB Statement No. 71. As a result, management eliminated the use of a rate stabilization account and recorded an extraordinary item of \$23,469,000 in the accompanying financial statements.

**Competitive Transition Account** A Competitive Transition Account (CTA) was established in June 1998 after approval by the Board of Public Utilities and the City Council. This new account was funded by a transfer of \$23.5 million from a rate stabilization account and \$10 million from an operating cash reserve account. The CTA is an internally restricted asset and the Board and City Council will approve usage of funds on an annual or as needed basis for purposes of handling competitive financial issues. This account was

established for a short-term period (five years) during the phase-in of retail competition in the electric utility industry. Possible fund uses include early pay down of generation-related debt or long-term contracts, rate stabilization or other competitive purposes. The balance in the CTA at June 30, 1999 and 1998 was \$36.7 and \$33.4 million, respectively, and is reflected as a current asset in the accompanying financial statements as part of cash and cash equivalents.

**Customer Deposits** The City holds customer deposits as security for the payment of utility bills. The Electric Utility's portion of these deposits as of June 30, 1999 and 1998, was \$2,368,000 and \$2,280,000, respectively.

**Compensated Absences** The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1999 and 1998. The Electric Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$4,089,000 at June 30, 1999, and \$3,838,000 at June 30, 1998, and is included in current liabilities in the accompanying balance sheets.

Employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years vacation can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death only, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity.

**Self-Insurance Program** The Electric Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Electric Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and incurred but unreported claims based upon past experience, modified for current trends and information.

Although the ultimate amount of losses incurred through June 30, 1999, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

**Employee Retirement Plan** The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California.

All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2 percent of their highest average annual salary for each year of service completed. PERS also provides death and

# City of Riverside Electric Utility Notes To The Financial Statements

disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Electric Utility is required to contribute the remaining amounts necessary to fund the benefits for its employees using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Electric Utility pays both the employee and employer contributions.

Citywide information concerning elements of the unfunded actuarial accrued liabilities, contributions to PERS for the year ended June 30, 1999, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1999.

## NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 1999 and 1998, consist of the following (in thousands):

Pooled investments with City Treasurer  
Cash and investments at fiscal agent

	June 30, 1999	June 30, 1998
	Fair Value	
	\$ 79,788	\$ 82,753
	52,363	53,402
	<u>\$132,151</u>	<u>\$136,155</u>

The amounts above are reflected in the accompanying financial statements as:

Cash and cash equivalents  
Restricted assets:  
    Cash and cash equivalents  
    Investments

	June 30, 1999	June 30, 1998
	\$ 57,694	\$ 64,178
	48,868	49,566
	25,589	22,411
	<u>74,457</u>	<u>71,977</u>
	<u>\$132,151</u>	<u>\$136,155</u>

**Authorized Investments** Under provisions of the City's investment policy and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

- Securities of the U.S. government, or its agencies
- Local agency investment fund (state pool) deposits
- Small Business Administration loans
- Passbook savings account demand deposits
- Negotiable certificates of deposits
- Repurchase agreements
- Banker's acceptances
- Mutual funds
- Commercial paper of "prime" quality
- Medium-term corporate notes

**Credit Risk and Fair Value of Deposits and Investments** Cash and non-negotiable certificates of deposit are classified in three categories of credit risk as follows: Category 1—insured or collateralized with securities held by the City or its agent in the City's name; Category 2—collateralized with securities held by the pledging financial

**Contribution to the City's General Fund** Pursuant to the City Charter, the Electric Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's general fund. In fiscal years 1998-99 and 1997-98, the Electric Utility transferred 9.0 percent and 9.5 percent of gross operating revenues, or \$14,411,000 and \$15,491,000, respectively.

**Budgets and Budgetary Accounting** The Electric Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Electric Utility's budget at its last meeting in June via an adopting resolution.

institution's trust department or agent in the City's name; Category 3—uncollateralized.

Investments are also classified in three categories of credit risk as follows: Category 1—insured or registered, or securities held by the City or its agent in the City's name; Category 2—uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; Category 3—uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The Electric Utility's share of the City's investments at June 30, 1999, represents approximately 34 percent or \$132,151,000 of the City's total cash and investments of \$392,752,000. Information concerning credit risk and fair value of the City's deposits and investments may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1999. Cash and investments at fiscal agent are insured or registered, or held in the name of the Electric Utility or its agent, or are not subject to risk categorization.

# City of Riverside Electric Utility Notes To The Financial Statements

## NOTE 3. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

	June 30, 1999	June 30, 1998
<b>Capital Lease</b>		
<b>Electric Utility's Share of Equipment Purchased Through Capital Lease:</b>		
\$55,100 capital lease due in monthly installments of \$1,373 through December 31, 2002, interest at 8.5 percent	\$ 26	\$ 53
Total capital lease	26	53
<b>Revenue Bonds Payable</b>		
<b>\$68,175,000 1991 Electric Revenue Bonds:</b> \$27,395,000 serial bonds due in annual installments from \$1,360,000 to \$1,955,000 through October 1, 2002, interest from 6.0 percent to 6.4 percent (partially advance refunded in 1998)	6,540	8,020
<b>\$118,550,000 1993 Electric Refunding Revenue Bonds:</b> \$92,245,000 serial bonds due in annual installments from \$5,120,000 to \$8,005,000 through October 1, 2010, interest from 4.1 percent to 8.25 percent; \$26,305,000 term bonds due October 1, 2013, interest at 5.0 percent	103,050	108,005
<b>\$4,100,000 1994 FARECal Electric Revenue Bonds:</b> \$2,105,000 serial bonds due in annual installments from \$130,000 to \$220,000 through July 1, 2010, interest from 5.0 percent to 5.9 percent; \$1,995,000 term bonds due July 1, 2017, interest at 6.0 percent	3,865	3,985
<b>\$98,730,000 1998 Electric Refunding/Revenue Bonds:</b> \$63,165,000 serial bonds due in annual installments from \$4,650,000 to \$7,085,000 through October 1, 2013, interest from 4.25 percent to 5.38 percent; \$21,595,000 term bonds due October 1, 2018, interest at 5.0 percent; \$13,970,000 term bonds due October 1, 2022, interest at 5.0 percent.	98,730	98,730
Total electric revenue bonds payable	212,185	218,740
Total obligations	212,211	218,793
Less: Current portion	(6,619)	(6,574)
Unamortized bond premium	514	453
Total long-term obligations	\$ 206,106	\$ 212,672

Annual debt service requirements to maturity as of June 30, 1999, are as follows (in thousands):

	2000	2001	2002	2003	2004	Thereafter	Total
Capital lease	\$ 9	\$ 7	\$ 8	\$ 2	\$ 0	\$ 0	\$ 26
Bond interest requirements	10,742	10,431	9,982	9,499	9,057	62,857	112,568
Bond principal requirements	6,610	6,930	7,385	7,840	10,780	172,640	212,185
Unamortized bond (discount) premium	(51)	(52)	(57)	(60)	42	692	514
Total	\$17,310	\$17,316	\$17,318	\$17,281	\$19,879	\$236,189	\$325,293

**Debt Service Coverage Ratio** The Electric Utility's bond indentures require the Electric Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Electric Utility's debt service coverage ratio was 2.01 at June 30, 1999, and 3.76 at June 30, 1998.

# City of Riverside Electric Utility Notes To The Financial Statements

## **NOTE 4. RESERVED RETAINED EARNINGS**

A reserve for debt service has been established pursuant to applicable bond indentures. Bond indentures for Riverside's electric revenue and refunding bonds require reserves that equate to the maximum annual debt service required in future years plus three months interest and nine months principal due in the next fiscal year. The reserve for Riverside's portion of FARECal revenue bonds is equal to 10 percent of the program agreement amounts. Additional reserves for the 1998 and 1991 revenue bonds are not required due to the purchase of surety bonds to cover the required reserve requirements.

## **NOTE 5. JOINTLY-GOVERNED ORGANIZATIONS**

### **Southern California Public Power Authority**

On November 1, 1980, the City of Riverside joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the state of California. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative for each of the members. During the 1998-99 and 1997-98 fiscal years, the Electric Utility paid approximately \$22,407,000 and \$21,477,000, respectively, to SCPPA under various take-or-pay contracts that are described in greater detail in Note 7. These payments are reflected as a component of purchased power in the financial statements.

**Power Agency of California** On July 1, 1990, the City of Riverside joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the state of California. The city of Anaheim joined PAC on July 1, 1996. The primary purpose of PAC is to take advantage of synergies and economies of scale as a result of the five cities acting in concert. PAC has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. PAC is governed by a Board of Directors, which consists of one representative for each of the members. The term of the Joint Powers Agreement is 50 years. During the fiscal years ended 1998-99 and 1997-98, the Electric Utility paid approximately \$39,000 and \$45,000, respectively, to PAC for administrative expenses and advanced \$284,000 for operating capital.

**Financing Authority for Resource Efficiency of California** On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency; the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource Efficiency of California (FARECal). The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors comprised of one representative from each charter member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from Trinity Public Utilities District, Colton and Pasadena.

## **NOTE 6. JOINTLY-OWNED UTILITY PROJECT**

Pursuant to a settlement agreement with SCE, dated August 4, 1972, the City was granted the right to acquire a 1.79 percent ownership interest in San Onofre Nuclear Generating Station (SONGS), Units 2 and 3. In the settlement agreement, SCE agreed to provide the necessary transmission service to deliver the output of SONGS to Riverside. SCE and the City entered into the SONGS Participation Agreement that sets forth the terms and conditions under which the City, through the Electric Utility, participates in the ownership and output of SONGS. Other participants in this project include SCE, 75.05 percent; San Diego Gas & Electric Company, 20.00 percent; and the city of Anaheim, 3.16 percent. Maintenance and operation of SONGS remain the responsibility of SCE, as operating agent for the City.

There are no separate financial statements for the jointly-owned utility plant since each participant's interests in the utility plant and operating expenses are included in their respective financial statements. The Electric Utility's 1.79 percent share of the capitalized construction costs for SONGS totaled \$126,467,000 and \$125,424,000 for fiscal years ended June 30, 1999 and 1998, respectively. The accumulated depreciation amounted to \$67,579,000 and \$61,277,000 for the fiscal years ended June 30, 1999 and 1998, respectively. The Electric Utility made provisions during fiscal years 1998-99 and 1997-98 for nuclear fuel burn of \$1,174,000 and \$1,193,000, respectively, and for future decommissioning costs of \$1,581,000 for 1998-99 and 1997-98 fiscal years (see Note 1). The Electric Utility's portion of current and long-term debt associated with SONGS is included in the accompanying financial statements.

As a participant in SONGS, the Electric Utility could be subject to assessment of retrospective insurance premiums in the event of a nuclear incident at San Onofre or any other licensed reactor in the United States.

# City of Riverside Electric Utility Notes To The Financial Statements

## NOTE 7. COMMITMENTS

**Take-or-Pay Contracts** The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent of the generation output of IPA's 1,600 megawatt coal-fueled generating station located in central Utah.

The contract constitutes an obligation of the Electric Utility to make payments solely from operating revenues. The power purchase contract requires the Electric Utility to pay certain minimum charges that are based on debt service requirements. Such payments are considered a cost of purchased power.

The Electric Utility is a member of the Southern California Public Power Authority (SCPPA), a joint powers agency (see Note 5). SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in projects developed by SCPPA, the Electric Utility will be obligated for its proportionate share of the project cost.

The projects and the Electric Utility's proportionate share of SCPPA's obligations are as follows:

PROJECT	PERCENT SHARE
Palo Verde Nuclear Generating Station .....	5.4 percent
Southern Transmission System .....	10.2 percent
Hoover Dam Upgrading .....	31.9 percent
Mead-Phoenix Transmission .....	4.0 percent
Mead-Adelanto Transmission .....	13.5 percent

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due.

Take-or-pay commitments expire upon final maturity of outstanding bonds for each project. Final maturities are as follows:

PROJECT	EXPIRATION DATE
Intermountain Power Project .....	2023
Palo Verde Nuclear Generating Station .....	2017
Southern Transmission System .....	2023
Hoover Dam Upgrading .....	2017
Mead-Phoenix Transmission .....	2020
Mead-Adelanto Transmission .....	2020

Interest rates on the outstanding debt associated with the take-or-pay obligations range from 3.0 percent to 7.8 percent. The schedule below details the amount of principal that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

PRINCIPAL PAYMENTS (in thousands)	IPA	SCPPA					TOTAL
	Intermountain Power Project	Palo Verde Nuclear Generating Station	Southern Transmission System	Hoover Dam Upgrading	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
Year Ending June 30							
2000	\$ 11,794	\$ 2,193	\$ 2,406	\$ 185	\$ 86	\$ 802	\$ 17,466
2001	12,562	2,358	2,505	196	93	861	18,575
2002	11,634	2,436	1,959	207	99	921	17,256
2003	10,926	2,559	3,373	365	106	980	18,309
2004	11,256	2,656	3,244	389	114	1,054	18,713
Thereafter	260,751	38,462	102,655	8,208	3,127	33,270	446,473
Subtotal	318,923	50,664	116,142	9,550	3,625	37,888	536,792
Less: Unamortized bond discount	(8,063)	(4,174)	(8,422)	(1,039)	(150)	(1,521)	(23,369)
Refunding charge	(64,194)	(5,712)	(17,345)	(626)	(281)	(2,609)	(90,767)
Total	\$246,666	\$40,778	\$ 90,375	\$7,885	\$ 3,194	\$ 33,758	\$422,656

# City of Riverside Electric Utility Notes To The Financial Statements

## NOTE 7. COMMITMENTS (CONTINUED)

**Power Purchase Agreements** The Electric Utility has executed six firm power purchase agreements. The agreements are with Deseret Generation and Transmission Cooperative (Deseret) of Murray, Utah; California Department of Water Resources (CDWR); and Bonneville Power Administration (BPA). The minimum annual obligations under each of these contracts are shown in the table below.

*Minimum Obligations 1999-2000 (in thousands)*

SUPPLIER	CAPACITY	ENERGY	TOTAL
Deseret	\$10,720	\$2,191	\$12,911
CDWR II	332	0	332
CDWR III	357	98*	455
CDWR IV	465	128*	593
BPA (two agreements)	690	0	690
Total	\$12,564	\$2,417	\$14,981

\*Estimated

The agreement with Deseret is for five megawatts from January 1, 1992, through December 31, 1994, then increasing to 52 megawatts through December 31, 2009. A notice of termination of the power purchase agreement was provided to Deseret effective March 31, 1998. The litigation from fiscal year 1997-98 was settled subsequent to year-end on July 31, 1999. The settlement included rescinding the notice of termination and amending the power purchase agreement to reflect substantial price reductions after fiscal year 2001 through the term of the agreement.

There are three separate agreements with CDWR. CDWR II is for the purchase of 20 megawatts of firm capacity and associated energy during the months of May through October of each year beginning May 1, 1992. Riverside has provided CDWR with a notice of termination of this agreement effective May 1, 2000. CDWR III is for the purchase of 23 megawatts of capacity and associated energy from May through October of each year beginning June 1, 1996, for 15 years. CDWR IV is for the purchase of 30 megawatts of capacity and associated energy from May through October beginning June 1, 1996, for 15 years.

The first agreement with BPA is for the purchase of firm capacity (23 megawatts in the summer months and 16 megawatts in the winter months) and associated energy beginning February 1, 1991, for a period of 20 years. The 1996 BPA agreement is for the purchase of capacity (50 megawatts during the summer months and 13 megawatts during the winter months) and associated energy beginning April 30, 1996, for 20 years. Effective May 1, 1998, these summer and winter capacity amounts increased to 60 megawatts and 15 megawatts, respectively, for the remainder of the 1996 agreement. A notice of termination of both power purchase agreements (two agreements) was provided to BPA effective March 31, 1998, which was subsequently rescinded on March 5, 1999.

## NOTE 8. LITIGATION

The Electric Utility is a defendant in various lawsuits arising in the normal course of business.

Present lawsuits and other claims against the Electric Utility are incidental to the ordinary course of operations of the Electric Utility and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operations of the Electric Utility.

## NOTE 9. SUBSEQUENT EVENT

As discussed in note 7, litigation pending from 1997-98 with Deseret, was settled subsequent to year end on July 31, 1999. The settlement included amending the power purchase agreement to reflect substantial price reductions after fiscal year 2001 through the term of the agreement in 2009. This was agreed to in exchange for a payment of approximately \$25 million which was paid from Electric fund reserves.

# City of Riverside Electric Utility Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

**To the Honorable City Council and Board of Public Utilities  
City of Riverside, California**

We have audited the accompanying balance sheets of the City of Riverside Electric Utility as of June 30, 1999 and 1998, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Electric Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Electric Utility as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

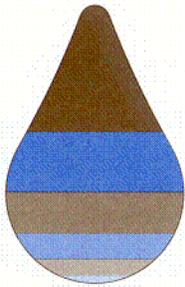
**KPMG LLP**

November 5, 1999

# City of Riverside Water Utility Statistics

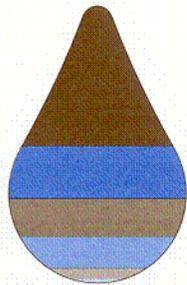
1998/99  
Water Dollar and Resources

## Source of Revenue



- Residential Sales (54¢)
- Commercial & Industrial Sales (26¢)
- Other Revenue (9¢)
- Interest Income (5¢)
- Wholesale Sales (4¢)
- Other Sales (2¢)

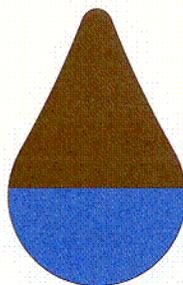
## Distribution of Revenue



- Operation & Maintenance (52¢)
- Debt Service (19¢)
- Additional Reserves (17¢)
- Transfer to City's General Fund (9¢)\*
- Water Supply (2¢)
- Additions and Replacements to the System (1¢)

\* Based on transfer of 11.5 percent of fiscal year 1997-98 operating revenues (excludes interest and other non-operating income).

## Water Resources



- San Bernardino Basin Wells (83.8%)
- Riverside Basin Wells (15.8%)

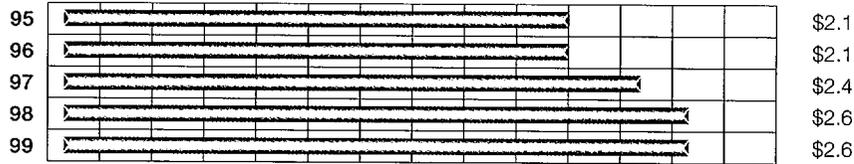
Purchased water was 0.4 percent for 1998-99.

03

# City of Riverside Water Utility Statistics

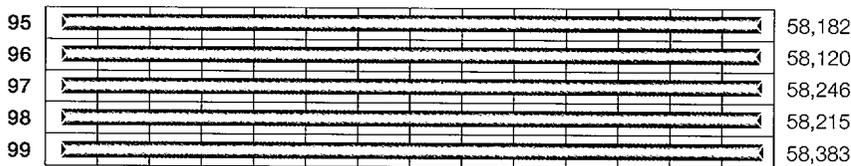
## General Fund Transfer

(in millions)



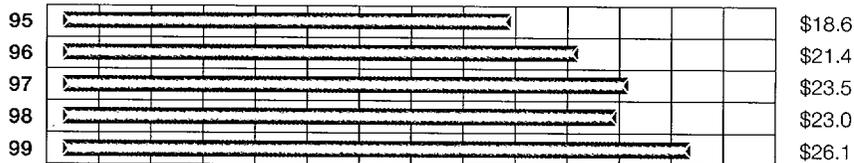
## Average Number of Customers

(in thousands)



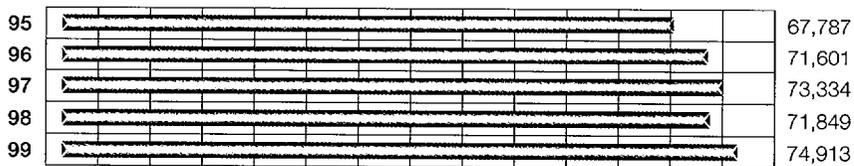
## Total Operating Revenue

(in millions)



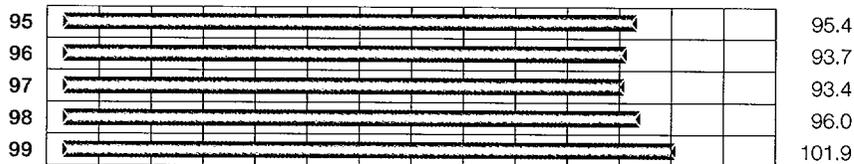
## Production

(in acre feet)



## Peak Day Demand

(in million gallons)



## WATER FACTS AND SYSTEM STATISTICS

Established: 1913

Service Area Population: 254,300

Service Area Size (square miles): 76.4

### System Statistics:

Smallest pipeline: 1.0"

Largest pipeline: 72.0"

Miles of pipeline: 899

Number of domestic wells: 47

Number of active reservoirs: 16

Total reservoir capacity  
(gallons): 100,400,000

Miles of canal: 12

Number of fire hydrants: 6,390

Daily average production  
(gallons): 66,898,000

1998-99 Peak day (gallons): 101,924,000  
8/4/98, 106 degrees

Historical peak (gallons): 101,924,000  
8/4/98, 106 degrees

## BOND RATINGS

FITCH IBCA AA

STANDARD & POOR'S CORP. AA

# City of Riverside Water Utility Statistics

<b>WATER SUPPLY (ACRE FEET)</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>	<b>1995/96</b>	<b>1994/95</b>
Pumping	74,638	71,597	73,266	71,316	67,636
Purchases	275	252	68	285	151
<b>Total</b>	<b>74,913</b>	<b>71,849</b>	<b>73,334</b>	<b>71,601</b>	<b>67,787</b>
Percentage pumped	99.6%	99.7%	99.9%	99.6%	99.8%
System peak day (gallons)	101,924,000	96,015,000	93,400,000	93,699,000	95,400,000

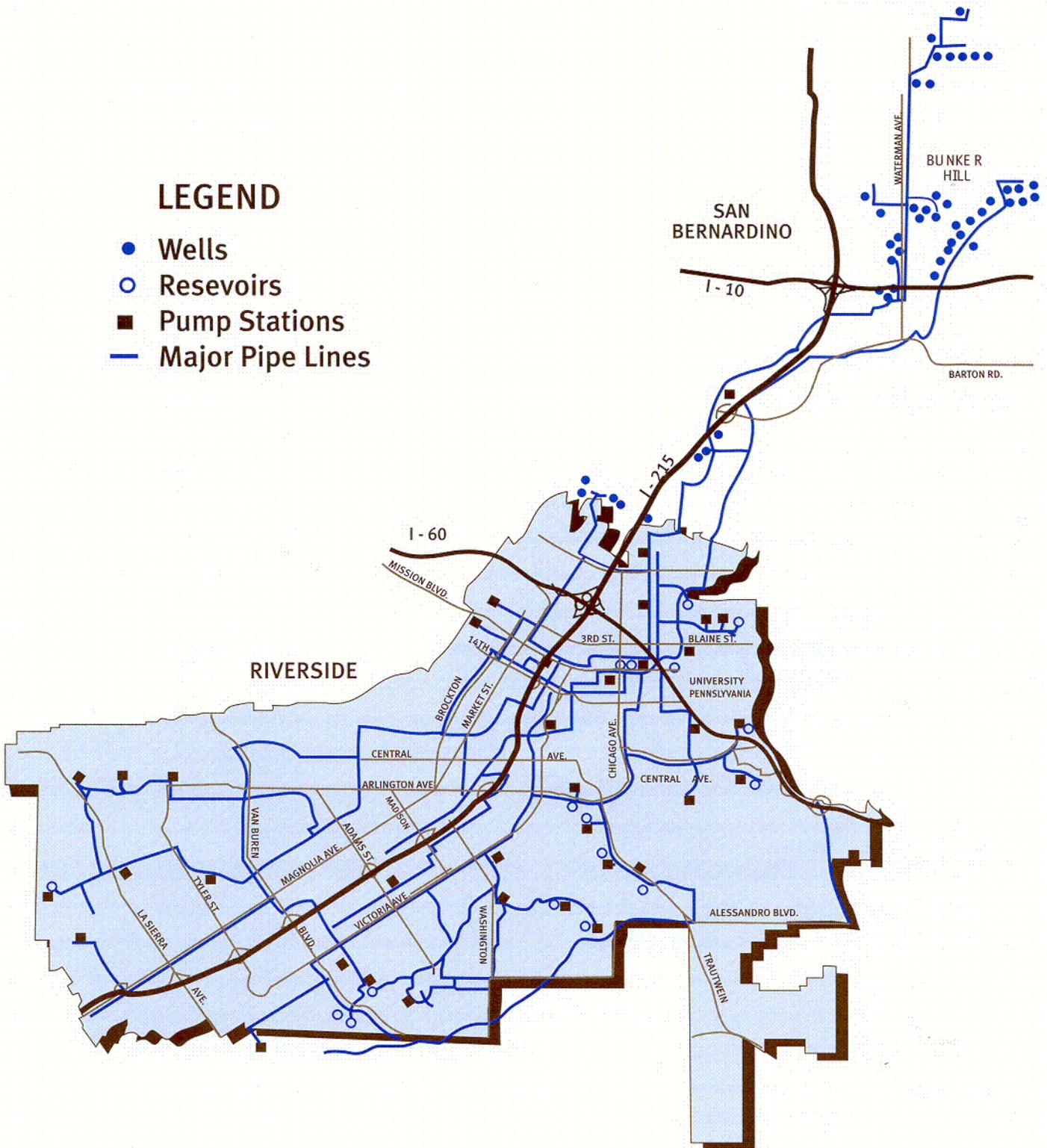
<b>WATER USE</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>	<b>1995/96</b>	<b>1994/95</b>
Average number of customers					
Residential	53,774	53,387	53,432	53,351	53,473
Commercial/industrial	4,104	4,164	4,054	4,138	4,118
Other	505	664	760	631	591
<b>Total</b>	<b>58,383</b>	<b>58,215</b>	<b>58,246</b>	<b>58,120</b>	<b>58,182</b>
CCF sales					
Residential	16,778,949	15,518,199	17,833,655	17,848,356	16,113,649
Commercial/industrial	8,570,558	8,289,294	9,386,127	9,176,633	8,529,614
Other	1,428,037	1,117,661	1,436,177	1,369,939	1,221,898
<b>Total</b>	<b>26,777,544</b>	<b>24,925,154</b>	<b>28,655,959</b>	<b>28,394,928</b>	<b>25,865,161</b>

<b>WATER FACTS</b>	<b>1998/99</b>	<b>1997/98</b>	<b>1996/97</b>	<b>1995/96</b>	<b>1994/95</b>
Average annual CCF per residential customer	312	291	361	335	301
Average price (cents/CCF) per residential customer	93.3	91.7	85.7	79.5	75.5
Debt as a percent of net plant	38.0%	40.3%	34.4%	35.3%	37.3%
Employees	119	128	136	137	137

# City of Riverside Water System Map

## LEGEND

- Wells
- Reservoirs
- Pump Stations
- Major Pipe Lines



C4

# City of Riverside Water Utility

<b>BALANCE SHEETS</b>	<b>JUNE 30</b>	<b>JUNE 30</b>
<b>ASSETS</b>	<b>1999</b>	<b>1998</b>
	<i>(in thousands)</i>	
<b>UTILITY PLANT:</b>		
Source of supply	\$ 25,616	\$ 25,549
Pumping	8,613	8,592
Treatment	1,796	398
Transmission and distribution	176,477	166,079
General	6,785	5,228
Intangible	5,597	5,534
	<u>224,884</u>	<u>211,380</u>
Less accumulated depreciation and amortization	(68,818)	(64,158)
	<u>156,066</u>	<u>147,222</u>
Construction in progress	6,747	10,580
Total utility plant	<u>162,813</u>	<u>157,802</u>
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	9,467	13,305
Investments	2,531	2,581
Total restricted assets	<u>11,998</u>	<u>15,886</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	18,700	14,531
Accounts receivable, less allowance for doubtful accounts		
1999 \$102; 1998 \$91 (in thousands)	3,992	3,425
Accrued interest receivable	249	144
Advances to the City's general fund	46	56
Total current assets	<u>22,987</u>	<u>18,156</u>
<b>OTHER ASSETS:</b>		
Unamortized bond issuance costs	764	782
Unamortized bond refunding costs	653	679
Total other assets	<u>1,417</u>	<u>1,461</u>
Total assets	<u>\$199,215</u>	<u>\$193,305</u>

See accompanying notes to the financial statements.

# City of Riverside Water Utility

<b>BALANCE SHEETS</b>		<b>JUNE 30</b>	<b>JUNE 30</b>
<b>CAPTIALIZATION AND LIABILITIES</b>		<b>1999</b>	<b>1998</b>
		<i>(in thousands)</i>	
<b>EQUITY:</b>			
Retained earnings:			
Reserved for debt service		\$ 6,243	\$ 6,258
Unreserved		17,771	15,825
Total retained earnings		24,014	22,083
Contributed capital		109,887	104,345
Total equity		133,901	126,428
<b>LONG-TERM OBLIGATIONS, LESS CURRENT PORTION</b>			
Total capitalization		59,028	60,784
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>			
Accrued interest payable		634	624
Current portion of long-term obligations		2,755	2,780
Total current liabilities payable from restricted assets		3,389	3,404
<b>CURRENT LIABILITIES:</b>			
Accounts payable		804	411
Accrued liabilities		1,609	1,784
Current portion of long-term obligations		159	169
Customer deposits		325	325
Total current liabilities		2,897	2,689
<b>COMMITMENTS AND CONTINGENCIES</b>			
Total capitalization and liabilities		\$199,215	\$193,305

See accompanying notes to the financial statements.

# City of Riverside Water Utility

	<b>FOR THE FISCAL YEARS ENDED JUNE 30</b>	
	<b>1999</b>	<b>1998</b>
	<i>(in thousands)</i>	
<b>STATEMENTS OF OPERATIONS AND RETAINED EARNINGS</b>		
<b>OPERATING REVENUES:</b>		
Residential sales	\$15,598	\$14,226
Commercial sales	7,365	6,941
Other sales	715	589
Wholesale sales	1,011	343
Other operating revenue	1,382	946
Total operating revenues	26,071	23,045
<b>OPERATING EXPENSES:</b>		
Operations	9,892	9,407
Maintenance	2,281	2,217
Purchased energy	2,787	2,599
Purchased water	699	603
Depreciation and amortization	4,813	4,290
Total operating expenses	20,472	19,116
Operating income	5,599	3,929
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	1,415	1,134
Interest expense	(3,823)	(3,725)
Gain on retirement of utility plant	17	29
Other	1,323	885
Total non-operating revenues (expenses)	(1,068)	(1,677)
Income before operating transfer	4,531	2,252
<b>OPERATING TRANSFER OUT:</b>		
Contribution to the City's general fund	(2,600)	(2,649)
Net income (loss)	1,931	(397)
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	22,083	22,480
<b>RETAINED EARNINGS, END OF YEAR</b>	\$24,014	\$22,083

See accompanying notes to the financial statements.

# City of Riverside Water Utility

## STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS  
ENDED JUNE 30  
1999 1998  
*(in thousands)*

	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers and users	\$ 25,504	\$ 22,913
Cash paid to suppliers and employees	(15,441)	(14,991)
Other non-operating revenue	1,323	885
Net cash provided by operating activities	11,386	8,807
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Contribution to the City's general fund	(2,600)	(2,649)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of utility plant	(6,245)	(5,531)
Proceeds from the sale of utility plant	50	73
Proceeds from the sale of revenue bonds	0	30,675
Deposit to escrow account for advance refunding of revenue bonds	0	(19,322)
Principal paid on long-term obligations	(2,811)	(2,271)
Interest paid on long-term obligations	(2,749)	(2,679)
Bond issuance costs	0	(318)
Contributed capital	1,930	1,062
Net cash provided (used) by capital and related financing activities	(9,825)	1,689
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Reduction in advances to the City's general fund	10	55
Maturities of investment securities	50	86
Income from investments	1,310	1,168
Net cash provided by investing activities	1,370	1,309
Net increase in cash and cash equivalents	331	9,156
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR<sup>1</sup></b>	27,836	18,680
<b>CASH AND CASH EQUIVALENTS, END OF YEAR<sup>1</sup></b>	<b>\$ 28,167</b>	<b>\$ 27,836</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 5,599	\$ 3,929
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other non-operating revenue	1,323	885
Depreciation and amortization expense	4,813	4,290
Provision for uncollectible accounts receivable	11	(32)
Increase in accounts receivable	(578)	(101)
Increase in advances to the City's general fund	0	(29)
Increase (decrease) in accounts payable	393	(198)
Increase (decrease) in accrued liabilities	(175)	32
Increase in customer deposits	0	31
Net cash provided by operating activities	\$ 11,386	\$ 8,807
<b>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Contributions in aid of construction	\$ 3,612	\$ 2,270
Purchase of equipment through capital lease	\$ 0	\$ 55

<sup>1</sup> Cash and cash equivalents also include cash and cash equivalents in restricted assets.

See accompanying notes to the financial statements.

# City of Riverside Water Utility Notes To The Financial Statements

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Utility exists under, and by virtue of, the City Charter enacted in 1883. The Water Utility is responsible for the production, transmission and distribution of water for sale in the City.

**Basis of Accounting** The accounting records of the Water Utility are in accordance with generally accepted accounting principles as applicable to governments and substantially in conformity with the Uniform System of Accounts prescribed by the California Public Utilities Commission, except for the method of accounting for contributed capital described below. The Water Utility is not subject to the regulations of the California Public Utilities Commission. The Water Utility is not required to and does not elect to implement the pronouncements of the Financial Accounting Standards Board issued after November 1989.

**Revenue Recognition** The Water Utility uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Water Utility customers are billed monthly. Unbilled water service charges are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled \$1,444,000 at June 30, 1999, and \$1,422,000 at June 30, 1998.

An allowance for doubtful accounts is maintained for utility and miscellaneous accounts receivable. The balance in this account is adjusted at fiscal year end to approximate the amount anticipated to be uncollectible.

**Utility Plant and Depreciation** Utility plant assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment, retirement plan contributions and other fringe benefits; and certain administrative and general expenses. Contributed plant assets are valued at estimated fair market value on the date contributed. The cost of relatively minor replacements is included in maintenance expense.

Depreciation is recorded over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives are as follows:

Supply pumping and treatment plan.....	20-50 years
Transmission and distribution plant.....	30-50 years
General plant and equipment.....	5-50 years

**Restricted Assets** Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Cash and Investments** The City follows the practice of pooling cash and investments of all funds except for funds

required to be held by outside fiscal agents under the provisions of bond indentures. Cash accounts for all City funds are pooled for investment purposes to enhance safety and liquidity while maximizing interest earnings. Interest income earned on pooled cash is allocated monthly to the various funds of the City based on the month end cash balances. Cash and investments held by fiscal agents are credited directly to the related accounts.

The City values its cash and investment in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 31: Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB 31), which requires governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. Fair value is determined using quoted market prices.

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and investments held on behalf of the Water Utility by the City Treasurer are considered highly liquid and are classified as cash equivalents for the purpose of presentation in the statement of cash flows.

**Inventories** The City maintains a separate Central Stores inventory. The Water Utility expenses items as they are drawn out of Central Stores. As such, the Water Utility does not include inventories in its financial statements.

**Bond Discounts, Capital Appreciation and Issuance Costs** Bond discounts, capital appreciation and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and capital appreciation are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as other assets. Capital appreciation is the annual increase in the value of bonds originally issued at a discounted amount. These bonds do not pay annual interest and mature at a predetermined par value.

**Contributed Capital** Amounts received from customers and others for constructing utility plant are combined with retained earnings to represent equity. Accordingly, contributed capital is shown in the accompanying balance sheet as an equity account and is not offset against utility plant. Depreciation of contributed assets is reflected as an operating expense.

During the year, contributed capital increased by the following amounts (in thousands):

	1999	1998
<b>Balance, July 1</b>	\$104,345	\$101,013
Impact fees	1,930	1,062
Contributed plant	3,612	2,270
<b>Balance, June 30</b>	<b>\$109,887</b>	<b>\$104,345</b>

# City of Riverside Water Utility Notes To The Financial Statements

**Customer Deposits** The City holds customer deposits as security for the payment of utility bills. The Water Utility's portion of these deposits as of June 30, 1999 and 1998, was \$325,000.

**Compensated Absences** The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due employees at June 30, 1999 and 1998. The Water Utility treats compensated absences due employees as a current liability. The amount accrued for compensated absences was \$1,507,000 at June 30, 1999, and \$1,701,000 at June 30, 1998, and is included in current liabilities in the accompanying balance sheets.

Employees receive 10 to 25 vacation days a year based upon length of service. A maximum of two years vacation can be accumulated and unused vacation is paid in cash upon separation.

Employees primarily receive one day of sick leave for each month of employment with unlimited accumulation. Upon retirement or death only, a percentage of unused sick leave is paid to certain employees or their estates in a lump sum based on longevity.

**Self-Insurance Program** The Water Utility participates in a self-insurance program for worker's compensation and general liability coverage that is administered by the City. The Water Utility pays an amount to the City representing an estimate of amounts to be paid for reported claims incurred and incurred but unreported claims based upon past experience, modified for current trends and information.

Although the ultimate amount of losses incurred through June 30, 1999, is dependent upon future developments, management believes that amounts paid are sufficient to cover such losses.

**Employee Retirement Plan** The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the state of California.

All permanent full-time and selected part-time employees are eligible for participation in PERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Employees may retire at age 55 and receive 2 percent of their highest average annual salary for each year of service completed. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

Employee contributions are 7 percent, while the Water Utility is required to contribute the remaining amounts necessary to fund the benefits for its employees using the actuarial basis

recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration. The Water Utility pays both the employee and employer contributions.

Citywide information concerning elements of the unfunded actuarial accrued liabilities, contributions to PERS for the fiscal year ended June 30, 1999, and recent trend information may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1999.

## **Contribution to the City's General Fund**

Pursuant to the City Charter, the Water Utility may transfer up to 11.5 percent of its prior year's gross operating revenues to the City's general fund. In fiscal years 1998-99 and 1997-98, the Water Utility transferred 11.5 percent of gross operating revenues, or \$2,600,000 and \$2,649,000, respectively.

## **Budgets and Budgetary Accounting**

The Water Utility presents, and the City Council adopts, an annual budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council adopts the Water Utility's budget at its last meeting in June via an adopting resolution.

**Reclassifications** Certain reclassifications have been made to the prior year's financial statements to conform with the current year's presentation.

# City of Riverside Water Utility Notes To The Financial Statements

## NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 1999 and 1998, consist of the following (in thousands):

	June 30, 1999	June 30, 1998
	Fair Value	
Pooled investments with City Treasurer	\$22,089	\$17,935
Cash and investments at fiscal agent	8,609	12,482
	\$30,698	\$30,417

The amounts above are reflected in the accompanying financial statements as:

	June 30, 1999	June 30, 1998
Cash and cash equivalents	\$18,700	\$14,531
Restricted assets:		
Cash and cash equivalents	9,467	13,305
Investments	2,531	2,581
	11,998	15,886
	\$30,698	\$30,417

**Authorized Investments** Under provisions of the City's investment policy and in accordance with California Government Code Section 53601, the City Treasurer may invest or deposit in the following types of investments:

- Securities of the U.S. government, or its agencies
- Local agency investment fund (state pool) deposits
- Small Business Administration loans
- Passbook savings account demand deposits
- Negotiable certificates of deposits
- Repurchase agreements
- Banker's acceptances
- Mutual funds
- Commercial paper of "prime" quality
- Medium-term corporate notes

**Credit Risk and Fair Value of Deposits and Investments** Cash and non-negotiable certificates of deposit are classified in three categories of credit risk as follows: Category 1—insured or collateralized with securities held by the City or its agent in the City's name; Category 2—collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; Category 3—uncollateralized.

Investments are also classified in three categories of credit risk as follows: Category 1—insured or registered, or securities held by the City or its agent in the City's name; Category 2—uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; Category 3—uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the

City's name. Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The Water Utility's share of the City's investments at June 30, 1999, represents approximately 8 percent or \$30,698,000 of the City's total cash and investments of \$397,752,000. Information concerning credit risk and fair value of the City's deposits and investments may be found in the notes of the City's "Comprehensive Annual Financial Report" for the fiscal year ended June 30, 1999. Cash and investments at fiscal agent are insured or registered, or held in the name of the Water Utility or its agent, or are not subject to risk categorization.

# City of Riverside Water Utility Notes To The Financial Statements

## NOTE 3. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (in thousands):

June 30, 1999    June 30, 1998

### Contracts Payable Capital Lease

<b>Water Stock Acquisitions:</b> Payable on demand to various water companies	\$ 1,255	\$ 1,258
<b>Water Utility's Share of Equipment Purchased Through Capital Lease:</b> \$55,100 capital lease due in monthly installments of \$1,373 through December 31, 2002, interest at 8.5 percent	26	53
Total contracts payable and capital lease	1,281	1,311

### Revenue Bonds Payable

<b>\$69,840,000 1991 Water Revenue Bonds:</b> \$25,050,000 serial bonds due in annual installments from \$2,400,000 to \$3,100,000 through October 1, 2002, interest from 6.0 percent to 9.0 percent; and \$25,900,000 serial capital appreciation bonds due in annual installments from \$3,235,000 to \$3,240,000 from October 1, 2003, to October 1, 2010, interest from 6.65 percent to 7.0 percent; and \$18,890,000 term bonds due October 1, 2015, at 6.0 percent (partially advance refunded in 1998)	36,820	39,080
<b>\$4,710,000 1994 FARECal Revenue Bonds:</b> \$2,420,000 serial bonds due in annual installments from \$150,000 to \$255,000 through July 1, 2010, interest from 5.0 percent to 5.9 percent; \$2,290,000 term bonds due July 1, 2017, at 6.0 percent	4,435	4,575
<b>\$30,965,000 1998 Water Refunding/Revenue Bonds:</b> \$15,055,000 serial bonds due in annual installments from \$205,000 to \$4,055,000 through October 1, 2013, interest from 4.0 percent to 5.37 percent; \$10,155,000 term bonds due October 1, 2018, interest at 5.0 percent; \$5,755,000 term bonds due October 1, 2027, interest at 5.0 percent	30,585	30,965
Total water revenue bonds payable	71,840	74,620
Total obligations	73,121	75,931
Less: Current portion	(2,914)	(2,949)
Unamortized capital appreciation	(10,662)	(11,656)
Unamortized bond discount	(517)	(542)
Total long-term obligations	\$ 59,028	\$ 60,784

Annual debt service requirements to maturity as of June 30, 1999, are as follows (in thousands):

	2000	2001	2002	2003	2004	Thereafter	Total
Capital lease	\$ 159	\$ 157	\$ 158	\$ 152	\$ 150	\$ 505	\$ 1,281
Bond interest requirements	2,630	2,425	2,165	1,880	1,722	18,667	29,489
Bond principal requirements	2,755	2,955	3,215	3,500	3,655	55,760	71,840
Unamortized bond (discount) premium	(1,021)	(1,090)	(1,164)	(1,243)	(1,328)	(5,333)	(11,179)
Total	\$4,523	\$4,447	\$4,374	\$4,289	\$4,199	\$69,599	\$91,431

**Debt Service Coverage Ratio** The Water Utility's bond indentures require the Water Utility to maintain a debt service coverage ratio, as defined by the bond covenants, of 1.25. The Water Utility's debt service coverage ratio was 2.77 at June 30, 1999, and 2.30 at June 30, 1998.

# City of Riverside Water Utility Notes To The Financial Statements

## **NOTE 4. RESERVED RETAINED EARNINGS**

A reserve for debt service has been established pursuant to applicable bond indentures. Bond indentures for Riverside's water revenue bonds require reserves that equate to the maximum annual debt service required in future years plus three months interest and nine months principal due in the next fiscal year. The reserve for Riverside's portion of FARECal revenue bonds is equal to 10 percent of the program agreement amounts. Additional reserves for the 1998 revenue bonds are not required due to the purchase of surety bonds to cover the required reserve requirements.

## **NOTE 5. JOINTLY-GOVERNED ORGANIZATIONS**

On July 1, 1993, the City of Riverside joined with the cities of Anaheim, Colton, Compton, Healdsburg, Los Angeles, Palo Alto, Pasadena, Redding, Santa Cruz; the North Marin Water District; the Northern California Power Agency; the Sacramento Municipal Utility District; and Turlock Irrigation District to create the Financing Authority for Resource

Efficiency of California (FARECal). The primary purpose of FARECal is to issue bonds and use the proceeds to promote, advance, encourage and participate in conservation, reclamation and other programs that are designed to utilize energy or water resources more efficiently. FARECal is administered by a Board of Directors comprised of one representative from each charter member (the cities of Anaheim, Los Angeles, Palo Alto and Riverside and the North Marin Water District) and three voting-based directors, which currently are representatives from Trinity Public Utilities District, Colton and Pasadena.

## **NOTE 6. LITIGATION**

The Water Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the water utility are incidental to the ordinary course of operations of the water utility and are largely covered by the city's self-insurance program. In the opinion of management and the city attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the water utility.

## City of Riverside Water Utility Independent Auditors' Report

### **INDEPENDENT AUDITORS' REPORT**

#### **To the Honorable City Council and Board of Public Utilities City of Riverside, California**

We have audited the accompanying balance sheets of the City of Riverside Water Utility as of June 30, 1999 and 1998, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Water Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Riverside Water Utility as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

**KPMG LLP**

November 5, 1999

# Governing Bodies and Administration

## Riverside Public Utilities Mission Statement

*"To provide water, electric and other related services for our customers in a safe, reliable, environmentally sensitive, and fiscally responsible manner that furthers the immediate and long-term goals of the city."*



**Bill D. Carnahan**  
Director, Public Utilities

## Board of Public Utilities

The Board of Public Utilities is composed of seven citizens appointed to four-year terms by City Council to govern utility policies and represent the community. Citizens serve on a voluntary basis without compensation. Applications for new members are solicited annually through an insert with the city services bill. Applicants must be at least 18 years of age and reside within the City of Riverside in order to be eligible to serve on the board. The Board of Public Utilities meets at 8:15 a.m. on the first and third Fridays of each month in the City Council Chambers at City Hall, 3900 Main St., Riverside. Board meetings are open to the public.



**Raphael de la Cruz**  
1998-1999  
Board Chairman  
Occupation:  
Administrative Analyst  
Riverside Resident: lifetime  
Years of Service: 6



**David C. Macher**  
Occupation:  
Certified Public Accountant  
Riverside Resident: lifetime  
Years of Service: 7



**Peter G. Hubbard**  
Occupation:  
Director Medical Services  
Riverside Resident: lifetime  
Years of Service: 1



**Jacqueline Mimms**  
Occupation:  
Assistant Vice Chancellor  
of Campus Relations  
Riverside Resident: 14 years  
Years of Service: 8



**Conrad Newberry Jr.**  
Occupation:  
Registered Mechanical  
Engineer  
Riverside Resident: 6 years  
Years of Service: 2



**Lalit N. Acharya**  
Occupation:  
Associate Professor  
Communications  
Riverside Resident: lifetime  
Years of Service: 1



**Dwight Tate**  
Occupation:  
Personal Finance Advisor  
Riverside Resident: lifetime  
Years of Service: 5

### MAYOR

Ronald O. Loveridge

### CITY MANAGER

John Holmes

### CITY COUNCIL

**Chuck Beaty**

Ward 1

**Ameal Moore**

Ward 2

**Joy Defenbaugh**

Ward 3

**Maureen Kane**

Ward 4

**Alex Clifford**

Ward 5

**Terri Thompson**

Ward 6

**Laura Pearson**

Ward 7

### PUBLIC UTILITIES ADMINISTRATION

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Director

**David H. Wright**  
Deputy Director  
Marketing & Customer  
Service

**Michael J. Baldwin**  
Assistant Director,  
Electric

**Dieter P. Wirtzfeld**  
Assistant Director, Water

**Donna I. Stevener**  
Chief Financial Officer

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# People Serving People — Years of Service to the City

## 37 YEARS

Dennis G. Sims

## 36 YEARS

Barry J. Niemiec  
Charlie R. Penunuri  
Brian Simpson

## 35 YEARS

Edward P. Hansen  
Delbert L. Schroeder

## 34 YEARS

Theresa S. Waldschmitt

## 33 YEARS

Thomas R. Gibbins

## 32 YEARS

Bruce C. Benter  
Terry L. Stroud  
Ben G. Wong

## 31 YEARS

Domingo Aguilar  
Fernand R. Boucher  
Daniel W. Randall  
Isac J. Sanchez  
Mary T. Whaley  
Roberta A. Womack

## 30 YEARS

Gerald R. Burton  
Andrew J. Kirkland Jr.  
Henry A. Loya  
Gilbert S. Penunuri

## 29 YEARS

Joseph A. Garozzo

## 28 YEARS

Doris L. Perry  
Dennis J. Stirlen  
Walter L. White

## 27 YEARS

Gerald A. Gandara  
David A. Smart  
Clarence R. Voll Jr.

## 26 YEARS

Ruben M. Leivas  
Dwight W. Page  
Jerry L. Smith

## 25 YEARS

David A. Alfaro  
Michael E. Brown  
Ronald D. Frost  
Bacilio Gutierrez Jr.  
Lester W. Jameson Jr.  
Ray D. Neal Jr.  
David J. Porchia  
Victor G. Velasquez

Karol L. Veu Casovic

Ronald J. White

## 24 YEARS

Sandra L. Lewis  
Arthur P. Madril

## 23 YEARS

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Malcolm N. Duckett  
Randall W. Olgren  
Adrian Saint

## 22 YEARS

Richard C. Aguilera  
Joseph S. Chavez  
Richard S. Drobek  
William E. Fagan  
James T. Hornbarger  
Daniel Hurtado  
Ismael E. Mercado  
Michael A. Rodgers  
Daniel D. Shackelford  
Michael J. Torelli  
Edward M. Wdowiak

## 21 YEARS

Del R. Ballard  
Brian G. Bozarth  
Cindy L. Chan  
Linda S. Conerly  
Peter E. Diaz  
Michael H. Luitwieler  
Gregory L. Prator  
Joseph M. Tenenbaum  
Paul O. Westover Jr.

## 20 YEARS

Robert S. Ayers Jr.  
Craig W. Bostrom  
Joseph Chavez  
Danny L. Clemons  
James H. Deal  
Robert Delgado  
Richard Gastelum  
Paul R. Gearhart  
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Victor H. Hernandez  
Daniel L. McClenathan  
Lois G. McGinnis  
Peter Nestic  
Carol A. Torchia  
David C. Wilson  
Ralph F. Wollerton  
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## 19 YEARS

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Walter N. Bell Jr.  
Mark S. Ensign  
Wanda F. Hedlund

Robert L. Lucas  
Margery I. McDowell  
Bonnie C. Negrete  
Mildred A. Ridges  
Donald C. Rogers  
Samuel L. Scarcello  
John B. Schwartz  
Joey M. Toth

## 18 YEARS

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Cheryl E. Clelland  
John J. Enderson  
Thomas E. Glass  
James P. Henke  
Tam T. Huynh  
Chris A. Joranco  
Darrell R. Otjen  
Clyde B. Parker  
Richard H. Skelton

## 17 YEARS

Arthur V. Anaya  
Helen M. Azevedo  
Linda L. Camacho  
Mark S. Connor  
Kerry W. Dittler  
Stella L. Garcia  
Roger L. Hunt  
Mary S. Leavitt  
Lucinda Norried  
Richard M. Ryno  
Omar E. Shehab  
Roger J. Wagner

## 16 YEARS

Antoine S. Abu Shabakeh  
David R. Knapp  
Lena J. Raniada

## 15 YEARS

Guillermo Armenta  
William D. Bedford Jr.  
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Jackie L. Cunningham  
Yolanda C. Garcia Tully  
Marilyn J. Grayston  
Edward K. Hogerty  
Kevin S. Milligan  
Linda K. Rogan  
Alvin M. Tannenbaum

## 14 YEARS

Carlos Castro  
Jeffrey D. Clausen  
John T. Denham  
James G. Grady  
Barbara A. Grillo  
Gus W. Knie  
Kenneth B. McGregor  
David M. McLellan

Donald R. Pulsifer  
Bruce C. Taylor  
Ronald H. Wigg  
Brian R. Willis  
Alan P. Wohlfarth

## 13 YEARS

Michael J. Baldwin  
Vahid Bazel  
Harold J. Bell  
Bill D. Carnahan  
Thomas J. Collins  
Richard J. Dickinson  
Scott L. Faust  
Ronald T. Fiske  
Robert B. Gill  
Edward L. Kostjal Jr.  
Jeffrey K. McKown  
Martin W. McLeod  
Rita Nicks  
Rey M. Perez  
William D. Ryan  
Angel H. Sanchez  
Sammie L. Shepeard  
T.D. Sweatt  
Maurice S. Taks  
Diane J. Tepper  
Dieter P. Wirtzfeld

## 12 YEARS

Christopher Avila  
Thomas G. Bradshaw  
Gregory M. Oliver  
Mercedes P. Diaz  
Kathleen M. Falco Banda  
Thomas D. Garcia  
Eugene L. Ginsberg  
John W. Hair  
Richard E. Holmes  
Marvin L. Infante  
James E. Johnson  
Steven T. Johnson  
Randal A. Koers  
Jeffery J. Lewis  
Arthur R. Montano II  
Alvino P. Orozco  
Gloria M. Purifoy  
David L. Redding  
John L. Sevey  
Candice C. Shih  
James R. Sinner  
Adrian A. Valdez  
Michael J. Vernon  
Casey L. Whitney

## 11 YEARS

Raymond S. Aguilar  
John J. Bailey  
Matthew Blais  
Tom R. Corrigan

# People Serving People — Years of Service to the City

Billie I. Crumley Jr.  
David W. Eich  
George E. Kelley  
Paul A. Lindsay  
Jaime J. Magby  
Allison L. McDaniel  
Kevin D. Munns  
Gregory L. Myers  
Mary A. Nevarez  
Mark R. Ogawa  
Stan V. Reynolds  
Cynthia L. Thompson  
Dale L. Underwood  
Peggy L. Wales  
Edward T. Wilks  
Karen L. Wood

## 10 YEARS

Jacqueline M. Bishop  
Loretta F. Jorgensen  
Alan D. Craig  
Daniel P. Duron  
Patricia Estrada  
Anita L. Gatter  
Manuel S. Gray  
Jeffrey S. Hill  
Lila M. Johnson  
David W. Krell  
Stephen E. Lafond  
Lisa S. Lambert  
Babalola Makinde-Odusola  
Christina M. McCaslin  
Richard G. Mendoza  
Patrick L. Pruitt  
Lorraine H. Saint  
Marco J. Sortillon  
Kelly C. Starkey  
Frederick J. Stoiber  
Mark Wholley  
Wayne M. Woodall  
David H. Wright

## 9 YEARS

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Lawrence T. Beal  
Joseph Carrasco  
Greg H. Coffman  
Bobby V. Cordova  
Albert T. Dykstra  
Rick Franke  
Kelly L. Heil  
Arnold P. Hohl Jr.  
Daniel H. Hotchkiss  
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Jeffrey S. Karalun  
William D. Kilpatrick  
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Enrique S. Marquez  
Max C. Mendoza

Gary L. Noff  
Marilyn F. Pieper  
Michael R. Price  
Andrew R. Ramos  
Julie A. Smith  
Arshad J. Syed  
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## 8 YEARS

Donna L. Aguilera  
Cathleen R. Baswell  
John N. Chapman  
Kenneth W. Coffey  
Vivian C. DeGeere  
Carol J. Fuhrman  
Patrick Gonzales

Lyle E. Hill  
Dock Jones  
Steve A. Jones  
Ramona R. Martinez  
Anne M. Nukaya  
Ann L. Pangborn  
Frank G. Paz  
Karin K. Ross  
Carolyn K. Snow  
Donna I. Stevener  
Dona J. Wuister  
Edrie V. Yambao

## 7 YEARS

Fredrick D. Ehemann  
Micahel R. Mahr  
William F. Mainord  
Atoya Mendez  
Mingwei C. McCann  
Gerald L. McGrath  
Zahra Panahi  
Cynthia B. Reeley  
Angela A. Scarcello  
Marta E. Solis

## 6 YEARS

Jerry C. Alexander Jr.  
James R. Buckley  
Glenn M. Cox  
Russell D. Johnson  
Hernando B. Tagle  
Robert A. Worthington

## 5 YEARS

Kenneth A. Anderson  
Michael G. Bach  
Julian Cardenas  
Charlene L. Dixon  
Steven S. Dowell  
Joyce E. Drake  
Catherine E. Ference  
Victor A. Garcia

Alan H. Gatter  
John L. Graham  
John M. Heiden  
Joon H. Jin  
James W. Kyle  
Daniel Mares  
Frederick H. Mason  
Ponciano P. Nilo  
Ronald D. Pendergrass  
Steven R. Phagan  
Aladdin Shaikh  
Marcia A. Solis  
Juan Vargas Jr.

## 4 YEARS

Greg R. Anderson  
Troy S. Anthony  
Erroll Clarke  
Veronica Craghead  
Edgar A. Pryor  
Kenneth A. Starbuck  
Chiu C. Wong

## 3 YEARS

Loretta K. Burton  
Karen M. Connor  
Benny Esseling  
Weishen Gong  
Norma J. Johnson  
Ashraf B. Lavasany  
Lilah M. Martinez  
Tyrone Okane

## 2 YEARS

Nathaniel C. Adams  
Anna E. Akers  
Anna K. Campos  
Christina M. Diaz  
Marilyn J. Flournoy  
Alex J. Garcia  
Michael P. Grossmann  
Pamela Malyszka  
Elaine D. McMoran  
Robert G. McNeil  
Angel R. Sanchez  
Lynn C. Scott  
Mary L. Sullivan  
Caterina Williams  
Lawrence A. Yao  
Felix Zapata

## 1 YEAR

MJ Abraham  
Carolyn M. Adams  
Nicholas P. Banko  
Gayla D. Branco  
Hazel L. Bratcher  
Louise I. Brown  
Rosalie A. Casioce  
Jesus E. Chavez

Olga Dehara  
Braylicet M. Espana  
David A. Gilstrap  
Harry G. Hanson  
Erich J. Heyner  
Robert F. Holloway  
Jalene L. Isaac  
Nichelle L. Johnson  
Zulema J. Johnson  
Peter J. Keprios  
Michele Kovach  
Marcus S. Kugler  
Sherron G. Kunhart  
Judy A. Lewis  
Elvira St. Louis  
Alan W. Massey  
Iris Mugica  
Laura Nomura  
Timothy R. O'Connell  
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Joann Quintero  
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Bridgett A. Tarpley  
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Veronica C. Vargas  
Misty R. Vassar  
Vickie L. Williams

## NEW EMPLOYEES

Michael Bacich  
Mike Baggett  
Daniel Bertotti  
Kathleen Buckley  
Blanco Canchola  
Gabriela Campos  
Karen Conner  
Keith Evanoff  
Daneil Garcia  
Jennifer Gutierrez  
Anna Hauldren  
Donald Hesch  
Gary Kirby  
Amber Kupka  
Alan Massey  
Deborah Olson  
Nicole Reyes  
Anthony Sousa  
LeeAnne Uhler  
Greg Worley



RIVERSIDE PUBLIC UTILITIES

City Hall, 3900 Main Street / Riverside, California 92522

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