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City of Anaheim
California



ANNUAL

FINANCIAL REPORT

JUNE 30, 1980



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CITY OF ANAHEIM, CALIFORNIA ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 1980



Prepared by
Department of Finance

George P. Ferrone
Director of Finance

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ANNUAL FINANCIAL REPORT
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CITY OF ANAHEIM, CALIFORNIA

Finance Department

November 4, 1980

Honorable Mayor and City Council
City of Anaheim
Anaheim, California

In accordance with the Charter of the City of Anaheim, I am submitting the Annual Financial Report for the year ended June 30, 1980. This report format is similar to last year's. For the first time, an additional "Report on Significant Accomplishments 1979-80" is also included discussing some of the major activities and accomplishments of various City departments and programs. This supplemental report begins on page ix.

The organization of the Financial Report follows the guidelines set forth by the Municipal Finance Officers Association of the United States and Canada and California Society of Municipal Finance Officers. It is divided into three sections:

1. Introductory section — letter of transmittal; prior year awards; City organization chart; Report on Significant Accomplishments 1979-80, prepared by the City Manager's Office.
2. Financial section — combined financial statements followed by supplementary statements by individual fund and fund types.
3. Statistical section — pertinent financial and non-financial data that presents historical trends and other information about the City.

This Annual Financial Report is the fifth in a row with an unqualified opinion from the City's independent certified public accountants. On May 23, 1980, the June 30, 1979 report was awarded the highly coveted Certificate of Conformance in Financial Reporting, awarded by the Municipal Finance Officers Association. The 1979 report was also awarded, on February 8, 1980, the Certificate of Award for Meritorious Financial Reporting by the California Society of Municipal Finance Officers. The 1980 report will be submitted to both award programs again this year.

FINANCIAL HIGHLIGHTS OF 1979-80

The year 1979-80 saw many changes in the City, changes that strengthened its already sound financial foundation.

The new Anaheim Civic Center opened its doors on June 2, 1980, a major milestone in the downtown redevelopment effort. The Civic Center will be the focal point for additional development and neighborhood preservation in the surrounding area and will result in significant economic revitalization. In addition, consolidation of City departments in one new Civic Center structure has allowed the City to economize on the cost of general government and improve productivity. It should also be noted that the structure is fully paid for, at a cost of approximately \$12 million, as it was constructed primarily from Redevelopment and Federal Revenue Sharing funds. Finally, as part of the relocation effort, the City acquired (through a lease-purchase arrangement), its own private telephone system at a significant annual savings over previous phone service costs.

The \$6.2 million Anaheim Town Center, a regional shopping center adjacent to the new Civic Center, took shape in 1979-80. The first stores in this commercial complex opened in October 1980, bringing to downtown Anaheim new retail facilities to serve the surrounding residential and commercial areas.

Fiscal year 1979-80 also saw Anaheim Stadium expanded from 43,500 seats to approximately 70,000 to accommodate the Los Angeles Rams, who opened their season, on schedule, in the Stadium August 11, 1980. The arrival of the Rams to Orange County not only has already resulted in a net financial benefit to the City in the area of \$1.5 million per year for the first 10 years (as a result of football-related revenues), but also sets in motion the future commercial development of the acreage surrounding the Stadium facility. This development will bring significant added revenues to the City. The project, to be developed by Anaheim Stadium Associates, a general partnership, has recently been called "the most significant" economic development project in the State.

Also worth noting is the City's spectacular success in providing a new scoreboard for the Stadium facility. Through a ten-year lease-purchase agreement with the Bank of America, the City obtained the \$2.7 million financing to construct the fully-computerized board. At the same time, the City has obtained 10-year advertising agreements with eight major corporations which will more than twice pay the annual operating and financing costs of the board.

Significant events impacting City finances also occurred at and around the Anaheim Convention Center this past year. Plans for the second expansion of the Center were finalized. Anaheim's new 750-room Marriott Hotel, located across the street from the Convention Center, took shape in FY 1979-80, with completion scheduled in March 1981. On May 6, 1980, the City also entered into an exclusive negotiation agreement with Hilton Hotels Corporation/Wrathner Corporation for the construction of a 1,000-room hotel adjacent to the Center at an estimated cost of \$115 million. All these events will have a very favorable impact on sales tax and room tax revenues for the City.

In the area of financing, the City went to the bond market in February 1980, issuing \$7,350,000 in Water Revenue Bonds for the purpose of financing the acquisition and construction of certain additions to and improvements of the City's water system. The fact that the City was able to sell the bonds at the relatively low effective interest rate of 8.6401% at a time when other public agencies were unable to sell bonds or were paying higher interest rates is indicative of the financial strength of the City.

The City's financial position was also boosted this past year from its active cash investment program, which netted approximately \$4 million greater than 1979-80 budget estimates as a result of the very high interest rates earned on investments during the Spring of 1980. The City earned a record 13.620% on its invested cash balances in the month of May, 1980.

Internally, the City implemented its new Accounts Payable and On-Line Budget systems during 1979-80, thus adding two major components to its family of modern integrated fiscal information systems. The City has one of the finest financial reporting systems available to municipalities. The system supports program budgeting, long-range forecasting, cost accounting and management-by-objectives concepts which the City employs in all its operations.

As a final note, the City experienced, for the first time in 1979-80, virtually no increase over the prior year in its outstanding workers' compensation claims. This is due in large part to the City's effective Risk Management Program, especially in the area of worker safety.

For further discussion of these events and others, please refer to the Report on Significant Accomplishments 1979-80 following this letter.

FINANCIAL STATEMENT ANALYSIS

The following page illustrates, in tabular and graphic form, the City's financial performance for 1979-80.

Proposition 13 again had a minimal impact on the City's overall operating financial position. As in 1978-79, the City's reliance on property tax revenues remained low. Property tax revenue was \$5.5 million, only 8% of general governmental revenues. This is a decline from 9% in 1978-79.

The performance of the governmental fund types (General Fund, Special Revenue funds, Debt Service Fund and Capital Projects funds) for 1979-80 can be described by:

1. A net decrease in fund balances of \$0.6 million. (This is an improvement of \$6.2 million over the prior year decrease of \$6.8 million.) The General Fund had an increase of about \$0.7 million in its fund balance. Special Revenue and Debt Service funds increased their fund balances by a total of \$1 million. Capital Projects fund balances experienced a programmed decline of \$2.3 million as a result of continued heavy Civic Center and other downtown redevelopment expenditures.
2. A strengthened revenue base. All categories of general governmental revenues showed increases over the prior year. Especially noteworthy was a 17% increase in sales tax revenue and a 15% increase in charges for services revenue. The large increase in intergovernmental revenues went primarily toward capital improvements in the downtown area and throughout the City.
3. Cost control. General government and non-departmental expenditures in the governmental fund types declined 16% over the prior year, in the face of double-digit inflation! A significant reason for this decline was a \$1.5 million decrease in workers' compensation claims expenditures compared to the prior year. The major increases in spending over 1978-79 occurred in the area of public works (17% increase) as a result of our commitment to expand and improve the capital facilities of the City. Public safety spending was also up 12%.

Proprietary fund types (primarily Enterprise and Internal Service funds), again contributed significant financial resources to retained equity as in the previous year. In 1979-80, \$7.9 million was the net contribution to retained equity vs. \$8.0 million in 1978-79.

Enterprise funds (water and electric utilities, Anaheim Stadium, Anaheim Convention Center, and the two municipal golf courses) provided \$8.5 million to retained equity. The electric utility contributed approximately \$8.7 million to equity itself, due to retail rate action taken in June, 1979 and to lower than expected energy costs charged by our major wholesale supplier of electric power. The lower than expected energy costs were caused by plentiful alternative fuel sources other than oil (gas, hydroelectric power) during the fiscal year. The water utility contributed \$966,000 to equity, a 19% improvement over the prior year's \$813,000. Other enterprise operations combined for a \$4.4 million net income, but after transfers to other funds, resulted in a net \$1.2 million reduction of retained equity.

CITY OF ANAHEIM
FINANCIAL SUMMARY
 June 30, 1980

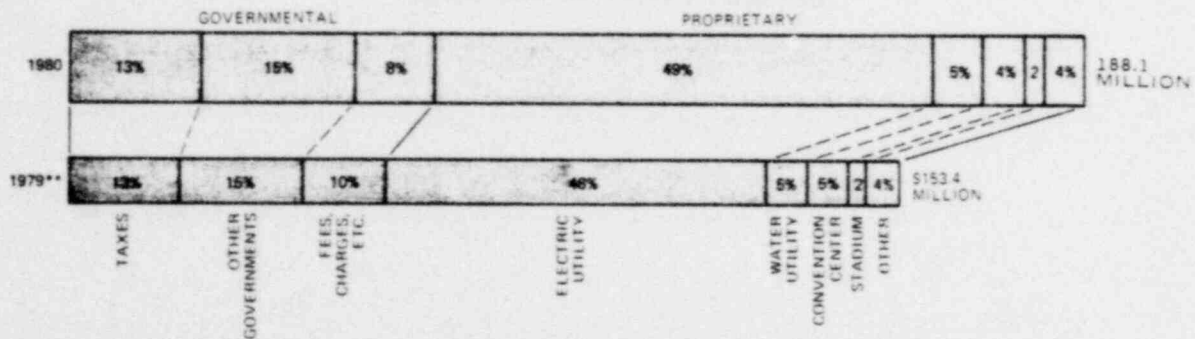
Summary Balance Sheet—All Fund Types and Account Groups
 (in millions)

	Governmental	Proprietary	Fiduciary	Account	Total	
	Fund Types	Fund Types	Fund Type	Groups	1980	1979
Assets	\$27.7	\$236.1	\$7.6	\$40.4	\$311.8	\$287.6
Liabilities	\$15.3	\$121.9	\$7.6	\$ 4.6	\$149.4	\$138.4
Equity	12.4	114.2		35.8	162.4	149.2
	\$27.7	\$236.1	\$7.6	\$40.4	\$311.8	\$287.6

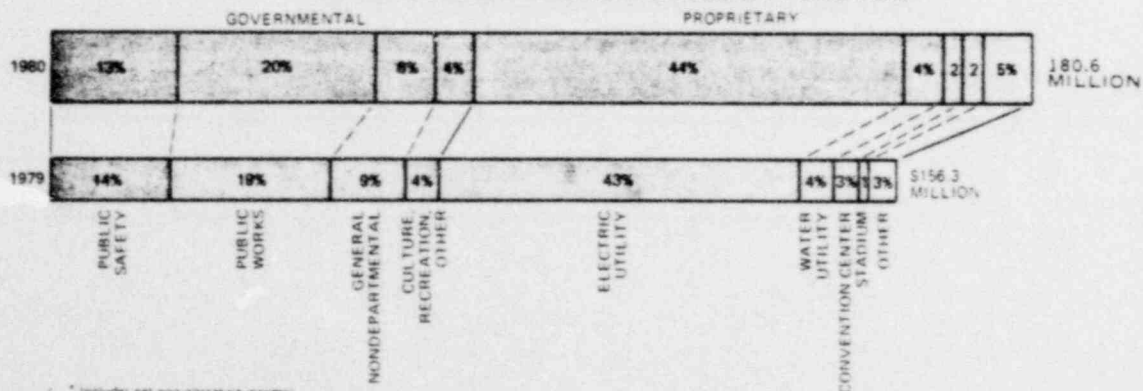
Summary Operating Statement—Governmental and Proprietary Fund Types
 (in millions)

	Governmental		Proprietary	
	1980	1979	1980	1979
Revenue	\$ 68.8	\$ 58.6	\$113.3	\$ 91.0
Expenditures/Expense	77.7	71.7	102.9	84.6
Net	(8.9)	(13.1)	10.4	6.4
Non-operating income			6.0	3.8
Transfers from (to) other funds	8.3	6.3	(8.5)	(6.5)
Net to equity before extraordinary item	(0.6)	(6.8)	7.9	3.7
Extraordinary item—gain on refunding of Stadium bonds				4.3
Net to equity	(\$ 0.6)	(\$ 6.8)	\$ 7.9	\$ 8.0

TOTAL CITY REVENUE BY SOURCE*



TOTAL EXPENDITURES/EXPENSES BY FUNCTION***



* Includes net non-operating income.
 ** Excludes extraordinary gain on refunding of Stadium debt.
 *** Excludes capitalized assets in proprietary funds.

Internal Service funds (Data Processing, Duplicating and Printing, and Equipment Supply) experienced a difficult year. Except for the Duplicating and Printing Fund which, in its first year of operation, had a \$17,000 net income, Internal Service funds showed net losses for the year. On a combining basis, retained earnings are approximately \$600,000 less than at June 30, 1979. Increased charges to City departments should improve these funds' financial position in future years.

The City's financial position at June 30, 1980, as characterized by its balance sheet, can be summarized as very strong. Total assets have increased from \$288 million to \$312 million, primarily due to the expansion of capital facilities and increased restricted cash resulting from the issuance of 1980 Water Revenue bonds. Liabilities are up \$11 million, primarily as a result of the same bond issue and retentions payable on the Civic Center and other construction contracts. Fund equity is up \$13 million over 1978-79. In comparison, there was just a \$7.7 million increase in combined fund equity from 1977-78 to 1978-79.

OUTLOOK FOR 1980-81 AND BEYOND

As already discussed, major events occurred in Anaheim in 1979-80 which will have an impact on City finances for many years to come. The economic development picture remains very bright for the City. The Anaheim Financial Center, a \$400 million commercial and office development in the downtown redevelopment area, will soon begin to take shape, as will Anaheim's new 2000-seat community theater, located adjacent to the Civic Center. Continuing development of the Santa Ana Canyon area of the City will bring new residents to the City along with accompanying commercial and retail growth. A major regional shopping center is currently in the planning stages for this area. For capital requirements associated with non-enterprise or private development, the City will be taking innovative steps to assure that these needs are met as well.

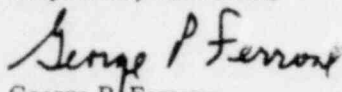
The coming years will also see Anaheim enter the electric power generation business. The City sold \$84 million of Electric Revenue Bonds in October 1980 to acquire a 1.66% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3. In June 1980, Anaheim voters overwhelmingly endorsed the City's contracting for a 10% share of the output of the coal-fuel Intermountain Power Project in central Utah. The City is also exploring other alternatives to continued purchase of electric energy generated with imported fuel oil.

In 1980-81, the City will make final payments on three of its six outstanding general obligation bond issues, issued in the early 1960's, and on its 1976 subordinated electric revenue bonds. Future issuance of general obligation debt remains precluded, as a result of the defeat of Proposition 4 on the November 4, 1980 ballot.

The Finance Director alone could not achieve the financial results presented herein. A fine staff of capable accountants led by Irwin Bornstein, Assistant Finance Director, made this financial presentation possible. Appreciation is also expressed to Mayor John Seymour; Mayor Pro Tem E. Llewellyn Overholt, Jr.; William O. Talley, City Manager and William T. Hopkins, Assistant City Manager, for their significant contributions as members of the Audit Committee.

I wish to express special appreciation to the City Manager and the executive staff of the City for their strong support. Their leadership has made possible the implementation of these important and innovative concepts in fiscal management by the City of Anaheim.

Respectfully submitted,



George P. Ferrone
Director of Finance

Certificate of Conformance in Financial Reporting

Presented to
City of
Anaheim, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1979

A Certificate of Conformance in Financial Reporting is presented by the Municipal Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.



Deuis
President

Ronald W. Satty
Executive Director

The Municipal Finance Officers Association of the United States and Canada (MFOA) awarded a Certificate of Conformance in Financial Reporting to the City of Anaheim for our Annual Financial Report for the fiscal year ended June 30, 1979.

In order to be awarded a Certificate of Conformance, a governmental unit must publish an easily readable and efficiently organized comprehensive Annual Financial Report, whose contents conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Conformance is valid for a period of one year only. We believe our current report continues to conform to Certificate of Conformance Program requirements, and we are submitting it to MFOA to determine its eligibility for another certificate.

Certificate of Award

FOR

MERITORIOUS FINANCIAL REPORTING

PRESENTED TO THE

City of Anaheim

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared for the fiscal year **1978 / 1979**.

CERTIFIED AND RECORDED:

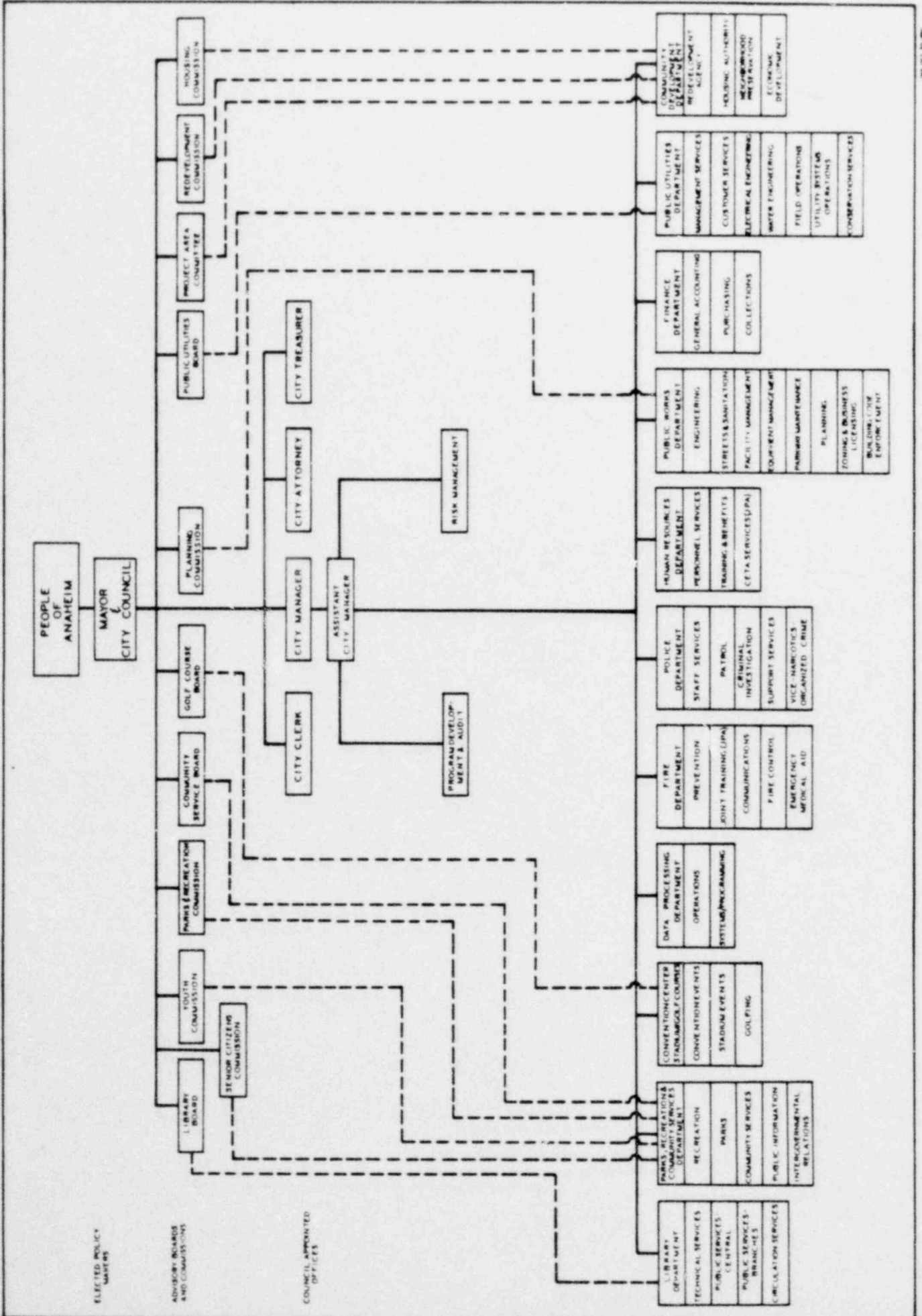
Martin L. Allen
Secretary-Treasurer

February 8, 1980



[Signature]
President

February 8, 1980



ADMINISTRATIVE PERSONNEL

City Manager	William O. Talley
Assistant City Manager	William T. Hopkins
Deputy City Manager (Parks, Recreation and Community Services Director)	James D. Ruth
City Attorney	William P. Hopkins
City Clerk	Linda D. Roberts
City Treasurer	Glenn E. Stewart
Data Processing Director	Philip M. Grammatica
Finance Director	George P. Ferrone
Fire Chief	Bob D. Simpson
Human Resources Director	Garry O. McRae
Library Director	William G. Griffith
Planning Director	Ronald L. Thompson
Police Chief	George P. Tielsch
Public Works Executive Director	Thornton E. Piersall
Stadium, Convention Center and Golf Courses General Manager	Thomas F. Liegler
Redevelopment Director	Norman J. Priest
Utilities General Manager	Gordon W. Hoyt

CITY OF ANAHEIM

SIGNIFICANT HIGHLIGHTS AND ACCOMPLISHMENTS 1979-80

It has often been said that Anaheim is a "city of vision, a place where dreams really do come true!"

Founded by a group of 50 German immigrants who wished to start a community to grow grapes and produce wine in 1857, Anaheim's history has reflected a series of dreams, visions and hopes...nearly all of which can be seen today in the largest city in Orange County and the eighth most populated town in California.

Anaheim is a Charter City which operates under the Council-Manager form of government. The five Council members, including one who serves as Mayor, appoint a City Manager to carry out the policies set by the Council and administer the operations of the City. Anaheim's current population is 211,700 residents. The City covers 42 square miles. Another 15 million tourists and convention delegates annually visit this Southern California community.

The City was recently characterized by a local newspaper as "the Mouse that Roared." While one of its most famous residents, Mickey Mouse, celebrated the 25th anniversary of Disneyland this year, Anaheim has truly been a city which is unafraid of challenges and like a mighty mouse, has pressed forward with great enthusiasm.



The Anaheim Civic Center

Here are some of the high points of this past year's achievements in Anaheim which typify the City's progress.

The City occupied a new Civic Center, the first in over 55 years; put finishing touches on a \$29 million expansion improvement at Anaheim Stadium; broke ground for a fifth library branch; neared completion on \$8 million in public improvements in the downtown redevelopment program and began construction of a 120,000 square foot community shopping center, an 86,000 square foot combined space for two office buildings, a new savings and loan branch and considerable neighborhood preservation programs; instituted energy conservation programs, within government operations as well as through the City-owned electric and water utility; started negotiations for a 1,000-room four-star hotel on City-owned land adjacent to the Anaheim Convention Center, and completed plans for a 150,000 square foot expansion of this busy facility; and completed seven General Plan amendments to address land use and circulation, including comprehensive planning on a new one million square foot regional shopping center.

Anaheim is a well-planned and balanced community. It is home for more than 600 diversified industries producing goods for use by people throughout the world. Anaheim offers family and recreational entertainment from Disneyland, the Anaheim Convention Center and from Anaheim Stadium (home of the California Angels, the California Surf and the Los Angeles Rams). Its police can reach the scene of serious crimes or life-threatening emergencies within an average of three minutes of the time of call. Emergency fire responses speed to first-alarm calls in all areas of the City within four minutes. Teams of fire fighter paramedics last year answered more than 8,000 calls for emergency medical care. The City's water system averaged a daily gross distribution of 51.6 million gallons from its total storage capacity of 993 million gallons. The municipal electric system distributed power to 82,571 customers over 1,211 miles of circuit lines. Anaheim's nationally acclaimed parks and its recreational programs catered to all ages with 493 acres of parkland, featuring 48 community parks and playgrounds and seven swimming pools.



Canyon Hills Library groundbreaking

Anaheim's public library system with four branches, a bookmobile and a permanent collection of nearly a half-million volumes were available to patrons. In addition, there were regular programs for children, a local history room and a depository for Walt Disney Productions materials. Two municipal 18-hole golf courses offered challenging recreational activity for 159,844 golfers last year. Finally, a public works program maintained 569 miles of city streets and the sanitation system which extended over 453 miles.

INNOVATION ABOUNDS

Program highlights include the implementation this past year of an Accounts Payable System to augment an existing Municipal Automated Financial Information System. This computerized accounting tool improves the City's ability to identify expenses on an ongoing basis and more realistically projects the needed information to management, on a more timely basis. The On-Line Budget System, also initiated last year, saves preparation time and supports the program budget concept which is used in Anaheim's annual Resource Allocation Plan.

Two years ago, a comprehensive risk management program was started. Through the conclusion of the June 30, 1980 period, savings have been calculated at \$2,394,000. Other savings were seen in workers' compensation, industrial accident leave and in reduction of safety member disability retirements. New safety programs were instituted with a dramatic city-wide reduction of 46 percent in the number of lost man days from work, per million man-hours of exposure. The number of injury claims likewise dropped.

A significant outreach of the Anaheim Redevelopment Agency has been the preparation for neighborhood restoration and housing efforts. The program will extend over the next several years and will aid in preserving and restoring existing neighborhoods to the greatest degree possible. Working with each individual owner and property neighbor, the primary concern is to retain local character and have the preservation effort reflect the desires of the residents as closely as possible.

The housing function serves a current allocation of 1,538 Section 8 units for elderly and low income residents and administers assistance payments for 99 units in the recently completed senior citizen Village Center Apartments. Anaheim has been awarded 114 moderate rehabilitation units, with coordination work underway with eligible landlords. Another 40 'bonus' units in Section 8 were awarded for new construction.

Continued demand for library services is apparent as 965,000 items were circulated this past year. An innovative computerized circulation control system became operational with such success that three neighboring cities have joined Anaheim in using the program. The system allows for instant identification of patrons as well as a status check on previous borrowing experience and unpaid fines. It also speeds placement of extremely popular books from reserved waiting lists.

One of the most extensive development projects in the State was firmed up with the signing of the Ground Lease Agreement at the Anaheim Stadium. Ninety-five acres surrounding the Stadium will be developed into a \$200 million major commercial office complex with Cabot, Cabot & Forbes in association with the Rosenbloom Family Fund. The total project is slated to be completed in 1993.

Training of fire fighters is a costly and difficult task for most agencies. Anaheim used a joint powers agreement with two neighboring cities to construct a modern training tower and classroom facility. Anaheim's fire suppression personnel received 28,000 hours of training this past year at the new facility. In addition, a multi-city communications center was included and emergency alarms are now dispatched for any city within 45 seconds from the time the call is received.

A RECOGNIZED PROGRAM AND MANAGEMENT TEAM

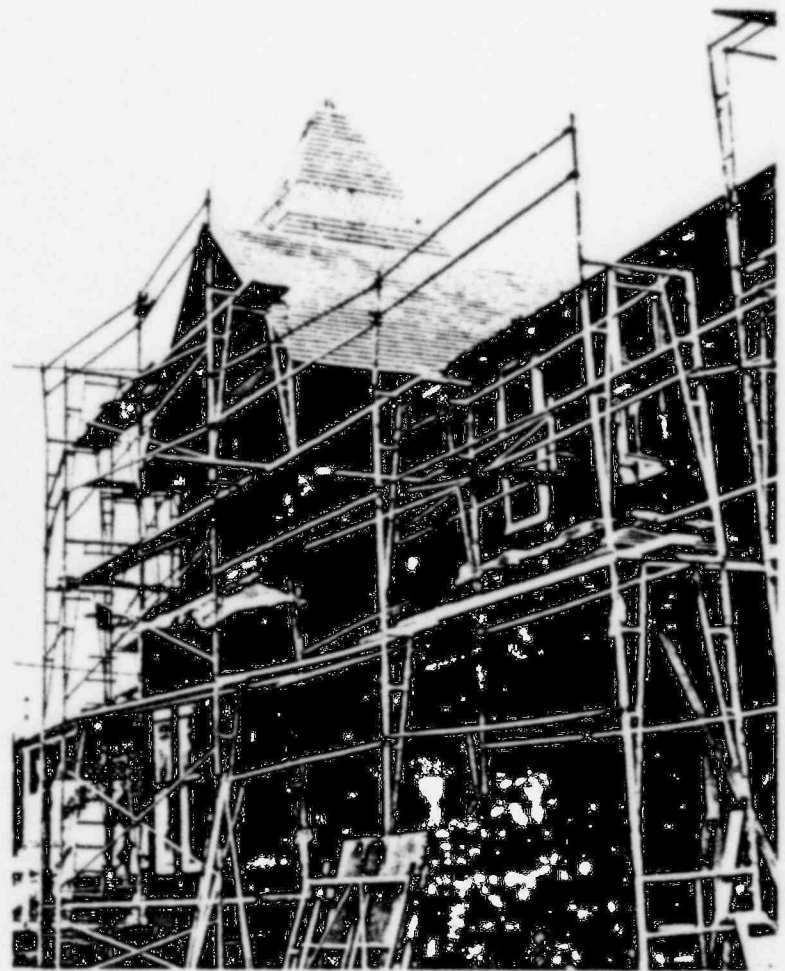
Anaheim's Parks and Recreation Department was cited in June by the United States Department of Interior with the "Outdoor Achievement Award" for excellence in programming and management. It was one of several awards and honors bestowed on Anaheim during the year attesting to an outstanding management team.

The Finance Department was given the "Meritorious Award" from the California Society of Municipal Finance Officers and the "Certificate of Conformance" from the Municipal Finance Officers Association, both for financial reporting excellence. The Automobile Club of Southern California issued a special citation to Anaheim for "Outstanding Pedestrian Safety Programs" and the Public Works Department was given a certificate for "Outstanding Service to Minority Enterprises" by the East Los Angeles Business Development Center.

The General Manager of the City's Stadium-Convention Center and Golf Department was hailed as the 1980 Manager of the Year by the Society for the Advancement of Management, and the Executive Director of Public Works was selected as one of the "Top Ten Public Works Officials" in the United States by the American Public Works Association.

Numerous other members of Anaheim's management team were appointed to ranking committees and to leadership roles in various professional organizations and local service clubs.

Future developments on the Anaheim horizon can be seen in extensive negotiations occurring in the redevelopment area, where a 12-acre disposition agreement is nearing completion for a major and complex development that will include in excess of a million square feet of high-rise office and commercial structures, plus 6,000 parking spaces in underground garages, major restaurants and other amenities fitting the city center of one of California's important urban areas. Energy conservation is another major watch word today, with programs underway among City employees, energy audits being conducted for business and industry, and testing of innovative devices such as a vacuum gauge for City vehicles which assists the driver in fuel conservation; a more compact fuel-efficient vehicle fleet; reduced lighting at public facilities; and more efficient street lighting in the community. Anaheim is also embarking on power generation projects to assure electrical power for future generations. This is with the strong endorsement of the citizens, who recently passed an advisory issue by three-to-one for the participation in a coal-fired plant being built in Utah.



Restoring Anaheim for the future

Planning for an expanding community is important as well. With construction underway for a new branch library, fire department officials have completed plans for the relocation of a station in the rapidly developing hill and canyon area of Anaheim, plus the design and site determination for a tenth fire station to be funded by a major shopping mall developer in the area.

IDEALS, DREAMS AND HARD FACTS

Yes, the City of Anaheim is a place where visions and dreams do come true...a city rich in its cultural heritage and dedicated to meeting the needs of its citizens and guests.

Anaheim shares in the dedication message of Disneyland, where creator and vision-extraordinaire Walt Disney proclaimed, "To all who come to this happy place, welcome!...here age relives fond memories of the past and here youth may savor the challenge and promise of the future. Disneyland is dedicated to the ideals, the dreams and the hard facts that have created America...with the hope that it will be a source of joy and inspiration to all the world."

For the citizens and visitors to Anaheim, we too, accept the challenges of today while we strive for a better tomorrow!

Price
Waterhouse & Co.

660 NEWPORT CENTER DRIVE
NEWPORT BEACH, CALIFORNIA 92660
714-640-9200

November 4, 1980

The Honorable City Council
City of Anaheim, California

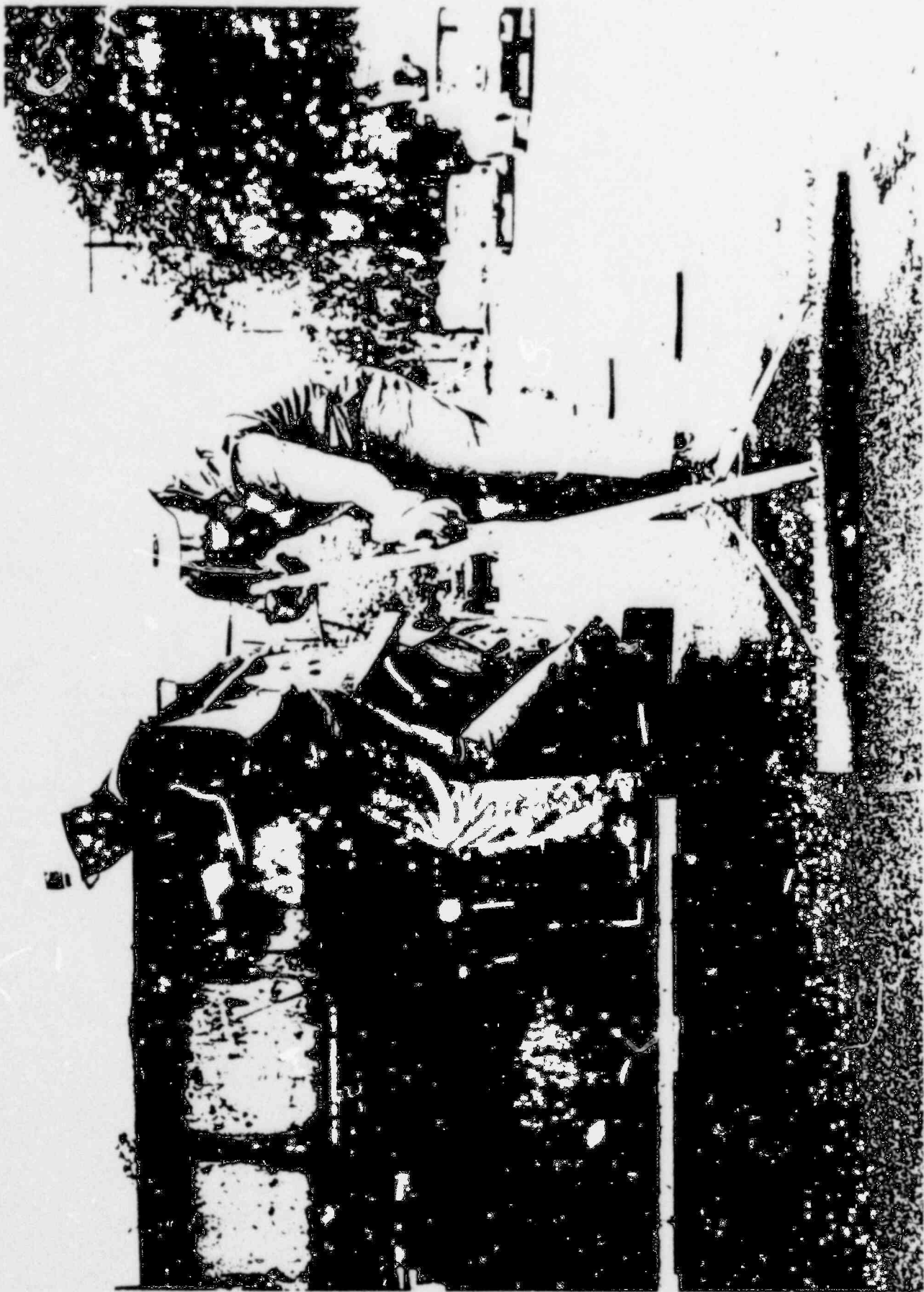
In our opinion, the general purpose financial statements listed in the foregoing table of contents present fairly the financial position of the City of Anaheim, California at June 30, 1980, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of accounting for interest costs as described in Note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Anaheim, California. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical information listed in the foregoing table of contents was not examined by us and, accordingly, we do not express an opinion thereon.

Price Waterhouse & Co.

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PEOPLE SERVING PEOPLE

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CITY OF ANAHEIM

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1980

(In thousands)

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Total (Memorandum only)		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1980	1979
ASSETS											
Cash and investments	\$ 9,303	\$3,090	\$545	\$4,992	\$ 16,073	\$ 22	\$7,553			\$ 41,568	\$ 40,786
Accounts receivable, net	1,313	2,231	24	2,017	8,262	67				13,914	9,793
Accrued interest receivable	200	99	10	95	1,247					1,651	1,510
Due from other funds	628				242					870	933
Inventories					1,557	125				1,682	1,327
Prepaid expenses and other assets	84				290					374	2,914
Deposits	676	29				4				709	1,244
Restricted cash and invest- ments (Notes 4, 5 & 6)	2,065	355			29,451					31,871	48,101
Deferred charges (Note 12)					3,958					3,958	3,302
Property, plant and equip- ment, net (Notes 2 & 3)					170,165	4,598		\$35,799		210,562	172,460
Amount available for retire- ment of general long-term debt									\$643	643	563
Amount to be provided for retirement of general long-term debt									4,002	4,002	4,678
	<u>\$14,269</u>	<u>\$5,794</u>	<u>\$579</u>	<u>\$7,104</u>	<u>\$231,245</u>	<u>\$4,816</u>	<u>\$7,553</u>	<u>\$35,799</u>	<u>\$4,645</u>	<u>\$311,804</u>	<u>\$287,611</u>

(continued)

CITY OF ANAHEIM

COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1980

(In thousands)

(continued)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	1980	1979
LIABILITIES AND FUND EQUITY											
Liabilities:											
Accounts payable	\$ 1,551	\$ 427		\$ 912	\$ 14,952	\$ 256				\$18,098	\$ 17,042
Accrued liabilities (Note 9)	5,159	208		2,554	2,308	717				10,946	7,252
Deposits	1,419				1,104					2,523	2,841
Due to other governments	31						\$7,510			7,541	8,526
Due to other funds	91				326	453				870	933
Deferred compensation payable	2,065									2,065	1,419
Deferred revenue		624		291						915	1,965
Advances for construction					1,443					1,443	90
Long-term debt (Notes 4, 5 & 6)					100,346				\$4,645	104,991	98,338
Total liabilities	10,316	1,259		3,757	120,479	1,426	7,510		4,645	149,392	138,406
Fund equity (Note 7):											
Contributed capital					51,586	3,829				55,415	51,959
Investment in general fixed assets								\$35,799		35,799	33,329
Fund balances transferred					33,909					33,909	33,909
Retained earnings:											
Reserved					3,666					3,666	2,990
Unreserved					21,605	(439)				21,166	13,925
Fund balances:											
Reserved	3,953	610					22			4,585	4,994
Unreserved		3,925	\$579	3,347			21			7,872	8,099
Total fund equity	3,953	4,535	579	3,347	110,766	3,390	43	35,799		162,412	149,205
	\$14,269	\$5,794	\$579	\$7,104	\$231,245	\$4,816	\$7,553	\$35,799	\$4,645	\$311,904	\$287,611

See accompanying Notes to Financial Statements on pages 23 to 32.

CITY OF ANAHEIM

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 1980

(In thousands)

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum only)	
					1980	1979
Revenue:						
Property taxes	\$ 4,288		\$1,256		\$ 5,544	\$ '87
Sales and use taxes	17,482				17,482	15,001
Licenses, fees and permits	3,415	\$ 419			3,834	3,178
Intergovernmental revenue	5,965	13,002		\$ 9,123	28,090	23,943
Charges for services	7,850	7			7,857	6,836
Fines, forfeits and penalties	1,663				1,663	1,018
Interest and rentals	824	561	52	555	1,992	1,532
Other	1,478	590		221	2,289	1,892
	42,965	14,579	1,308	9,899	68,751	58,587
Expenditures:						
General government	3,821	3,434		7	7,262	6,892
Nondepartmental	164	2,493		165	2,822	5,171
Public safety	23,661	187		101	23,949	21,476
Public works	17,371	3,651		14,173	35,195	30,126
Culture and recreation	5,753	1,338		179	7,270	6,860
Debt service:						
Principal retirement			1,050		1,050	1,045
Interest and fiscal charges			125		125	161
	50,770	11,103	1,175	14,625	77,673	71,731

(continued)

CITY OF ANAHEIM

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 1980

(In thousands)

(continued)

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum only)	
					1980	1979
Excess of revenue over (under) expenditures	(\$7,805)	\$3,476	\$133	(\$4,726)	(\$8,922)	(\$13,144)
Other financing sources (uses):						
Operating transfers in	674	480		2,407	3,561	3,471
Operating transfers out	(730)	(3,081)			(3,811)	(3,726)
	(56)	(2,601)		2,407	(250)	(255)
Excess of revenue and other sources over (under) expenditures and other uses	(7,861)	875	133	(2,319)	(9,172)	(13,399)
Fund balances at beginning of year	3,276	3,660	446	5,666	13,048	19,852
Transfers from other funds (Note 11)	8,538				8,538	6,595
Fund balances at end of year	\$ 3,953	\$ 4,535	\$579	\$ 3,347	\$12,414	\$13,048

See accompanying Notes to Financial Statements on pages 23 to 32.

CITY OF ANAHEIM

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUND TYPES

YEAR ENDED JUNE 30, 1980

(In thousands)

	General Fund			Special Revenue Funds			Total (Memorandum only)		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenue:									
Property taxes	\$ 4,483	\$ 4,288	(\$ 195)				\$ 4,483	\$ 4,288	(\$ 195)
Sales and use taxes	17,500	17,482	(18)				17,500	17,482	(18)
Licenses, fees and permits	3,334	3,415	81	\$ 906	\$ 419	(\$ 487)	4,240	3,834	(406)
Intergovernmental revenue	5,948	5,965	17	15,788	13,002	(2,786)	21,736	18,967	(2,769)
Charges for services	8,109	7,850	(259)		7	7	8,109	7,857	(252)
Fines, forfeits and penalties	1,515	1,663	148				1,515	1,663	148
Interest and rentals	928	824	(104)	235	561	326	1,163	1,385	222
Other	1,802	1,478	(324)	491	590	99	2,293	2,068	(225)
	43,619	42,965	(654)	17,420	14,579	(2,841)	61,039	57,544	(3,495)
Expenditures:									
General government	4,488	3,821	667	3,564	3,434	130	8,052	7,255	797
Nondepartmental	1,314	164	1,150	2,688	2,493	195	4,002	2,657	1,345
Public safety	24,061	23,661	400	215	187	28	24,276	23,848	428
Public works	17,375	17,371	4	8,801	3,651	5,150	26,176	21,022	5,154
Culture and recreation	6,246	5,753	493	2,424	1,338	1,086	8,670	7,091	1,579
	53,484	50,770	2,714	17,502	11,103	6,589	71,176	61,873	9,303

(continued)

CITY OF ANAHEIM

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUND TYPES

YEAR ENDED JUNE 30, 1980

(In thousands)

(continued)

	General Fund			Special Revenue Funds			Total (Memorandum only)		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Excess of revenue over (under) expenditures	(\$ 9,865)	(\$ 7,805)	\$2,060	(\$ 272)	\$ 3,476	\$3,748	(\$10,137)	(\$ 4,329)	\$5,808
Other financing sources (uses):									
Operating transfers in	1,137	674	(463)		480	480	1,137	1,154	17
Operating transfers out	(232)	(730)	(498)	(3,537)	(3,081)	456	(3,769)	(3,811)	(42)
	905	(56)	(961)	(3,537)	(2,601)	936	(2,632)	(2,657)	(25)
Excess of revenue and other sources over (under) ex- penditures and other uses	(8,960)	(7,861)	1099	(3,809)	875	4,684	(12,769)	(6,986)	5,783
Fund balances at beginning of year	3,276	3,276		3,660	3,660		6,936	6,936	
Transfers from other funds (Note 11)	8,035	8,538	503				8,035	8,538	503
Fund balances (deficit) at end of year	\$ 2,351	\$ 3,953	\$1,602	(\$ 149)	\$ 4,535	\$4,684	\$ 2,202	\$8,488	\$6,286

See accompanying Notes to Financial Statements on pages 23 to 32.

CITY OF ANAHEIM

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)/FUND BALANCE

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

YEAR ENDED JUNE 30, 1980

(In thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum only)	
	Enterprise	Internal Service	Museum and Library	1980	1979
Operating revenue:					
Charges for services	\$105,757	\$5,690		\$111,447	\$89,303
Other	1,716	152	\$ 5	1,873	1,710
	107,473	5,842	5	113,320	91,013
Operating expenses:					
Cost of water/purchased power	76,024			76,024	62,492
Maintenance, operations and administration (Note 10)	16,751	5,466	14	22,231	18,222
Depreciation and amortization	3,394	1,213		4,607	3,824
Other	48			48	94
	96,217	6,679	14	102,910	84,632
Income (loss) from operations	11,256	(837)	(9)	10,410	6,381
Nonoperating revenue (expenses):					
Interest revenue	6,266		6	6,272	2,664
Transient occupancy tax (Note 13)	4,922			4,922	4,193
Interest expense (Note 2)	(4,437)	(109)		(4,546)	(2,509)
Visitor and Convention Bureau expense (Note 13)	(696)			(696)	(571)
Other income	100			100	
	6,155	(109)	6	6,052	3,777

(continued)

CITY OF ANAHEIM

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)/FUND BALANCE

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

YEAR ENDED JUNE 30, 1980

(In thousands)

(continued)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum only)	
	Enterprise	Internal Service	Museum and Library	1980	1979
Income (loss) before operating transfers and extraordinary item	\$17,411	(\$ 946)	(\$ 3)	\$16,462	\$10,158
Operating transfers in		250		250	254
Net income (loss) before extraordinary item	17,411	(696)	(3)	16,712	10,412
Extraordinary gain on refunding of long-term debt (Note 1)					4,337
Net income(loss)	17,411	(696)	(3)	16,712	14,749
Retained earnings/fund balance at beginning of year	16,752	163	46	16,961	8,929
Transfers (to) from other funds	(8,892)	94		(8,798)	(6,758)
Retained earnings (deficit)/fund balance at end of year	\$25,271	(\$ 439)	\$43	\$24,875	\$16,960

See accompanying Notes to Financial Statements on pages 23 to 32.

CITY OF ANAHEIM

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

YEAR ENDED JUNE 30, 1980

(In thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum only)	
	Enterprise	Internal Service	Museum and Library	1980	1979
Financial resources were provided by:					
Operations—					
Net income (loss) before extraordinary item	\$17,411	(\$ 696)	(\$ 3)	\$16,712	\$10,412
Items not requiring (providing) working capital:					
Depreciation	3,073	1,213		4,286	3,522
Amortization of bond issue costs	68			68	47
Amortization of deferred charges	321			321	302
Gain on sale of land and equipment		(92)		(92)	
Working capital provided (used) by operations exclusive of extraordinary item	20,873	425	(3)	21,295	14,283
Extraordinary item—bond refunding—					
Issuance of 1978 refunding bonds					11,785
Bond discount and issue costs					(448)
1964 bonds refunded					(17,200)
Extraordinary gain					4,337
Working capital used for bond refunding					(1,526)
Transfer from other funds		144		144	
Decrease in restricted cash and investments	24,050			24,050	69
Decrease in deferred charges					122
Disposal of plant and equipment	95	142		237	
Decrease in long-term portion of prepaid electric power					4,838
Increase in advances for construction	1,353			1,353	90
Increase in long-term debt	9,190			9,190	43,000
Contributions in aid of construction	3,944			3,944	4,187
Other contributions	238	203		441	209
	59,743	914	(3)	60,654	65,272

(continued)

CITY OF ANAHEIM

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION

ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND

YEAR ENDED JUNE 30, 1980

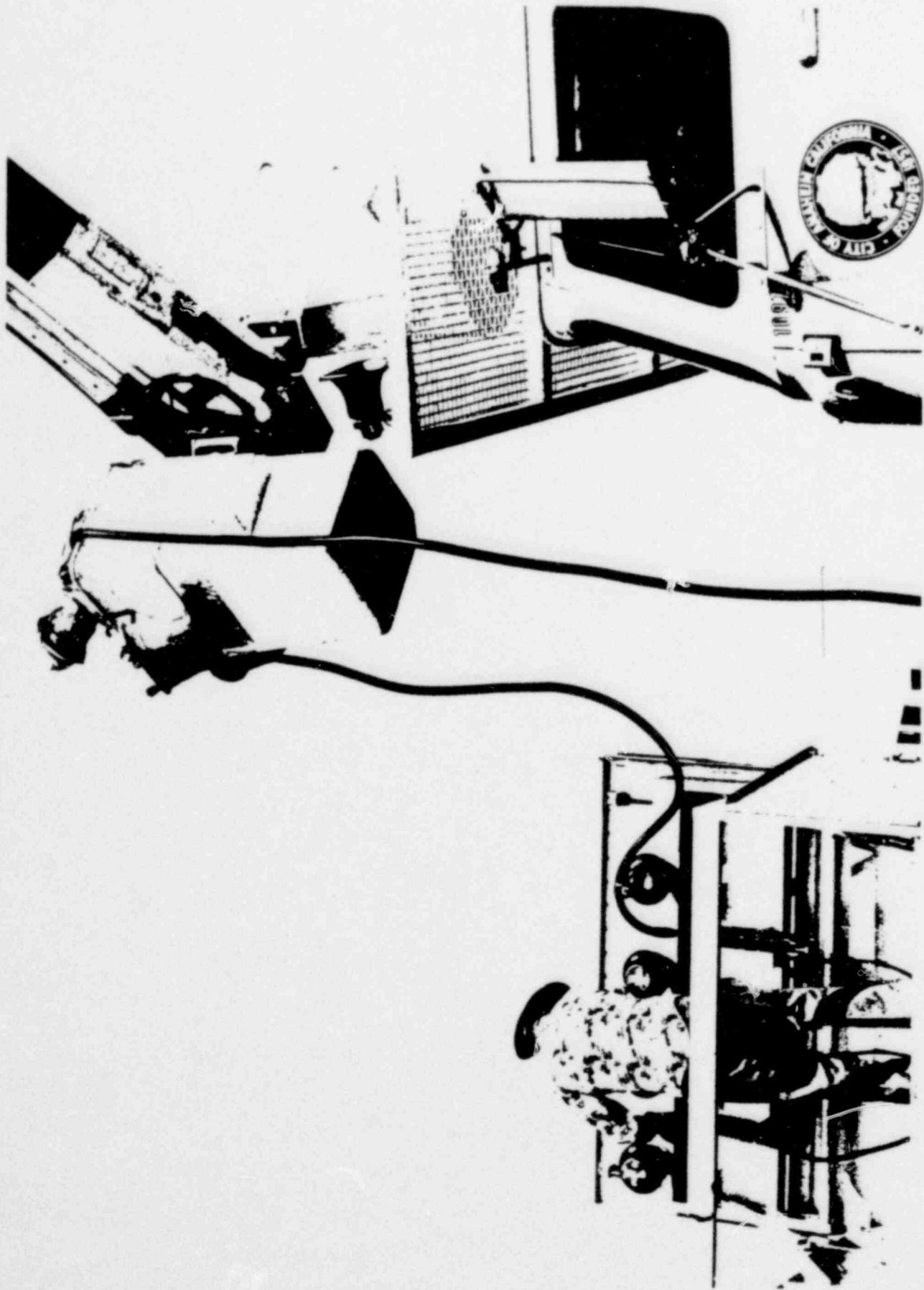
(In thousands)

(continued)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum only)	
	Enterprise	Internal Service	Museum and Library	1980	1979
Financial resources were used for:					
Increase in restricted cash and investments	\$ 7,148			\$ 7,148	\$35,284
Increase in deferred charges	1,045			1,045	406
Additions to property, plant and equipment	39,124	\$1,374		40,498	17,304
Decrease in long-term debt and contributions	4,387	206		4,593	5,776
Transfers to other funds	8,892	50		8,942	6,758
Other	288			288	92
	60,884	1,630		62,514	65,620
Decrease in working capital	(\$ 1,141)	(\$ 716)	(\$ 3)	(\$ 1,860)	(\$ 348)
Increase (decrease) in working capital by components:					
Cash and investments	\$ 4,474	(\$ 282)	(\$ 3)	\$ 4,189	\$ 4,584
Accounts receivable	1,504	60		1,564	549
Accrued interest receivable	214			214	938
Due from other funds	18			18	(313)
Inventories	230	125		355	(594)
Deposits					(3)
Prepaid expenses	(2,525)			(2,525)	(1,337)
Accounts payable	(2,880)	(5)		(2,885)	(2,840)
Accrued liabilities	251	(689)		(438)	(267)
Current portion of long-term debt	1,010			1,010	(606)
Accrued interest payable	(109)			(109)	(988)
Due to other funds	79	75		154	(11)
Deposits	49			49	540
Contracts payable	(3,456)			(3,456)	
Decrease in working capital	(\$ 1,141)	(\$ 716)	(\$ 3)	(\$ 1,860)	(\$ 348)

See accompanying Notes to Financial Statements on pages 23 to 32.

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PEOPLE SERVING PEOPLE

Enterprise Funds

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CITY OF ANAHEIM

COMBINING BALANCE SHEET

ALL ENTERPRISE FUNDS

JUNE 30, 1980

(In thousands)

	Water Utility	Electric Utility	Anaheim Municipal Golf Course	Anaheim Hills Golf Course	Stadium	Convention Center	Total 1980	Total 1979
ASSETS								
Current assets:								
Cash and investments	\$ 669	\$15,264	\$ 23	\$ 50	\$ 13	\$ 54	\$ 16,073	\$ 11,599
Accounts receivable, net of allowance for doubtful accounts of \$270 in 1980 and \$380 in 1979	1,904	4,679	42	18	1,259	360	8,262	6,758
Accrued interest receivable	223	416			415	193	1,247	1,033
Due from other funds			41	70	74	57	242	224
Inventories	439	1,118					1,557	1,327
Prepaid expenses	2	11	1	1	256	19	290	2,815
Total current assets	3,237	21,488	107	139	2,017	683	27,671	23,756
Restricted cash and investments (Notes 4, 5 & 6)	8,129	4,567		211	10,702	5,842	29,451	46,353
Deferred charges (Note 12)	528	2,626			688	116	3,958	3,302
Property, plant and equipment (Notes 2 & 3):								
Land	1,388		1,404	3,434	4,295	10,553	21,074	21,075
Buildings, structures and improvements			179	290	18,654	18,914	38,037	37,944
Utility plant	57,856	54,751					112,607	104,081
Machinery and equipment			30	83	440	1,104	1,657	1,775
Construction work in progress	2,462	1,721		3	30,226	1,617	36,029	5,610
	61,706	56,472	1,613	3,810	53,615	32,188	209,404	170,485
Less accumulated depreciation	(12,445)	(16,300)	(301)	(480)	(4,730)	(4,983)	(39,239)	(35,841)
Net property, plant and equipment	49,261	40,172	1,312	3,330	48,885	27,205	170,165	134,644
	\$61,155	\$68,853	\$1,419	\$3,680	\$62,292	\$33,846	\$231,245	\$208,055

(continued)

CITY OF ANAHEIM

COMBINING BALANCE SHEET

ALL ENTERPRISE FUNDS

JUNE 30, 1980

(In thousands)

(continued)

	Water Utility	Electric Utility	Anaheim Municipal Golf Course	Anaheim Hills Golf Course	Stadium	Convention Center	Total 1980	Total 1979
LIABILITIES AND FUND EQUITY								
Current liabilities (payable from current assets):								
Accounts payable	\$ 1,172	\$12,946	\$ 12	\$ 9	\$ 644	\$ 169	\$ 14,952	\$ 12,072
Accrued liabilities	32	99	6	8	139	64	348	599
Current portion of long-term debt		2,325			278	59	2,662	3,841
Due to other funds				211	41	74	326	405
Deposits	435	402	1	3	25	238	1,104	1,153
Total current liabilities (payable from current assets)	1,639	15,772	19	231	1,127	604	19,392	18,070
Current liabilities (payable from restricted assets):								
Accrued interest payable	320	221		36	766	617	1,960	1,851
Current portion of long-term debt	135	325		75	380	810	1,725	1,556
Contracts payable					3,456		3,456	
Total current liabilities (payable from restricted assets)	455	546		111	4,602	1,427	7,141	3,407
Total current liabilities	2,094	16,318	19	342	5,729	2,031	26,533	21,477
Advances for construction	1,443						1,443	90
Long-term debt, less current portion (Notes 4, 5 & 6)	8,370	11,450		1,055	45,427	26,201	92,503	87,700
Total liabilities	11,907	27,768	19	1,397	51,156	28,232	120,479	109,267
Fund equity (Note 7):								
Contributed capital	33,663	2,833	438	4,324	9,306	1,022	51,586	48,127
Fund balances transferred	19,280	14,629					33,909	33,909
Retained earnings (deficits):								
Reserved	1,385	1,889		211		181	3,666	2,990
Unreserved	(5,080)	21,734	962	(2,252)	1,830	4,411	21,605	13,762
Total retained earnings (deficits)	(3,695)	23,623	962	(2,041)	1,830	4,592	25,271	16,752
Total fund equity	49,248	41,085	1,400	2,283	11,136	5,614	110,766	98,788
	\$61,155	\$68,853	\$1,419	\$3,680	\$62,292	\$33,846	\$231,245	\$208,055

See accompanying Notes to Financial Statements on pages 23 to 32.

CITY OF ANAHEIM

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICITS)

ALL ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 1980
(In thousands)

	Water Utility	Electric Utility	Anaheim Municipal Golf Course	Anaheim Hills Golf Course	Stadium	Convention Center	1980	Total 1979
Operating revenue:								
Sales of water/light and power	\$8,187	\$90,461					\$98,648	\$78,231
Facilities rental					\$1,835	\$2,400	4,235	4,076
Green fees and cart rentals			\$651	\$ 537			1,188	991
Concession fees					1,099	587	1,686	1,456
Other	115	327	38	55	276	905	1,716	1,642
	8,302	90,788	689	592	3,210	3,892	107,473	86,396
Operating expenses:								
Cost of water/purchased power	4,095	71,929					76,024	62,492
Maintenance, operations and administration (Note 10)	3,033	6,302	597	726	2,231	3,862	16,751	14,473
Depreciation	341	1,600	35	45	522	530	3,073	2,804
Amortization of deferred charges (Note 12)		321					321	302
Other			24	24			48	94
	7,469	80,152	656	795	2,753	4,392	96,217	80,165
Income (loss) from operations	833	10,636	33	(203)	457	(500)	11,256	6,231

(continued)

CITY OF ANAHEIM

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICITS)

ALL ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 1980

(In thousands)

(continued)

	Water Utility	Electric Utility	Anaheim Municipal Golf Course	Anaheim Hills Golf Course	Stadium	Convention Center	1980	Total 1979
Nonoperating income (expenses):								
Interest income	\$ 583	\$ 1,766			\$2,887	\$1,030	\$ 6,266	\$ 2,662
Transient occupancy tax (Note 13)						4,922	4,922	4,193
Interest expense	(244)	(661)		(\$ 71)	(2,374)	(1,087)	(4,437)	(2,459)
Visitor and Convention Bureau expense (Note 13)						(696)	(696)	(571)
Other income	100						100	
	439	1,105		(71)	513	4,169	6,155	3,825
Operating transfer out								(29)
Net income (loss) before extraordinary item	1,272	11,741	\$ 33	(274)	970	3,669	17,411	10,027
Extraordinary gain on refunding of long- term debt								4,337
Net income (loss)	1,272	11,741	33	(274)	970	3,669	17,411	14,364
Retained earnings (deficits) at beginning of year	(4,661)	14,845	929	(1,767)	1,781	5,625	16,752	9,146
Transfers to other funds (Note 11)	(306)	(2,963)			(921)	(4,702)	(8,892)	(6,758)
Retained earnings (deficits) at end of year	(\$3,695)	\$23,623	\$962	(\$2,041)	\$1,830	\$4,592	\$25,271	\$16,752

See accompanying Notes to Financial Statements on pages 23 to 32.

CITY OF ANAHEIM

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

ALL ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 1980

(In thousands)

	Water Utility	Electric Utility	Anaheim Municipal Golf Course	Anaheim Hills Golf Course	Stadium	Convention Center	Total	
							1980	1979
Financial resources were provided by:								
Operations—								
Net income (loss) before extraordinary item	\$1,272	\$11,741	\$ 33	(\$274)	\$ 970	\$ 3,669	\$17,411	\$10,027
Items not requiring working capital:								
Depreciation	341	1,600	35	45	522	530	3,073	2,804
Amortization of bond issue costs	10	11			43	4	68	47
Amortization of deferred charges		321					321	302
Working capital provided (used) by operations exclusive of extraordinary item	1,623	13,673	68	(229)	1,535	4,203	20,873	13,180
Extraordinary item—bond refunding—								
Issuance of 1978 refunding bonds								11,785
Bond discount and issue costs								(448)
1964 bonds refunded								(17,200)
Extraordinary gain								4,337
Working capital used for bond refunding								(1,526)
Decrease in restricted cash and investments		157		2	23,191	700	24,050	69
Decrease in deferred charges								122
Disposal of land and equipment				7	44	44	95	
Decrease in long-term portion of prepaid electric power								4,838
Increase in advances for construction	1,353						1,353	90
Increase in long-term debt	7,350				1,840		9,190	43,000
Contributions from other funds				238			238	209
Contributions in aid of construction	2,657	1,287					3,944	4,187
	12,983	15,117	68	18	26,610	4,947	59,743	64,169

(continued)

CITY OF ANAHEIM

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

ALL ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 1980

(In thousands)

(continued)

	Water Utility	Electric Utility	Anaheim Municipal Golf Course	Anaheim Hills Golf Course	Stadium	Convention Center	Total	
							1980	1979
Financial resources were used for:								
Increase in restricted cash and investments	\$ 7,148						\$7,148	\$35,284
Increase in deferred charges	538	\$ 474				\$ 33	1,045	406
Additions to property, plant and equipment	4,532	4,535	\$ 41		\$28,812	1,154	39,124	16,440
Decrease in long-term debt	135	2,650		\$ 75	658	869	4,387	5,576
Transfers to other funds	306	2,963			921	4,702	8,892	6,758
Other	151	137					288	92
	12,810	10,809	41	75	30,391	6,758	60,884	64,556
Increase (decrease) in working capital	\$ 173	\$ 4,308	\$ 27	(\$ 57)	(\$ 3,781)	(\$ 1,811)	(\$ 1,141)	(\$ 387)
Increase (decrease) in working capital by components:								
Cash and investments	(\$1,093)	\$ 7,370	\$ 21	(\$ 36)	(\$ 151)	(\$ 1,637)	\$ 4,474	\$ 4,632
Accounts receivable	749	254	25	8	376	92	1,504	542
Accrued interest receivable	223	230			(285)	46	214	938
Due from other funds			(18)	(24)	29	31	18	(313)
Inventories	(18)	248					230	(594)
Prepaid expenses	(1)	(2,446)		(2)	(51)	(25)	(2,525)	(1,337)
Accounts payable	88	(2,662)		3	(216)	(93)	(2,880)	(2,911)
Accrued liabilities	377	(53)	(2)	(3)	(56)	(12)	251	(269)
Current portion of long-term debt	(5)	1,350		(4)	(298)	(33)	1,010	(606)
Accrued interest payable	(289)	27			199	(46)	(109)	(988)
Due to other funds					153	(74)	79	(21)
Deposits	142	(10)	1	1	(25)	(60)	49	540
Contracts payable					(3,456)		(3,456)	
Increase (decrease) in working capital	\$ 173	\$ 4,308	\$ 27	(\$ 57)	(\$ 3,781)	(\$ 1,811)	(\$ 1,141)	(\$ 387)

See accompanying Notes to Financial Statements on pages 23 to 32.

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PEOPLE SERVING PEOPLE

CITY OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 1—DESCRIPTION OF FUNDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF FUNDS

Governmental fund types

General Fund—The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue funds—Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund—The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital Projects funds—The Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary fund types

Enterprise funds—Enterprise funds are used to account for operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals.

Internal Service funds—Internal Service funds are used to account for financing of goods and services provided by one department to other departments of the City and to other governmental units, on a cost-reimbursement basis.

Fiduciary fund types

Trust and Agency funds—Trust and Agency funds are used to account for assets held by the City as a trustee or agent for individuals, private

organizations and other governmental units. These include non-expendable trust funds and agency funds.

Account groups

General Fixed Assets—The General Fixed Assets account group is used to maintain control and cost information on capital assets owned by the City, other than those of the proprietary funds.

General Long-Term Debt—The General Long-Term Debt account group is used to account for unmatured general long-term indebtedness of the City.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Financial information for entities related to the City—Anaheim Housing Authority, Anaheim Redevelopment Agency, City of Anaheim (California) Stadium, Inc. and Community Center Authority—are accounted for in the City financial statements as detailed below.

City Council members, in separate session, serve as the governing board members of the Housing Authority and Redevelopment Agency. The governing boards of the other two entities do not include City Council members. The City provides accounting services to all four entities and serves as a fiscal agent for the Housing Authority and Redevelopment Agency.

The Anaheim Housing Authority and Anaheim Redevelopment Agency are shown as agency funds in these financial statements to reflect the cash held for these entities by the City Treasurer. The manner in which City of Anaheim Stadium, Inc. and the Community Center Authority are reported in the City financial statements is described in Note 5. Separate audited financial statements are issued for each entity.

Bases of accounting

The accrual basis of accounting is followed for budgeting and account-

Bases of Accounting (cont.)

ing purposes for all funds except the governmental fund types which use the modified accrual basis for budgetary and accounting purposes. Modifications in such method from the accrual basis are as follows:

- A. Revenue is recorded in cash, except for revenue susceptible to accrual, revenue of a material amount that is not received at its normal time of receipt and revenue received prior to its period of benefit. Revenue considered susceptible to accrual includes: property taxes, sales taxes, cigarette taxes and motor vehicle license fees.
- B. Interest on general long-term indebtedness is not accrued but is recorded as an expenditure on its due date.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures and are accounted for in the General Fixed Assets account group; bond proceeds are considered revenue and are accounted for in the General Long-Term Debt account group.

The Utility funds follow the uniform system of accounts prescribed by the Federal Energy Regulatory Commission (Electric Utility) and the California Public Utilities Commission (Water Utility).

Cash and investments

The City pools idle cash from all funds for the purpose of increasing income through investment activities. Investments are carried at cost, which approximates market value. Interest income on investments is allocated on the basis of average daily cash and investment balances to all funds except the Anaheim Hills Golf Course Fund because the General Fund has contributed funds for its operations and capital.

Inventories

Inventories, as determined by perpetual records, are stated at average cost. Physical counts of inventory are taken on a cyclical basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost, or in the case of donations, at fair value at the date of the donation, except that assets acquired prior to July 1, 1977, are recorded at appraised historical cost.

The General Fixed Assets account group does not include infrastructure fixed assets—roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, etc. No depreciation is provided on general fixed assets. Because detailed records were not maintained for property, plant and equipment prior to July 1, 1977, the sources of the funds used to purchase the general fixed assets are not available.

Depreciation on property, plant and equipment in the Enterprise and Internal Service funds is provided on the straight-line method over the following estimated useful lives:

Buildings and structures	10 to 85 years
Improvements other than buildings	10 to 99 years
Transmission and distribution plant	20 to 75 years
Machinery and equipment	3 to 50 years

Depreciation on assets acquired from contributions in aid of construction, \$723,000, is not reflected in net income of the Utility funds but rather is charged to the related contributions account.

Revenue recognition for Utility funds

Revenue is recorded as billed to customers on a cycle basis. Residential customers are billed bi-monthly and commercial customers monthly.

Pension plan

All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary.

Vacation and sick leave

Vacation and sick pay for all City employees is paid by the General Fund. The General Fund is reimbursed through payroll charges to all other funds based on estimates of benefits to be earned and used during the ensuing year. It is the policy of the City to pay all accumulated vacation pay when an employee retires or terminates and one-fourth of the accumulated sick leave when an employee retires. At June 30, 1980, accumulated unused vacation and sick leave totals \$4,626,000.

Budgetary principles

The City is required by its charter to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer funds from one object or purpose to another within the same department.

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances of the General and Special Revenue funds—representing purchase orders, contracts and other commitments—are reported as reservations of fund balances at year-end. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered, except for capital projects which are carried forward until such time as the project is completed or terminated.

Budget information is presented for the General and Special Revenue fund types. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year.

"Total (Memorandum only)" information

Columns on the accompanying combined financial statements captioned "Total (Memorandum only)" do not present consolidated financial information. They are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data.

Restatement and reclassifications

Stadium Fund financial statements for the fiscal year ended June 30, 1979 have been restated to correct an error in the calculation of the extraordinary gain on refunding the 1964 City of Anaheim (California) Stadium, Inc. bonds. The effect of the restatement was to decrease restricted cash and investments, extraordinary gain and net income each by \$720,000.

Certain reclassifications which have no effect on fund balance have

been made to the 1979 financial statements to conform to the 1980 presentation.

NOTE 2—ACCOUNTING CHANGE:

Effective July 1, 1979, the City adopted Statement of Financial Accounting Standards No. 34, issued by the Financial Accounting Standards Board in October 1979, relating to the capitalization of interest cost. In accordance with the provisions of this statement, interest costs for outstanding bonds have been capitalized in the Stadium and Convention Center funds in an amount proportionate to the average amount of accumulated construction expenditures for the Stadium and Convention Center expansion projects. The total amount of bond interest expense incurred in 1979-80 was \$2,326,000 and \$714,000 for the Stadium and Convention Center, respectively, of which \$758,000 and \$416,000 pertained to construction expenditures and have been reflected in construction work in process in the Stadium and Convention Center funds financial statements. The effect of this change is to decrease 1980 Stadium and Convention Center net income by \$1,568,000 and \$298,000, respectively.

NOTE 3—PROPERTY, PLANT AND EQUIPMENT:

Utility funds

Utility plant assets at June 30, 1980 consist of the following:

	Water Utility Fund	Electric Utility Fund
Source of water supply	\$ 3,808,000	
Pumping plant	1,474,000	
Transmission and distribution plant	52,054,000	\$53,293,000
General	520,000	1,458,000
	\$57,856,000	\$54,751,000

Internal Service funds

Net fixed assets of Internal Service funds at June 30, 1980 consist of the following:

Equipment	\$ 7,263,000
Less accumulated depreciation	(2,665,000)
	\$ 4,598,000

NOTE 3 — PROPERTY, PLANT AND EQUIPMENT: (cont.)

General fixed assets

General fixed assets at June 30, 1980 consist of the following:

Land	\$11,654,000
Buildings	7,493,000
Improvements other than buildings	12,535,000
Equipment	4,117,000
	\$35,799,000

Activity in the General Fixed Assets account group for the year ended June 30, 1980 is as follows:

Balance at July 1, 1979	\$33,329,000
Additions	3,278,000
Deletions	(808,000)
Balance at June 30, 1980	\$35,799,000

Capitalized leases

Machinery and equipment in the Convention Center and Data Processing funds and the General Fixed Assets account group totaling \$416,000, \$1,226,000 and \$137,000, respectively, represents capitalized equipment leases. The amounts included in property, plant and equipment for the Stadium and Convention Center funds include \$45,027,000 and \$17,957,000, respectively, representing capitalized facility leases (see Note 5); these amounts include construction work in progress of \$28,317,000 and \$1,616,000, respectively.

NOTE 4—LAND PURCHASE CONTRACTS PAYABLE:

The City has entered into three land purchase contracts which provide for the pledge of revenues from specific sources to service the debt as follows:

Parksites and Playground Fund—Revenues from certain parksite fees are restricted for the payment of two contracts through September 15, 1980. The debt is included in the General Long-Term Debt account group. The remaining debt service requirement includes principal of \$60,143 plus interest at 6%.

Convention Center Fund—Revenues from a ground lease are pledged for the two remaining annual principal payments of \$85,000 plus interest at 4½% per annum through fiscal year 1982. The City is required to reserve cash and investments equal to the next two annual principal and interest payments.

Golf Course Fund—The land purchase contract is secured by a first lien on all income of both the Anaheim Municipal and Anaheim Hills Golf Courses and imposes certain requirements including establishment of a reserve account equal to one year's principal and interest payment. Furthermore, the courses must be maintained on a par with other local municipal golf courses and no cash can be transferred out of the golf course funds until debt service and operating expense payments have been made. The contract provides for semiannual payments on July 1 and January 1 of \$105,349, including interest at 6% through January 1, 1991. In fiscal year 1976, 70 acres of the land were transferred to the General Fixed Assets account group to be used as a parksite. The debt transferred, \$682,525, was equivalent to the land cost. The semiannual debt service requirement of \$34,463 for the principal and interest on this portion of the land purchase contract is being provided by appropriations in the General Fund. The remaining semiannual debt service requirement of \$70,886 is being provided from golf course revenues in the Anaheim Hills Golf Course Fund where the debt service reserve account is also maintained.

NOTE 5—CAPITALIZED LEASE OBLIGATIONS:

Capitalized facility leases payable

The City has entered into noncancelable long-term leases with a nonprofit corporation (City of Anaheim [California] Stadium, Inc.) and a joint powers authority (Community Center Authority) for financing the acquisition of Anaheim Stadium and the Anaheim Convention Center, respectively. These leases provide for semiannual payments in amounts sufficient to meet the annual debt service requirements on the revenue bonds issued by the nonprofit corporation and the joint powers authority. Since the leases are financing arrangements which transfer the ownership of the facilities to the City at the end of the respective lease terms, and since the sole activity of the nonprofit corporation and the joint powers authority is providing financing for the City, the City has recorded the facility lease obligations and the related assets in the appropriate funds in amounts equivalent to the related revenue bonds payable and the cost of the facilities (see Note 3). Further, any assets held by the fiscal agents for the nonprofit corporation and the joint powers authority remaining after the revenue bonds have been repaid will be conveyed to the City. Accordingly,

amounts held by the fiscal agents are included in the financial statements of the respective funds as being available for the payment of the long-term debt.

Future minimum lease payments under these capital leases are as follows:

Fiscal year	Stadium Fund	Convention Center Fund
1981	\$ 2,664,000	\$ 1,650,000
1982	3,429,000	1,698,000
1983	3,427,000	2,496,000
1984	3,413,000	2,496,000
1985	3,379,000	2,496,000
Thereafter	95,351,000	39,744,000
	111,663,000	50,580,000
Less amount representing interest, 7.125% and 5.75%	67,418,000	23,790,000
Present value of future minimum lease payments	\$44,245,000	\$26,790,000

Cash and investments in the Stadium and Convention Center funds held by fiscal agents at June 30, 1980 amount to \$10,702,204 and \$5,660,509, respectively. The fiscal agents are required by the respective bond resolutions to reserve cash and investments in the amount of one annual payment of principal and interest so long as any of the bonds are outstanding.

Capitalized equipment leases payable

The City has entered into noncancelable long-term leases as lessee for financing the purchase of certain equipment utilized in the Data Processing Fund, Convention Center Fund and the General Fixed Assets account group. Such leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the future minimum lease payments at the date of inception of the lease (see Note 3). The liability for the equipment carried in the Data Processing Fund is reflected in the General Long-Term Debt account group because it represents a general obligation of the City; however, the lease obligation is being satisfied by the Data Processing Fund. Future minimum lease payments under these capital leases are as follows:

Fiscal year	General Long-Term Debt	Convention Center Fund
1981	\$ 280,000	\$ 64,000
1982	267,000	53,000
1983	31,000	
1984	31,000	
	609,000	117,000
Less amount representing interest, 6.5-6.75% and 5%	63,000	7,000
Present value of future minimum lease payments	\$ 546,000	\$ 110,000

Other lease-purchase agreements

During fiscal year 1980, the City entered into two ten-year lease-purchase agreements for the acquisition of a new scoreboard for Anaheim Stadium in the total amount of \$2,708,000. The agreements bear interest at 6.25% (\$2,143,000 agreement) and 8.5% (\$565,000 agreement) and require ten payments, including interest, totaling \$358,000 annually beginning in fiscal year 1981. As of June 30, 1980, \$1,840,000 has been borrowed against these agreements for progress payments to the equipment supplier. This amount is recorded as a liability in the Stadium Fund. Also during 1980, the City entered into 10-year advertising agreements with eight companies for use of the new scoreboard, with rental fees totaling \$785,000 annually beginning in fiscal year 1981.

The City entered into a five-year lease-purchase agreement during fiscal year 1980 for the purchase of a telephone system for the Anaheim Civic Center. This agreement totals \$1,002,000, bears interest at 6.25% and requires five annual payments, including interest, of \$225,000 beginning in fiscal year 1981. As of June 30, 1980, \$644,000 has been borrowed against this agreement for progress payments to the equipment supplier. This amount is recorded in the Long-Term Debt account group.

The lease terms on these agreements will commence in fiscal year 1981.

NOTE 6—BONDS PAYABLE:

General obligation bonds

At June 30, 1980 these bonds consist of the following:

	Bond principal outstanding
1960 Municipal Improvements Series A, 3.6%, issued in 1960 in the amount of \$6,600,000, maturing serially to fiscal year 1981 in annual principal installments of \$330,000, total debt service of \$335,940 to maturity	\$ 330,000
1960 Municipal Improvements Series B, 1% and 3.6%, issued in 1960 in the amount of \$1,785,000, maturing serially to fiscal year 1981 in annual principal installments of \$90,000, total debt service of \$90,900 to maturity	90,000
1960 Municipal Improvements Series C, 3.25% and 3.3%, issued in 1961 in the amount of \$1,400,000, maturing serially to fiscal year 1982 in annual principal installments of \$115,000, total debt service of \$241,385 to maturity	230,000
1961 Park Acquisition and Improvement, 1% to 3.6%, issued in 1962 in the amount of \$2,215,000, maturing serially to fiscal year 1981 in annual principal installments of \$70,000, total debt service of \$70,700 to maturity	70,000
1963 Municipal Improvements Series A, 3.3%, 1% and 3.2%, issued in 1963 in the amount of \$6,600,000, maturing serially to fiscal year 1984 in annual principal installments of \$330,000, total debt service of \$1,424,610 to maturity	1,320,000
1963 Municipal Improvements Series B, 3.75% and 3.9%, issued in 1963 in the amount of \$2,300,000, maturing serially to fiscal year 1987 in annual principal installments of \$115,000, total debt service of \$930,408 to maturity	805,000
	\$ 2,845,000

Revenue bonds—Water Utility Fund

At June 30, 1980, the Water Utility Fund is indebted under two revenue bond issues as follows:

	Bond principal outstanding
Water Revenue Series 1971 Bonds, 4.9861%, dated July 1, 1971 in the amount of \$2,000,000 maturing serially to 1987 in annual principal installments of \$135,000 to \$195,000, total debt service of \$1,369,924 to maturity	\$ 1,155,000
Water Revenue Series 1980 Bonds, 8.6401%, dated January 1, 1980, issued February 26, 1980, in the amount of \$7,350,000, of which \$4,165,000 matures serially to fiscal year 2000 in annual principal installments ranging from \$100,000 to \$400,000, and \$3,185,000 are term bonds subject to mandatory call and redemption in fiscal years 2001 to 2006 in annual principal installments ranging from \$435,000 to \$640,000; total debt service of \$17,339,755 to maturity	\$ 7,350,000
	8 505,000
Less current portion	135,000
	<u>\$ 8,370,000</u>

In accordance with the revenue bond resolutions, a renewal and replacement reserve account equal to a maximum of 1% of the net book value of the utility plant is to be accumulated and maintained.

The two bond issues require the establishment of a bond service fund to account for the monthly accumulation of one-sixth of the interest payable within the next six months and one-twelfth of the principal payable within the next twelve months.

Restricted cash and investments include reserved amounts, as well as undisbursed bond proceeds, as follows:

Held by fiscal agent:	
Bond reserve fund	\$ 891,000
Bond service fund	471,000

Held by City Treasurer:

Renewal and replacement reserve account	494,000
Restricted bond proceeds	6,273,000
	<u>\$8,129,000</u>

Revenue bonds—Electric Utility Fund

At June 30, 1980, the Electric Utility Fund is indebted under three revenue bond issues as follows:

	Bond principal outstanding
Electric Revenue Bonds, Issue of 1972, 4.9263%, issued March 28, 1972 in the amount of \$8,000,000, maturing serially to July 1, 1992 in annual principal installments of \$325,000 to \$675,000, total debt service of \$8,295,000 to maturity	\$ 6,225,000
Electric Revenue Bonds, Issue of 1976, 6.07%, issued April 27, 1976 in the amount of \$6,000,000, maturing serially to May 1, 2006 in annual principal installments of \$100,000 to \$400,000, total debt service of \$11,490,000 to maturity	5,650,000
Electric Revenue Bonds, Second Issue (Subordinated) of 1976, 4.8259%, issued June 8, 1976 in the amount of \$12,500,000, maturing serially to December 1, 1980, total debt service of \$2,279,513 to maturity	2,225,000
	14,100,000
Less current portion	2,650,000
	<u>\$11,450,000</u>

In accordance with the bond resolutions, bond reserve accounts for maximum annual debt service have been established and a renewal and replacement reserve account is being accumulated to a maximum of 2% of the book value of the utility plant.

The three bond issues require the establishment of bond service accounts for the monthly accumulation of one-sixth of the interest payable within the next six months and one-twelfth of the principal payable within the next twelve months (six months for the \$12,500,000 issue).

Restricted cash and investments include reserved amounts as well as undisbursed bond proceeds as follows:

Held by fiscal agent:

Bond reserve account	\$ 1,086,000
Bond service account	522,000

Held by City Treasurer:

Bond service account	454,000
Renewal and replacement reserve account	803,000
Restricted bond proceeds	1,702,000
	<u>\$ 4,567,000</u>

NOTE 7—FUND EQUITY:

Amounts reserved at June 30, 1980 are as follows:

General Fund:

Reserved for encumbrances	\$ 221,000
Reserved for petty cash, deposits, and traffic signal improvements	580,000
Reserved for self-insurance claims	495,000
Reserved for employee benefits	2,657,000
	<u>\$ 3,953,000</u>

Special Revenue funds:

Reserved for encumbrances	\$ 424,000
Reserved for land purchase contract	64,000
Reserved for bike trails development	99,000
Other miscellaneous reserves	23,000
	<u>\$ 610,000</u>

NOTE 7 — FUND EQUITY: (cont.)

Enterprise funds:

Water Utility Fund:	
Reserved for debt service	\$ 891,000
Reserved for renewal and replacement	494,000
	<u>\$ 1,385,000</u>
Electric Utility Fund:	
Reserved for debt service	1,086,000
Reserved for renewal and replacement	803,000
	<u>1,889,000</u>
Anaheim Hills Golf Course Fund:	
Reserved for land purchase contract	211,000
Convention Center Fund:	
Reserved for land purchase contract	181,000
	<u>\$ 3,666,000</u>
Trust and Agency funds:	
Reserved for endowments	<u>\$ 22,000</u>

The Water and Electric Utility funds were established June 30, 1971, at which time the portion of the General Fund fund balance relating to utility operations was transferred to these funds.

Retained deficits at June 30, 1980 for Internal Service funds will be remedied in future years through increased billings to City departments. For the Water Utility Fund, income in future years is expected to reduce the retained deficit. Anticipated increases in green fees and cart rental charges are expected to improve the retained earnings position of both the Anaheim Municipal and Anaheim Hills Golf Course funds.

NOTE 8 — PENSION PLAN:

The City has contributory pension plans for its full-time employees under the State of California Public Employees' Retirement System (PERS). The total pension expense/expenditure for 1980 based on the System's determination as of July 1, 1979 was approximately \$6,698,000. Based on the latest actuarial valuation, made as of July 1, 1979, the City's unfunded prior service cost relating to the City's participation in PERS was

\$1,002,000 which is being funded over 25 years ending June 30, 2000. No accrual for this prior service cost liability has been made in the accompanying financial statements. PERS confirmed that the City's portion of the plans' net assets available for benefits at July 1, 1979 was approximately \$67,440,000. Information is not available as to the actuarially computed present value of vested and non-vested accumulated plan benefits, the related assumed rates of return used and the actuarially computed value of vested benefits over the related pension fund assets.

NOTE 9 — SELF-INSURANCE PROGRAMS:

Effective September 1, 1974 the City adopted a self-insured workers' compensation program which is administered by a service agent. Effective July 1, 1977 the City became self-insured for the first \$500,000 on each general liability claim against the City. At June 30, 1980, \$4,303,000 has been accrued for workers' compensation and general liability claims representing estimates of amounts to be paid for reported claims and incurred but not reported claims based upon past experience, modified for current trends and information. The General Fund fund balance reserve for self-insurance claims represents an additional amount for estimated claims not accruable for financial reporting purposes (see Note 7). While the ultimate amount of losses incurred through June 30, 1980 is dependent on future developments, based upon information from the City Attorney, outside counsel, service agents and others involved with the administration of the programs, City management believes that the aggregate accrual and reserve is adequate to cover such losses.

NOTE 10 — ALLOCATED EXPENSES:

During fiscal year 1980, the General Fund allocated certain general and administrative expenses to the Enterprise funds as follows:

Water Utility Fund	\$ 190,000
Electric Utility Fund	326,000
Anaheim Municipal Golf Course Fund	30,000
Anaheim Hills Golf Course Fund	38,000
Stadium Fund	230,000
Convention Center Fund	179,000

No allocations of expenses were made to the other funds of the City although General Fund departments provided certain general and administrative services to them.

NOTE 11—TRANSFERS FROM ENTERPRISE FUNDS TO GENERAL FUND:

Transfers from Enterprise funds to the General Fund during fiscal year 1980 consisted of the following:

Water Utility Fund	\$ 306,000
Electric Utility Fund	2,881,000
Stadium Fund	921,000
Convention Center Fund	4,402,000

These amounts represent non-routine transfers of retained earnings in excess of anticipated requirements in these funds. Transfers from the Utility funds are limited by the City Charter to 4% of Utility adjusted gross revenues of the prior year.

NOTE 12—DEFERRED CHARGES—ELECTRIC UTILITY FUND:

The City plans to participate in various power generation projects with other agencies. Deferred charges include \$1,588,000 of unamortized project costs which represent advance payments to participating agencies for ongoing preliminary engineering and environmental impact studies for the related projects. Certain projects to which the City had advanced \$1,734,000 were terminated without benefits accruing to the City. The \$1,734,000 is being amortized to expense over five years, of which \$922,000 remains unamortized at June 30, 1980.

NOTE 13—CONVENTION CENTER FUND:

Tax revenues assigned

The City receives a 6% transient occupancy tax from each licensee operating in the City, which has been assigned to the Convention Center Fund to ensure sufficient funds to make debt service payments. This revenue is recorded directly in the Convention Center Fund although it represents a general revenue of the City.

Visitor and Convention Bureau expense

In July 1969 the City entered into an agreement with the Anaheim Area Visitor and Convention Bureau (a nonprofit corporation) whereby the City agreed to reimburse the Bureau for convention promotion activities in the City. The amount paid by the City each year is limited to the amount appropriated by the City Council.

NOTE 14—DUPLICATING AND PRINTING FUND:

On July 1, 1979, the City established the Duplicating and Printing Fund as an internal service fund to account for duplicating and printing services provided to all City departments. In prior years, this activity was accounted for in the General Fund.

Duplication and printing equipment, previously reflected in the General Fixed Assets account group, was transferred to the Duplicating and Printing Fund as a contribution from the General Fund at net depreciated book value. The expenses of the Duplicating and Printing Fund are charged to the various user funds in proportion to services rendered.

NOTE 15—COMMITMENTS AND CONTINGENCIES:

In fiscal year 1979, the City entered into a 35-year agreement with the Los Angeles Rams Football Company for the purpose of exhibiting National Football League games at the Stadium beginning in fiscal year 1981. The agreement provides for annual rental payments, consisting of a percentage of gate receipts, parking, concession and box suite revenues. The tenant has agreed to reimburse the City for game-day costs and a portion of maintenance expenses.

The City has also entered into a 50-year ground lease with Anaheim Stadium Associates, a general partnership, for the lease of 95 acres of City-owned property surrounding Anaheim Stadium. Anaheim Stadium Associates has announced plans to construct commercial office and retail buildings on the property, with construction commencing during fiscal year 1982, while maintaining the existing parking capacity for the Stadium. The agreement calls for ground rental payments of approximately \$8,000 per acre per year.

The General Fund is contingently liable for rental payments relating to the Stadium and Convention Center facility leases, which range from \$4,314,000 to \$5,923,000 during the next five years. These leases are recorded as liabilities in the Stadium and Convention Center funds (see Notes 3 and 5).

NOTE 16—SUBSEQUENT EVENTS:

On October 10, 1980, the City issued Electric Revenue Bonds, Issue of 1980, in the principal amount of \$84,000,000, for the purpose of acquiring a 1.66% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3, from the Southern California Edison Company. The bonds include: (1) \$30,475,000 of serial bonds which mature through October 1, 1997 with annual principal installments ranging from \$1,250,000 to \$3,425,000; (2) \$16,650,000 of term bonds maturing October 1, 2001 subject to mandatory redemption from October 1, 1998 to October 1, 2001 with annual principal installments ranging from \$3,675,000 to \$4,650,000; and (3) \$36,875,000 of term bonds maturing October 1, 2007 subject to mandatory redemption from October 1, 2002 to October 1, 2007 with annual principal installments ranging from \$5,025,000 to \$7,375,000. The bonds were sold at an aggregate discount of \$6,400,000 resulting in an effective interest rate of 9.173%.

On October 21, 1980, the Community Center Authority issued \$25,655,000 in Series D Revenue Bonds for the purpose of financing costs of the planned expansion of the Anaheim Convention Center. The bonds mature serially to fiscal year 2012 in annual principal installments ranging from \$190,000 to \$2,405,000, and bear interest at an effective rate of 9.823%.



PEOPLE SERVING PEOPLE



Supplemental Information
General Fund

CITY OF ANAHEIM

BALANCE SHEET

GENERAL FUND

JUNE 30, 1980

(In thousands)

ASSETS	1980	1979
Cash and investments	\$ 9,303	\$ 8,095
Accounts receivable, net of allowance for doubtful accounts of \$72 in 1980 and \$103 in 1979	1,313	1,460
Accrued interest receivable	200	189
Due from other funds	628	709
Other assets	84	99
Deposits	676	1,023
Restricted cash and investments	2,065	1,419
	\$14,269	\$12,994
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 1,551	\$ 1,890
Accrued liabilities	5,159	4,625
Deposits	1,419	1,688
Due to other governments	31	33
Due to other funds	91	
Deferred compensation payable	2,065	1,419
Deferred revenue		63
Total liabilities	10,316	9,718
Fund balance:		
Reserved	3,953	3,276
	\$14,269	\$12,994

CITY OF ANAHEIM

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

YEAR ENDED JUNE 30, 1980

(In thousands)

	1980	1979
Revenue:		
Property taxes	\$ 4,288	\$ 3,734
Sales and use taxes	17,482	15,001
Licenses, fees and permits	3,415	2,634
Fines, forfeits and penalties	1,663	1,018
Cigarette taxes	801	903
State subventions	4,314	4,484
County subventions	370	401
Federal subventions	377	444
Other government agencies	103	142
Interest	824	843
Charges for services	7,850	6,802
Other	1,478	1,547
	42,965	37,953
Expenditures:		
General government	3,821	3,842
Nondepartmental	164	3,576
Public safety	23,661	21,028
Public works	17,371	14,007
Parks and recreation	3,796	3,511
Library	1,957	1,667
	50,770	47,631
Excess of expenditures over revenue	(7,805)	(9,678)
Other financing sources (uses):		
Operating transfers in	674	1,140
Operating transfers out	(730)	(354)
	(56)	786
Excess of expenditures and other uses over revenue and other sources	(7,861)	(8,892)
Fund balance at beginning of year	3,276	5,573
Transfers from other funds	8,538	6,595
Fund balance at end of year	\$ 3,953	\$ 3,276



PEOPLE SERVING PEOPLE

Special Revenue Funds

CITY OF ANAHEIM

COMBINING BALANCE SHEET ALL SPECIAL REVENUE FUNDS

JUNE 30, 1980

(In thousands)

	Gas Tax	Compre- hensive Employment and Training Act	Community Develop- ment Block Grant	Federal Revenue Sharing	Parksites and Playground	Sewer Construction and Maintenance	Miscel- laneous Grants	Total 1980	Total 1979
ASSETS									
Cash and investments	\$ 701	\$ 32		\$ 551	\$ 11	\$1,462	\$323	\$3,080	\$3,148
Accounts receivable	859	757		545	23		47	2,231	1,556
Accrued interest receivable	29			30		33	7	99	43
Deposits		29						29	217
Restricted cash and investments			\$291		64			355	329
	\$1,589	\$818	\$291	\$1,126	\$ 98	\$1,495	\$377	\$5,794	\$5,293
LIABILITIES AND FUND BALANCES									
Accounts payable	\$ 93	\$173	\$105		\$ 54		\$ 2	\$ 427	\$ 920
Accrued liabilities	23	70	100		4	\$ 9	2	208	145
Deferred revenue		575			49			624	568
Total liabilities	116	818	205		107	9	4	1,259	1,633
Fund balances (deficit):									
Reserved	306		76		173	55		610	1,696
Unreserved	1,167		10	\$1,126	(182)	1,431	373	3,925	1,964
Total fund balances (deficit)	1,473		86	1,126	(9)	1,486	373	4,535	3,660
	\$1,589	\$818	\$291	\$1,126	\$ 98	\$1,495	\$377	\$5,794	\$5,293

CITY OF ANAHEIM

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)

ALL SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 1980

(In thousands)

	Gas Tax	Comprehensive Employment and Training Act	Community Development Block Grant	Federal Revenue Sharing	Parksites and Play- ground	Sewer Construction and Maintenance	Miscel- laneous Grants	Total	
								1980	1979
Revenue:									
Intergovernmental revenue	\$3,004	\$4,229	\$3,045	\$2,226	\$ 341		\$157	\$13,002	\$12,054
Developers fees					247	\$ 171	1	419	544
Charges for services	7							7	34
Interest and rentals	135		23	177		184	42	561	410
Other	166		10	6	363	45		590	345
	3,312	4,229	3,078	2,409	951	400	200	14,579	13,387
Expenditures:									
General government		3,431	3					3,434	3,050
Nondepartmental		196	2,263	9			25	2,493	1,595
Public safety		113	36				38	187	448
Public works	2,341	225	650	170	15	201	49	3,651	5,192
Culture and recreation		264	81		953		40	1,338	1,682
	2,341	4,229	3,033	179	968	201	152	11,103	11,967
Excess of revenue over (under) expenditures	971		45	2,230	(17)	199	48	3,476	1,420
Other financing sources (uses):									
Operating transfers in (out), net	(374)			(2,407)	180			(2,601)	(3,372)
Excess of revenue and other sources over (under) expendi- tures and other uses	597		45	(177)	163	199	48	875	(1,952)
Fund balances (deficit) at beginning of year	876		41	1,303	(172)	1,287	325	3,660	5,612
Fund balances (deficit) at end of year	\$1,473		\$ 86	\$1,126	(\$ 9)	\$1,486	\$373	\$ 4,535	\$ 3,660

CITY OF ANAHEIM

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) BUDGET AND ACTUAL MAJOR SPECIAL REVENUE FUNDS YEAR ENDED JUNE 30, 1980 (In thousands)

	Gas Tax			Comprehensive Employment and Training Act			Community Development Block Grant		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenue:									
Intergovernmental revenue	\$5,116	\$3,004	(\$2,112)	\$5,595	\$4,229	(\$1,366)	\$1,889	\$3,045	\$1,156
Charges for services		7	7					23	23
Interest and rentals	215	135	(80)					10	10
Other		166	166						
	5,331	3,312	(2,019)	5,595	4,229	(1,366)	1,889	3,078	1,189
Expenditures:									
General government				3,551	3,431	120	12	3	9
Nondepartmental				423	196	227	2,236	2,263	(27)
Public safety				156	113	43		36	(36)
Public works	6,050	2,341	3,709	461	225	236	928	650	278
Culture and recreation				552	264	288	100	81	19
	6,050	2,341	3,709	5,143	4,229	914	3,276	3,033	243
Excess of revenue over (under) expenditures	(719)	971	1,690	452		(452)	(1,387)	45	1,432
Other financing sources (uses):									
Operating transfers in (out)	(674)	(374)	300	(488)		488			
Excess of revenue and other sources over (under) expenditures and other uses	(1,393)	597	1,990	(36)		36	(1,387)	45	1,432
Fund balances at beginning of year	876	876					41	41	
Fund balances (deficits) at end of year	(\$ 517)	\$1,473	\$1,990	(\$ 36)		\$ 36	(\$1,346)	\$ 86	\$1,432

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PEOPLE SERVING PEOPLE



CITY OF ANAHEIM

**BALANCE SHEET
DEBT SERVICE FUND**

JUNE 30, 1980

(In thousands)

	1980	1979
ASSETS		
Cash and investments	\$545	\$434
Accounts receivable	24	12
Accrued interest receivable	10	
	<u>\$579</u>	<u>\$446</u>
FUND BALANCE		
Fund balance	<u>\$579</u>	<u>\$446</u>

CITY OF ANAHEIM

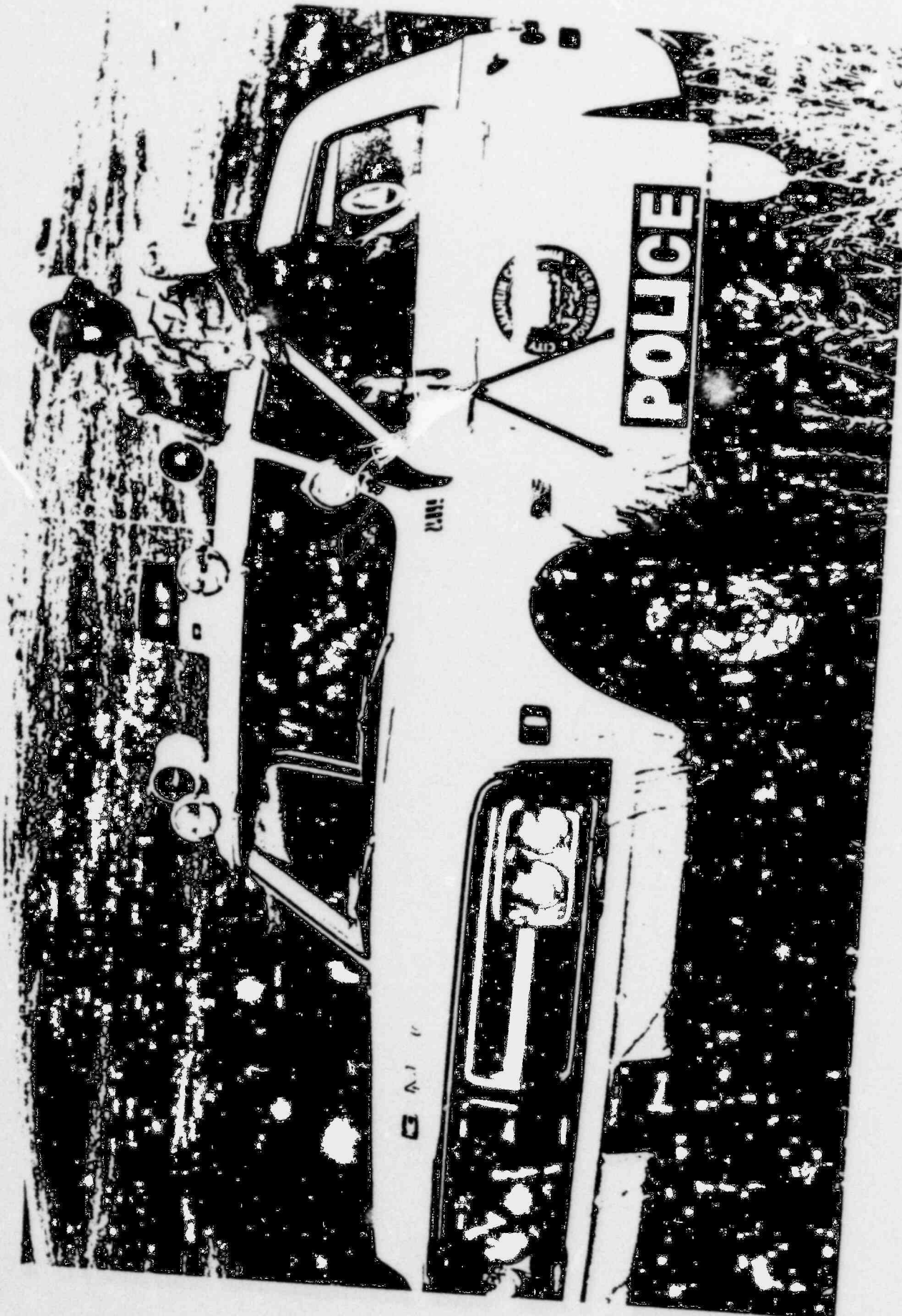
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

DEBT SERVICE FUND

YEAR ENDED JUNE 30, 1980

(In thousands)

	1980	1979
Revenue:		
General property taxes	\$1,256	\$1,453
Interest	52	
	1,308	1,453
Expenditures:		
Redemption of serial bonds	1,050	1,045
Interest on bonds	123	159
Administrative charges	2	2
	1,175	1,206
Excess of revenue over expenditures	133	247
Fund balance at beginning of year	446	199
Fund balance at end of year	\$ 579	\$ 446



PEOPLE SERVING PEOPLE

CITY OF ANAHEIM

**COMBINING BALANCE SHEET
ALL CAPITAL PROJECTS FUNDS**

JUNE 30, 1980

(In thousands)

	Neighborhood Center	Civic Center Construction	Redevelopment Area Projects	Other Capital Improvements	1980	Total 1979
ASSETS						
Cash and investments		\$2,714		\$2,278	\$4,992	\$8,668
Accounts receivable, net			\$2,017		2,017	
Accrued interest receivable		62		33	95	245
		\$2,776	\$2,017	\$2,311	\$7,104	\$8,913
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 19	\$ 75	\$ 797	\$ 21	\$ 912	\$1,909
Accrued liabilities	20	1,211	1,319	4	2,554	4
Deferred revenues			291		291	1,334
Total liabilities	39	1,286	2,407	25	3,757	3,247
Fund balances (deficits)	(39)	1,490	(390)	2,286	3,347	5,666
		\$2,776	\$2,017	\$2,311	\$7,104	\$8,913

CITY OF ANAHEIM

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)

ALL CAPITAL PROJECTS FUNDS

JUNE 30, 1980

(In thousands)

	Neighborhood Center	Civic Center Construction	Redevelopment Area Projects	Other Capital Improvements	Total	
					1980	1979
Revenue:						
Intergovernmental revenue	\$ 530		\$7,523	\$1,070	\$9,123	\$5,515
Interest		\$ 341		214	555	279
Other		5	6	210	221	
	530	346	7,529	1,494	9,899	5,794
Expenditures:						
General government				7	7	
Non-departmental				165	165	
Public safety				101	101	
Public works	569	5,547	7,792	265	14,173	10,927
Culture and recreation				179	179	
	569	5,547	7,792	717	14,625	10,927
Excess of revenue over (under) expenditures	(39)	(5,201)	(263)	777	(4,726)	(5,133)
Other financing sources:						
Operating transfers in		2,407			2,407	2,331
Excess of revenue and other sources over (under) expenditures	(39)	(2,794)	(263)	777	(2,319)	(2,802)
Fund balances (deficit) at beginning of year		4,284	(127)	1,509	5,666	8,468
Fund balances (deficits) at end of year	(\$ 39)	\$1,490	(\$ 390)	\$2,286	\$3,347	\$5,666



PEOPLE SERVING PEOPLE

CITY OF ANAHEIM

COMBINING BALANCE SHEET

ALL INTERNAL SERVICE FUNDS

JUNE 30, 1980

(In thousands)

	Duplicating and Printing	Data Processing	Equipment Supply	Total 1980	1979
ASSETS					
Current assets:					
Cash and investments	\$ 20	\$ 2		\$ 22	\$ 304
Accounts receivable		67		67	7
Inventory			\$ 125	125	
Deposits		4		4	4
Total current assets	20	73	125	218	315
Equipment	54	1,351	5,858	7,263	6,568
Less accumulated depreciation	(5)	(527)	(2,133)	(2,665)	(2,081)
Net equipment	49	824	3,725	4,598	4,487
	\$ 69	\$ 897	\$3,850	\$4,816	\$4,802
LIABILITIES AND FUND EQUITY					
Current liabilities:					
Accounts payable	\$ 28	\$ 45	\$ 183	\$ 256	\$ 251
Accrued liabilities	3	21	693	717	28
Due to other funds			453	453	528
Current liabilities	31	66	1,329	1,426	807
Fund equity:					
Contributions from other funds	71	530	3,228	3,829	3,832
Retained earnings (deficits)	(33)	301	(707)	(439)	163
Total fund equity	38	831	2,521	3,390	3,995
	\$ 69	\$ 897	\$3,850	\$4,816	\$4,802

CITY OF ANAHEIM

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICITS)

ALL INTERNAL SERVICE FUNDS

JUNE 30, 1980

(In thousands)

	Duplicating and Printing	Data Processing	Equipment Supply	Total 1980	1979
Operating revenue:					
Billings to City departments	\$ 387	\$1,149	\$3,507	\$5,043	\$3,956
Billings to other governments		647		647	593
Other	2	2	148	152	56
	389	1,798	3,655	5,842	4,605
Operating expenses:					
Salaries and wages	116	1,114	1,095	2,325	1,863
Maintenance and operations	245	906	1,990	3,141	1,880
Depreciation	5	147	1,061	1,213	718
Interest	6	64	39	109	50
	372	2,231	4,185	6,788	4,511
Operating income (loss)	17	(433)	(530)	(946)	94
Operating transfers in		250		250	283
Net income (loss)	17	(183)	(530)	(696)	377
Retained earnings (deficit) at beginning of year		340	(177)	163	(214)
Transfers (to) from other funds	(50)	144		94	
Retained earnings (deficits) at end of year	(\$ 33)	\$ 301	(\$ 707)	(\$ 439)	\$ 163

CITY OF ANAHEIM

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

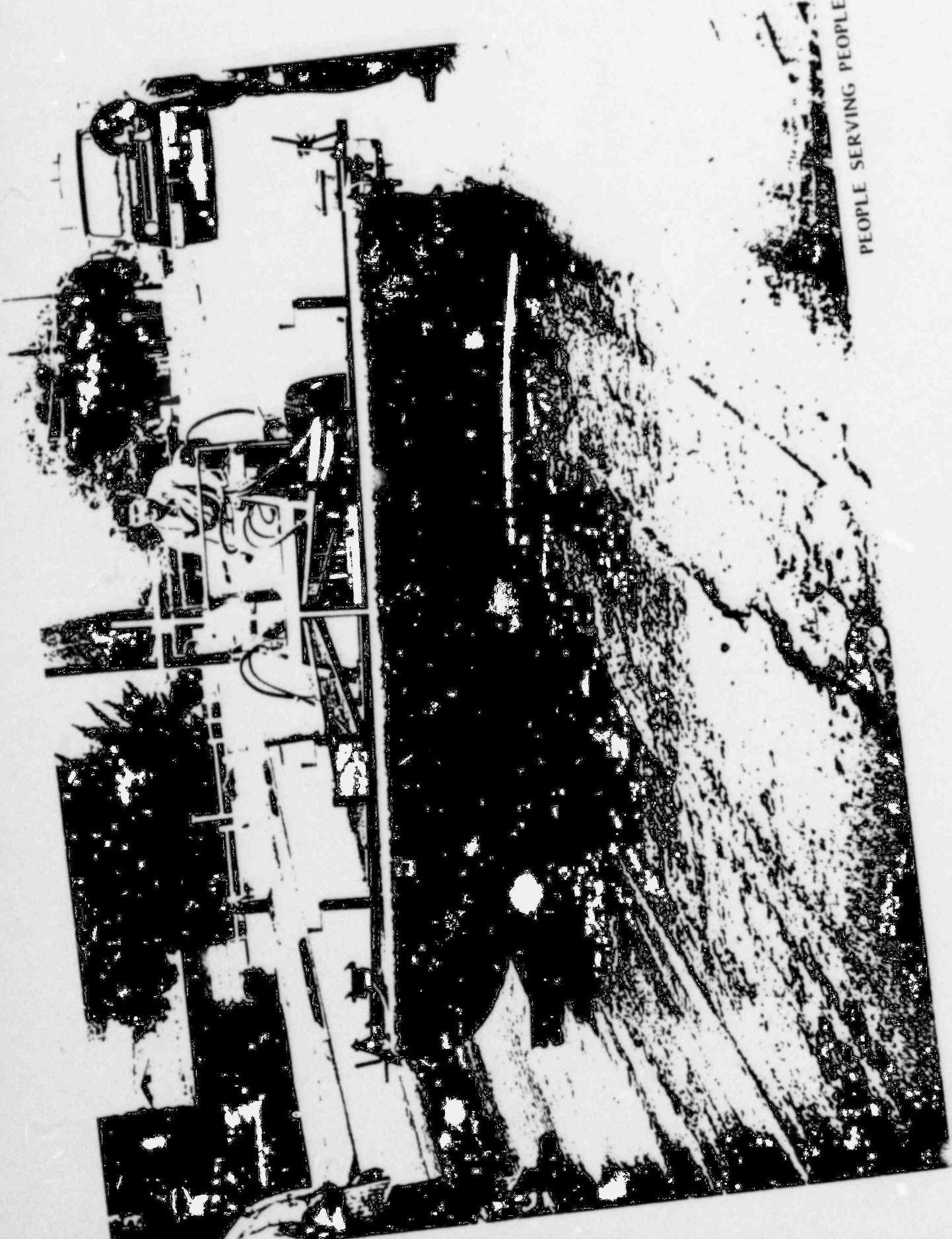
ALL INTERNAL SERVICE FUNDS

JUNE 30, 1980

(In thousands)

	Duplicating and Printing	Data Processing	Equipment Supply	Total	
				1980	1979
Financial resources were provided by:					
Operations—					
Net income (loss)	\$ 17	(\$ 183)	(\$ 530)	(\$ 696)	\$ 377
Items not requiring (providing) working capital:					
Depreciation	5	147	1,061	1,213	718
Gain on sale of equipment			(92)	(92)	
Working capital provided (used) by operations	22	(36)	439	425	1,095
Disposal of equipment			142	142	
Contributions from other funds	71		132	203	
Transfers from other funds		144		144	
	93	108	713	914	1,095
Financial resources were used for:					
Additions to equipment	54		1,320	1,374	864
Decrease in contributions		206		206	200
Transfers to other funds	50			50	
	104	206	1,320	1,630	1,064
Increase (decrease) in working capital	(\$ 11)	(\$ 98)	(\$ 607)	(\$ 716)	\$ 31
Increase (decrease) in working capital by components:					
Cash and investments	\$ 20	(\$ 194)	(\$ 108)	(\$ 282)	(\$ 56)
Accounts receivable		60		60	7
Inventories			125	125	
Deposits					(3)
Accounts payable	(28)	43	(20)	(5)	71
Accrued liabilities	(3)	(7)	(679)	(689)	2
Due to other funds			75	75	10
Increase (decrease) in working capital	(\$ 11)	(\$ 98)	(\$ 607)	(\$ 716)	\$ 31

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PEOPLE SERVING PEOPLE

Trust and Agency Funds



CITY OF ANAHEIM

COMBINING BALANCE SHEET ALL TRUST AND AGENCY FUNDS

JUNE 30, 1980

(In thousands)

	Agency Funds		Non-Expendable Trust Fund	Total	
	Anaheim Housing Authority	Anaheim Redevelopment Agency	Museum and Library	1980	1979
ASSETS					
Cash and investments	\$209	\$7,301	\$43	\$7,553	\$8,538
LIABILITIES AND FUND BALANCES					
Due to other governments	\$209	\$7,301		\$7,510	\$8,493
Fund balances:					
Reserved			\$22	22	22
Unreserved			21	21	23
Total fund balances			43	43	45
	\$209	\$7,301	\$43	\$7,553	\$8,538

CITY OF ANAHEIM

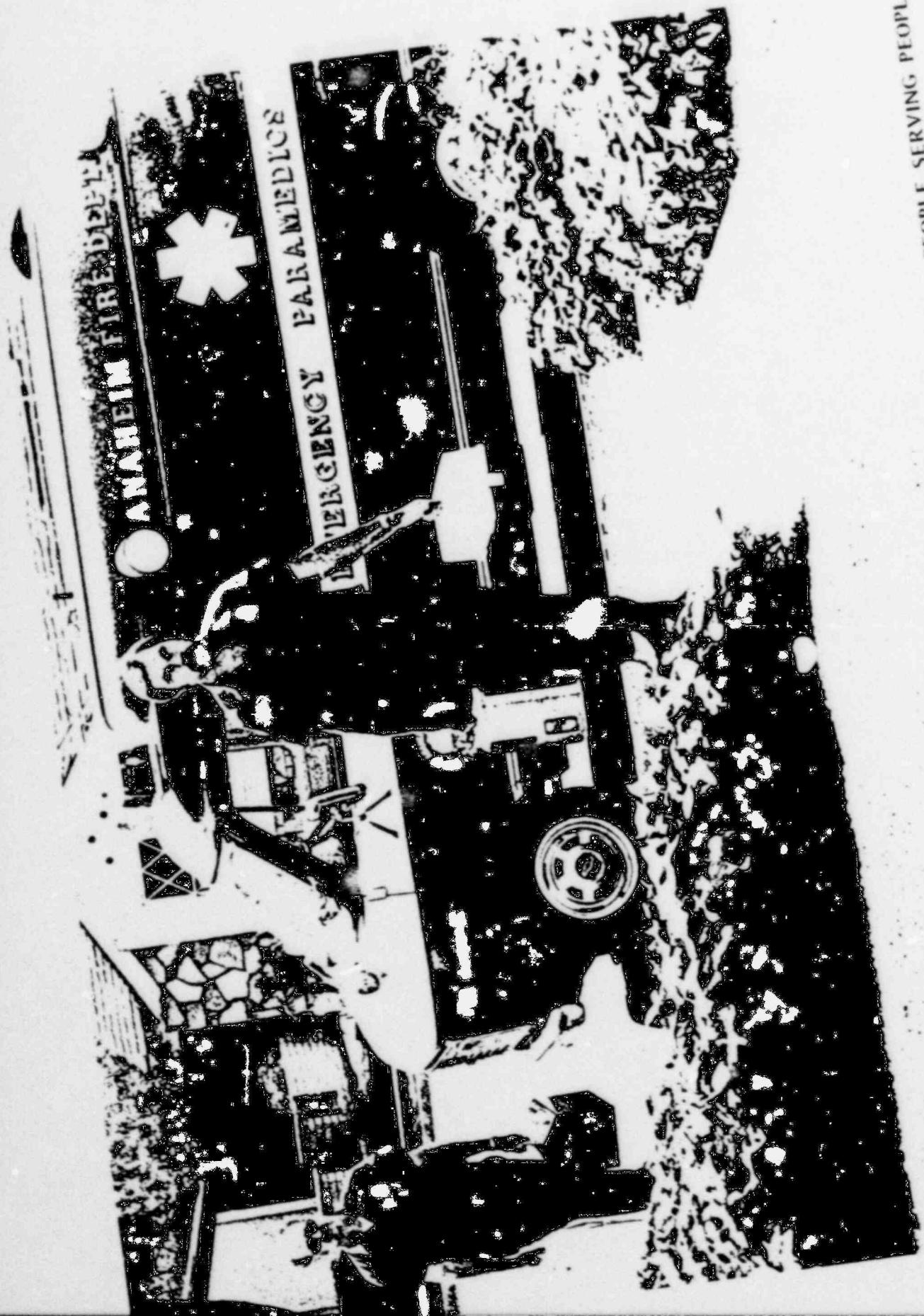
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

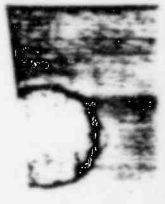
YEAR ENDED JUNE 30, 1980

(In thousands)

	Balance July 1, 1979	Additions	Deductions	Balance June 30, 1980
Anaheim Housing Authority				
ASSETS				
Cash and investments	\$ 279	\$ 1,127	\$ 1,197	\$ 209
LIABILITIES				
Due to other governments	\$ 279	\$ 1,127	\$ 1,197	\$ 209
Anaheim Redevelopment Agency				
ASSETS				
Cash and investments	\$8,214	\$12,794	\$13,707	\$7,301
LIABILITIES				
Due to other governments	\$8,214	\$12,794	\$13,707	\$7,301
Total—All Agency Funds				
ASSETS				
Cash and investments	\$8,493	\$13,921	\$14,904	\$7,510
LIABILITIES				
Due to other governments	\$8,493	\$13,921	\$14,904	\$7,510



PEOPLE SERVING PEOPLE



CITY OF ANAHEIM

STATEMENT OF GENERAL FIXED ASSETS

JUNE 30, 1980

(In thousands)

	1980	1979
General fixed assets:		
Land	\$11,654	\$10,565
Buildings	7,493	7,439
Improvements other than buildings	12,535	11,871
Equipment	4,117	3,454
	<u>\$35,799</u>	<u>\$33,329</u>
Investment in general fixed assets	<u>\$35,799</u>	<u>\$33,329</u>

CITY OF ANAHEIM

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

YEAR ENDED JUNE 30, 1980

(In thousands)

	Land	Buildings	Improvements Other Than Buildings	Equipment	Total
Balance at July 1, 1979	\$10,565	\$7,439	\$11,871	\$3,454	\$33,329
Additions:					
Acquisitions	1,411	185	820	862	3,278
Deletions:					
Retirements	322	131	156	38	647
Transfers to Internal Service funds				161	161
Total deletions	322	131	156	199	808
Balance at June 30, 1980	\$11,654	\$7,493	\$12,535	\$4,117	\$35,799

CITY OF ANAHEIM

STATEMENT OF GENERAL LONG-TERM DEBT

JUNE 30, 1980

(In thousands)

	1980	1979
AMOUNTS AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG-TERM DEBT		
General obligation bonds:		
Amount available in Debt Service Fund	\$ 579	\$ 446
Amount to be provided	2,266	3,449
Total general obligation bonds	2,845	3,895
Other general obligation debt:		
Amount available in Parksites and Playground Fund	64	117
Amount to be provided	1,736	1,229
Total other general obligation debt	1,800	1,346
	\$4,645	\$5,241
 GENERAL LONG-TERM DEBT PAYABLE		
General obligation bonds payable	\$2,845	\$3,895
Other general obligation debt payable:		
Capitalized equipment leases payable	546	646
Land purchase contracts payable:		
Parksites and playground land	60	117
Golf course and parksite land	550	583
Other lease-purchase agreements	644	
Total other general obligation debt payable	1,800	1,346
	\$4,645	\$5,241

CITY OF ANAHEIM

STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT YEAR ENDED JUNE 30, 1980

(In thousands)

	Balance At July 1, 1979	Issuance of Debt	Debt Retirement	Debt Service Fund Operations	Balance At June 30, 1980
AMOUNTS AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG-TERM DEBT					
General obligation bonds:					
Amount available in Debt Service Fund	\$ 446			\$133	\$ 579
Amount to be provided	3,449		(\$1,050)	(133)	2,266
Total general obligation bonds	3,895		(1,050)		2,845
Other general obligation debt:					
Amount available in Parksites and Playground Fund	117		(53)		64
Amount to be provided	1,229	\$ 781	(274)		1,736
Total other general obligation debt	1,346	781	(327)		1,800
	\$5,241	\$781	(\$1,377)		\$4,645
GENERAL LONG-TERM DEBT PAYABLE					
General obligation bonds payable	\$3,895		(\$1,050)		\$2,845
Other general obligation debt payable:					
Capitalized equipment leases payable	646	\$137	(237)		546
Land purchase contracts payable:					
Parksites and playground land	117		(57)		60
Golf course and parksite land	583		(33)		550
Other lease-purchase agreements		644			644
	1,346	781	(327)		1,800
Total other general obligation debt payable	\$5,241	\$ 781	(\$1,377)		\$4,645

CITY OF ANAHEIM
COMBINED SCHEDULE OF INVESTMENTS — ALL FUNDS
JUNE 30, 1980

Description	Interest Rates	Amount
Time Certificates of Deposit	8.00% to 17.50%	\$9,925,000
Bankers Acceptance Notes, Foreign	8.40% to 18.10%	9,534,615
Negotiable Certificates of Deposit	9.70% to 12.00%	6,010,578
U.S. Treasury Notes	8.875% to 15.00%	5,477,516
Federal Farm Credit Bank Notes	9.10% to 15.35%	5,000,000
Federal National Mortgage Association	8.40% to 11.70%	3,981,521
Government National Mortgage Association	8.75% to 9.50%	3,909,701
Federal Home Loan Banks	9.55% to 10.45%	2,986,753
Reverse Repurchase Agreements	16.45%	(2,890,333)
U.S. Treasury Bills	6.88% to 14.08%	2,800,718
Bankers Acceptance Notes, Domestic	8.20% to 9.15%	1,982,340
Federal Home Loan Bank Discount Notes	14.125%	897,986
Federal Land Bank Bonds	8.85%	499,955
Passbook Savings Account	5.25%	412
Total investments		50,116,762
Cash invested by fiscal agents and in banks, less warrants outstanding		23,322,238
Total cash and investments		<u>\$73,439,000</u>

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CITY OF ANAHEIM

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 1980

Name of Company	Policy Number	Expiration Date	Type of Coverage	Liability Limits
Property				
Mission Insurance Co.	MS 014109	January 1, 1981	All Risk, including earthquake and rental on Stadium and Convention Center	\$15M Deductible — 10% Earthquake \$100,000 all other
American Protection Insurance through Kemper Group	OZF 003353	January 1, 1983	Fire and Extended Coverage	\$137,681,990 excess \$15M
American Protection Insurance through Kemper Group	OZF 003355	January 1, 1983	Rental and Earthquake on Stadium and Convention Center	\$10M part of \$15M excess \$15M Deductible — 10% Earthquake \$100 all other
Allianz Insurance Co.	IMS 011060	January 1, 1983	Rental and Earthquake on Stadium and Convention Center	\$5M part of \$15M excess \$15M
Appalachian Insurance Company	C4603	February 14, 1981	All risk on personal property data processing hardware, software and extra expense	\$2,250,000 on equipment \$340,000 extra expense Deductible—\$100,000
Bonds				
Firemen's Insurance Co. of Newark, New Jersey	2104206	November 22, 1981	Public Official Bond (Director of Finance)	\$100,000
Firemen's Insurance Co. of Newark, New Jersey	2104207	November 22, 1981	Public Official Bond (City Treasurer)	\$100,000
Continental Insurance Co.	2104301	December 20, 1980	Employee's Blanket Bond Honesty; covers sharing agreement with County of Orange	\$2,500
Continental Insurance Co.	2104208	November 22, 1981	Employees' Blanket Bond Honesty and Faithful Performance	\$100,000 faithful \$100,000 honesty
Continental Insurance Co.	2104209	November 22, 1981	Employees' Blanket Bond Honesty only	\$900,000
Worker's Compensation Argonaut Insurance Co.	CC 20375100272	October 1, 1980	CETA Employees Only	Statutory
Employers Reinsurance	C 21991	November 1, 1980	CITY Employees	\$2M excess \$500,000 CIR Deductible — \$500,000
Liability				
Admiral Insurance Co.	9CM0835	September 1, 1982	Excess Liability (Public liability, auto and E & O) except dams and aircraft	\$500,000 excess \$500,000 SIR Deductible — \$500,000
Transcontinental	RDX 1773021	September 1, 1980	Excess Liability (Public liability, auto and E & O) except dams and aircraft	\$4M excess \$1M
Transcontinental	RDX 1773022	September 1, 1980	Excess Liability (Public liability, auto and E & O) except dams and aircraft	\$5M excess \$5M
Associated International	AEL 051027	September 1, 1980	Excess Liability (Public liability, auto and E & O) including dams, excluding aircraft	\$8M part of \$10M excess \$10M

(continued)

CITY OF ANAHEIM

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 1980

(continued)

Name of Company	Policy Number	Expiration Date	Type of Coverage	Liability Limits
Allianz	AU5003089	September 1, 1980	Excess Liability (Public liability, auto and E & O) including dams, excluding aircraft	\$2M part of \$10M excess \$10M
Forum Insurance Co.	PO 22091	September 1, 1980	Public Officials E & O	\$1M excess \$10,000 Deductible — \$10,000
Great Atlantic Insurance Co.	PL 0027	July 1, 1981	Law Enforcement Officers Comprehensive liability	\$500,000 CSL
California Union	ZCG 003183	September 1, 1980	Dams and Reservoirs	\$500,000 part of \$1M excess \$25,000 Deductible — \$25,000
INSCO Limited	MLI 1112	September 1, 1980	Dams and Reservoirs	\$200,000 part of \$1M excess \$25,000
Allianz	AD 5004501	September 1, 1980	Dams and Reservoirs	\$300,000 part of \$1M excess \$25,000
California Union	ZCX 003799	September 1, 1980	Dams and Reservoirs	\$3,850,000 part of \$9M excess \$1M
Allianz	AD 5004502	September 1, 1980	Dams and Reservoirs	\$3,200,000 part of \$9M excess \$1M
Pinetop	MLP 102554	September 1, 1980	Dams and Reservoirs	\$750,000 part of \$9M excess \$1M
Insurance of North America	XPL 43462	September 1, 1980	Dams and Reservoirs	\$496,650 part of \$9M excess \$1M
American Universal	AXTPL 6981	September 1, 1980	Dams and Reservoirs	\$234,450 part of \$9M excess \$1M
National Union	1224757	September 1, 1980	Dams and Reservoirs	\$468,900 part of \$9M excess \$1M
National Union through Southeastern Aviation	AV 979 0336	June 15, 1981	Aircraft Liability	\$10M
National Union through Southeastern Aviation	AP 634 6307	June 15, 1981	Police Heliport	\$10M
The Insurance Co. of the State of Pennsylvania — through Southeastern Aviation	AX 635 0308	June 15, 1981	Excess Aircraft and Heliport Liability	\$10M

Source: City Manager's Office

CITY OF ANAHEIM

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

(In thousands)

Fiscal Year	General Government	Non-departmental	Public Safety	Public Works	Culture and Recreation	Debt Service	Total
1970-71	\$2,265	\$1,985	\$ 6,354	\$ 5,635	\$2,491	\$1,769	\$20,499
1971-72	2,466	4,413	6,822	6,290	3,062	1,728	24,781
1972-73	2,957	1,853	9,517	7,627	3,312	1,688	26,954
1973-74	3,261	2,045	10,840	8,261	3,899	1,598	29,904
1974-75	3,777	2,341	13,258	8,894	4,868	1,565	34,703
1975-76	4,157	1,748	14,940	9,718	6,215	1,354	38,132
1976-77	5,322	6,331	16,419	11,897	7,052	1,318	48,339
1977-78	5,671	6,357	19,609	16,201	7,810	1,241	56,889
1978-79	6,892	5,171	21,476	30,126	6,860	1,206	71,731
1979-80	7,262	2,822	23,949	35,195	7,270	1,175	77,673

NOTE: Includes all governmental fund types.

Source: City Finance Department.

GENERAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS

(In thousands)

Fiscal Year	Taxes	Licenses Fees and Permits	Fines Forfeits and Penalties	Inter-governmental Revenue	Charges for Service	Miscellaneous Revenue	Total
1970-71	\$10,866	\$ 142	\$ 364	\$ 4,020	\$1,853	\$1,094	\$18,639
1971-72	11,817	512	350	4,848	1,097	879	19,503
1972-73	13,009	573	397	5,937	2,336	886	23,138
1973-74	14,014	772	474	6,817	2,786	1,542	26,405
1974-75	15,404	601	578	8,311	2,737	1,773	29,404
1975-76	16,892	919	671	11,538	3,037	1,528	34,585
1976-77	18,154	3,657	669	14,594	3,970	688	41,732
1977-78	21,047	3,938	867	26,286	4,542	2,804	59,484
1978-79	20,188	3,178	1,018	23,943	6,836	3,424	58,587
1979-80	23,026	3,834	1,663	28,090	7,857	4,281	68,751

NOTE: Includes all governmental fund types.

Source: City Finance Department.

CITY OF ANAHEIM

ASSESSED AND ESTIMATED ACTUAL VALUES OF ALL CITY PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Common Property	Public Utility	Unsecured Valuation	Total Assessed Valuation	Estimated Full Market Valuation	Percent Increase
1970-71	\$ 427,533,669	\$27,975,480	\$ 66,350,962	\$ 521,860,111	\$2,065,782,000	17%
1971-72	445,324,117	27,386,010	72,664,041	545,374,168	2,166,388,000	5
1972-73	493,884,693	30,041,990	84,172,349	608,099,032	2,423,495,000	12
1973-74	540,798,280	30,994,500	93,682,570	665,475,350	2,661,901,000	10
1974-75	598,245,020	31,998,970	99,637,010	729,881,000	2,919,524,000	10
1975-76	642,440,520	30,092,076	120,583,198	793,115,794	3,172,463,000	9
1976-77	749,555,690	32,405,796	115,598,274	897,559,760	3,590,239,000	13
1977-78	879,301,410	35,510,596	127,462,798	1,042,274,804	4,169,099,000	16
1978-79	903,685,050	37,739,336	146,627,303	1,088,051,689	4,352,207,000	4
1979-80	1,031,446,820	36,319,646	163,125,078	1,230,891,544	4,923,566,000	13

Source: Orange County Assessor's Office.

CURRENT TAX LEVIES AND TAX COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Total Current Levy	Total Current Collection	Percent of Levy Collected
1970-71	5,180,064	4,992,935	96.4%
1971-72	5,418,580	5,336,373	98.5
1972-73	6,049,488	5,900,915	97.5
1973-74	6,115,299	5,879,795	96.1
1974-75	6,642,416	6,359,885	95.7
1975-76	7,378,264	6,934,601	94.0
1976-77	7,751,993	7,482,151	96.5
1977-78	8,384,523	8,232,390	98.2
1978-79	5,359,430	4,952,832	92.4
1979-80	5,799,946	5,439,736	93.8

Source: City Finance Department.

CITY OF ANAHEIM

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

Government	% Applicable	June 30, 1980 Bonded Debt
Orange County	10.525%	\$ 362,060 [†]
Orange County Building Authorities	10.525	2,166,202
Orange County Flood Control	10.525	1,843,980
Metropolitan Water District	2.000	10,137,260
County Sanitation District No. 2 (Various Issues)	34.251-34.270	1,097,821
County Sanitation District No. 3	9.309	454,651
North Orange County Community College District	50.537	1,440,304
Fullerton Community College & Union High School Districts	0.263	12,187
Anaheim Union High School District (Various Issues)	62.847-62.869	16,407,486
Orange Unified School District (Various Issues)	17.699-18.373	3,385,286
Placentia Unified School District (Various Issues)	29.066-30.160	5,554,101
Anaheim School District (Various Issues)	99.493-99.498	1,810,862
Centralia School District (Various Issues)	14.419-14.606	184,107
Magnolia School District	65.675	19,702
Savanna School District	46.583	271,578
Other School Districts	Various	62,864
City of Anaheim	100.	2,845,000
City of Anaheim Building Authorities	100.	71,035,000*
Municipal Water District of Orange County Water Facilities Corp.	11.876	9,429,544
Other Special Districts	Various	36,597
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		\$128,556,592[†]
Less: City of Anaheim water and electric bonds (100% self-supporting)		1,684,915
Water Facilities Corp. (paid from water charges)		9,429,544
Convention Center Bonds (Series A, B & C 100% self-supporting)		26,790,000
Stadium, Inc. (100% self-supporting)		44,245,000
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$ 46,407,133

[†]Excludes share of Orange County lease-purchase obligations.

*Excludes \$25,655,000 Anaheim Community Center Authority Bonds sold October 21, 1980.

[‡]Excludes revenue and tax allocation bonds.

SHARE OF AUTHORIZED AND UNSOLD BONDS:

Metropolitan Water District	\$7,300,000
Placentia Unified School District	\$5,525,447
Centralia School District	\$ 249,449

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 1980: \$31,356,346

Source: California Municipal Statistics, Inc.

CITY OF ANAHEIM

SCHEDULE OF NET DEBT RATIOS

Fiscal Year	Net General Bonded Debt	Ratio to Assessed Valuation	Net Bonded Debt	Net Bonded Debt Per Capita
1977-78	\$2,031,772	0.19%	\$69,228,375	\$338.03
1978-79	1,597,774	0.15	52,487,662	251.74
1979-80	1,160,085	0.09	46,407,133	219.21

Note: Information prior to 1977-78 is not available.

Source: City Finance Department and California Municipal Statistics, Inc.

STATEMENT OF LEGAL DEBT MARGIN

JUNE 30, 1980

Assessed Valuation	\$1,230,891,544
Charter Debt Limit 15% of Assessed Valuation	\$ 184,633,732
Amount of Debt Applicable to Limit	2,845,000
Legal Debt Margin	\$ 181,788,732
Percent of Charter Debt Limit Authorized	1.54%

Source: City Finance Department.

CITY OF ANAHEIM

PROPERTY TAX RATES — ALL OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

Fiscal Year	Basic County, City, School Levy	City	Orange County	School Districts	County Sanitation District	County Flood Control	Metropolitan Water District	Cemetery District	County Harbor District	County Water District	Total
1970-71	—	1.0500	1.7160	6.5633	.4256	.2505	.1700	.0082	.0483	.0800	10.3119
1971-72	—	1.0500	2.0688	6.5185	.4255	.2481	.1700	.0025	.1247	.0800	10.6881
1972-73	—	1.0500	2.1950	6.6102	.4254	.2395	.1500	.0042	.0083	.0800	10.7626
1973-74	—	1.0500	1.7344	6.3384	.4206	.2332	.1400	.0042	.2000	.0700	10.1908
1974-75	—	1.0500	1.6582	6.1420	.3825	.2222	.1400	.0042	.1843	.0700	9.8534
1975-76	—	1.0500	1.6875	6.1294	.3793	.2169	.1300	.0074	.1091	.0700	9.7796
1976-77	—	.9500	1.4854	5.7992	.3467	.1872	.1200	.0048	.1979	.0800	9.1712
1977-78	—	.8800	1.3761	5.8589	.2988	.1888	.2000	.0059	.1659	.0800	9.0544
1978-79	4.0000	.1470	.0032	.5312	.0215	.0171	.1000	—	—	—	4.8200
1979-80	4.0000	.0950	.0028	.4640	.0240	.0146	.1000	—	—	—	4.7004

Source: Orange County Auditor/Controller's Office.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES* LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service to General Expenditures(%)
1970-71	\$1,310,000	\$459,033	\$1,769,033	\$20,499,000	8.6%
1971-72	1,310,000	418,448	1,728,448	24,781,000	7.0
1972-73	1,310,000	377,863	1,687,863	26,954,000	6.3
1973-74	1,260,000	337,840	1,597,840	29,904,000	5.3
1974-75	1,260,000	301,880	1,561,880	34,703,000	4.5
1975-76	1,085,000	265,920	1,350,920	38,132,000	3.5
1976-77	1,085,000	230,398	1,315,398	48,339,000	2.7
1977-78	1,045,000	194,435	1,239,435	56,889,000	2.2
1978-79	1,045,000	159,007	1,204,007	71,731,000	1.7
1979-80	1,050,000	123,580	1,173,580	77,673,000	1.5

*Note: Includes all governmental fund types.

Source: City Finance Department.

CITY OF ANAHEIM

SCHEDULE OF REVENUE BOND COVERAGE WATER UTILITY FUND

	Gross Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1971-72	\$4,883,000	\$1,881,000	\$3,002,000		\$ 51,671	\$ 51,671	58.1
1972-73	4,994,000	2,816,000	2,178,000	\$ 85,000	100,973	185,973	11.7
1973-74	5,926,000	3,330,000	2,596,000	90,000	95,723	185,723	14.0
1974-75	5,903,000	4,092,000	1,811,000	95,000	90,173	185,173	9.8
1975-76	6,914,000	4,961,000	1,953,000	100,000	84,323	184,323	10.6
1976-77	7,691,000	5,317,000	2,374,000	110,000	78,023	188,023	12.6
1977-78	6,113,000	5,282,000	831,000	115,000	71,272	186,272	4.5
1978-79	7,714,000	6,162,000	1,552,000	120,000	65,183	185,183	9.4
1979-80	8,985,000	7,128,000	1,857,000	130,000	59,623	189,623	9.8

Source: City Utilities Department.

SCHEDULE OF REVENUE BOND COVERAGE ELECTRIC UTILITY FUND

	Gross Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements (excluding Subordinated Bonds)			Coverage
				Principal	Interest	Total	
1972-73	\$20,495,000	\$12,327,000	\$ 8,168,000		\$ 324,488	\$ 324,488	25.2
1973-74	30,732,000	19,797,000	10,935,000	\$ 200,000	425,650	625,650	17.5
1974-75	43,999,000	35,871,000	8,128,000	225,000	410,775	635,775	12.8
1975-76	49,293,000	43,215,000	6,078,000	250,000	394,150	644,150	9.4
1976-77	54,666,000	50,305,000	4,361,000	325,000	746,625	1,071,625	4.1
1977-78	65,299,000	56,405,000	8,894,000	350,000	722,250	1,072,250	8.3
1978-79	72,042,000	64,891,000	7,151,000	375,000	697,000	1,072,000	6.7
1979-80	92,554,000	78,231,000	14,323,000	400,000	668,875	1,068,875	13.4

Source: City Utilities Department.

CITY OF ANAHEIM

DEMOGRAPHIC STATISTICS

Year	City of Anaheim		Average Annual Population Percent Change	Orange County Population	City Population Percent of County	Rank in Size of California Cities
	Square Miles	Population				
1900	3.70	1,456		19,696	7.4%	51
1910	3.70	2,628	8.1%	34,436	7.6	66
1920	3.70	5,526	11.0	61,375	9.0	42
1930	3.70	10,995	9.9	118,674	9.3	44
1940	3.70	11,031	—	130,760	8.4	Not Available
1950	4.40	14,556	3.2	216,224	6.7	68
1960	27.34	104,184	61.6	703,925	14.8	12
1970	33.10	166,701	6.0	1,420,386	11.7	8
1973	37.98	186,200	3.9	1,584,259	11.8	8
1974	38.62	187,400	0.6	1,646,314	11.4	8
1975	38.84	191,800	2.3	1,684,462	11.4	8
1976	38.97	196,400	2.4	1,722,100	11.4	8
1977	39.40	200,100	1.9	1,768,000	11.3	8
1978	39.95	204,800	2.3	1,808,200	11.3	8
1979	42.04	208,500	1.8	1,851,000	11.3	8
1980	42.05	211,700	1.5	1,896,200	11.2	8

Source: U.S. Bureau of the Census, California Department of Finance, City Planning Department.

CITY OF ANAHEIM

CONSTRUCTION ACTIVITY LAST TEN FISCAL YEARS

Fiscal Year	Number of Building Permits Issued	Percent Change	Estimated Valuation	Percent Change
1970-71	4,079		\$141,078,552	
1971-72	4,804	18%	87,959,670	(38%)
1972-73	5,533	15	74,556,557	(15)
1973-74	4,787	(13)	113,462,272	52
1974-75	4,593	(4)	78,436,011	(31)
1975-76	6,002	31	148,692,887	90
1976-77	6,279	5	224,385,885	51
1977-78	7,268	16	216,367,949	(4)
1978-79	4,227	(42)	112,161,104	(48)
1979-80	4,270	1	187,893,618	68

Source: Building Inspection Division of City Public Works Department.

PRINCIPAL TAXPAYERS

Taxpayer	Product	Employees	1979-80 Assessed Valuations for Revenue Purposes	Percent of 1979-80 Total Assessed Valuation
Disneyland Amusement Park	Entertainment	6,000	\$34,768,680	2.83%
Rockwell International Corp.	Autonetics	8,000	32,964,640	2.68
Disneyland Hotel	Hotel	1,400	15,061,040	1.22
General Motors Corp. (Delco-Remy Division)	Batteries	475	8,486,370	0.69
Northrop Corporation	Aerospace Electronics	1,800	6,928,555	0.56
Kwikset Division of Emhart Industries	Locksets	1,800	6,674,685	0.54
California Computer Products, Inc.	Computer Peripherals	800	6,109,270	0.50
Interstate Electronics Corp. Division of A-T-O, Inc.	Electronics	1,700	3,560,260	0.29
Monsanto Plastic and Resins Co.	Plastic Containers, Film and Sheeting	350	3,213,520	0.26
			\$117,767,020	9.57%

Source: Orange County Assessor's Office and "Orange County Business," February/March, 1980.

CITY OF ANAHEIM

MISCELLANEOUS STATISTICAL INFORMATION

Founded	—	October 5, 1857
Charter City	—	January 14, 1965
Government	—	Council-Manager Form
Municipal Water Plant	—	51,600,000 Gallons Daily Average Distributed Production 78,200,000 Gallons Maximum Daily Distribution 5,748 Hydrants 93,461 Gallons per Minute; Plant Capacity 624 Miles of Mains 49,083 Customers
Municipal Electric Plant	—	82,571 Customers 1211 Miles of Circuit Line 734,000 KVA Distribution Transformer Capacity Installed
Police Protection	—	1 Station 424 Regular Employees 34 Part-time Employees 62 Crossing Guards and Traffic Controllers
Fire Protection	—	9 Stations 223 Regular Employees 9 Part-time Employees

Source: City Finance and Utilities Departments.

City of Riverside's Answers to
San Onofre Nuclear Generating Station,
Unit Nos. 2 and 3
Docket Nos. STN 50-361 and STN 50-362
Request for Additional Financial Information

Question No. 6:

Describe the nature, amount, ratings and success of each municipal applicant's most recent revenue and general obligation bond sales. Indicate the current total outstanding indebtedness in each category for each entity.

Answer No. 6:

Riverside's most recent issue of Electric Revenue Bonds was its Electric Revenue Bonds, Issue of 1980, in the principal amount of \$80 million and its Electric Refunding Revenue Bonds, Issue of 1980, in the amount of \$9,070,000. Both bond issues are dated as of October 1, 1980. The purposes of these bond issues were, respectively, to provide funds to acquire Riverside's ownership interest in San Onofre Nuclear Generating Station Units 2 and 3 from Southern California Edison Company, to provide funds to pay for certain costs of construction after acquisition of the ownership interest in the generating station and to refund certain previous Electric Revenue Bonds. The total principal amount of Electric Revenue Bonds outstanding as of June 30, 1980 was \$9,410,000. As indicated above, all of the Electric Revenue Bonds previously issued by the City before October 1, 1980 were refunded by the Electric Refunding Revenue Bonds, Issue of 1980. At the present time the total principal amount of outstanding Electric Revenue Bonds and Electric Refunding Revenue Bonds is \$89,070,000. The Electric Revenue Bonds, Issue of 1980, were rated Aa by Moody's Investor Service and A+ by Standard & Poor's. The net interest rate payable by the City on these bonds was 9.47%. The principal amount outstanding as of June 30, 1980 of General Obligation Bonds was \$3,665,000. The last issue of General Obligation Bonds by Riverside was issued in 1968.

Question No. 7:

Provide copies of the official statement for the most recent bond issue. Provide copies of the preliminary statement for any pending security issue.

Answer No. 7:

Attached hereto is a copy of the Official Statement pertaining to the Electric Revenue Bonds, Issue of 1980, of \$80 million which is the most recent issue of Electric Revenue Bonds sold by the City of Riverside. There are no pending security issues.

Question No. 8:

Provide copies of the most recent annual financial report and the most recent interim financial statements for each municipal applicant.

Answer No. 8:

Attached hereto is a copy of the Annual Financial Report for the period ending June 30, 1980. There are no interim financial reports which have been prepared by the City of Riverside for the period after June 30, 1980.

Question No. 9:

Is each participant's percentage ownership share in the facility equal to its percentage entitlement in the electrical capacity and output of the plant? If not, explain the difference(s) and any resultant effect on any participant's obligation to provide its share of operating cost.

Answer No. 9:

Riverside's percentage ownership interest in San Onofre Nuclear Generating Station Units 2 and 3 is 1.79%. Its entitlement to electrical capacity and output of those two units is equal to its percentage ownership interest. Units 2 and 3 will, however, share certain facilities (common facilities) with Unit 1 at San Onofre Nuclear Generating Station, in which Riverside will have no ownership interest. The parties have dealt with this problem by reducing Riverside's ownership interest in common facilities. The fact that Riverside owns a different percentage of the common facilities than it owns of Units 2 and 3 of San Onofre Nuclear Generating Station should have no effect upon Riverside's obligation to provide its share of operating costs.

Question No. 10:

Describe the rate-setting authority of each municipal applicant and how that authority may be used to insure the satisfaction of financial obligations related to both capital and operating costs of the facility. Describe any restrictions on such rate-setting authority and how this may affect the applicant's ability to satisfy its obligations to the project. Describe the nature and amount of each municipal applicant's most recent rate relief action and the anticipated effects on revenues. Indicate the nature and amount of any pending rate relief action(s).

Answer No. 10:

Section 1302(e) of the Charter of the City of Riverside provides that the Board of Public Utilities of the City of Riverside has the power to establish rates for the electric utility owned and operated by the City subject to approval of the City Council. Section 1304 of the Charter of the City of Riverside provides that the revenues of the electric utility shall be kept separate and apart from all other monies of the City in the appropriate revenue fund and shall be used for the purposes of paying operating and maintenance expenses of the utility, for the payment of principal and interest on revenue bonds issued by the City of Riverside to finance additions to its electric utility and for capital expenditures of the electric utility. The Public Utilities Board, thus, is empowered to set electric rates to recover capital and operating costs in its electric rates sufficient to pay its obligations incurred by reason of its ownership interest in San Onofre Nuclear Generating Station Units 2 and 3. Riverside is not aware of any restriction on its ability to satisfy its obligations for its ownership interest in San Onofre Nuclear Generating Station Units 2 and 3.

On January 23, 1981, the Board of Public Utilities established an electric rate increase and on February 3, 1981 the City Council approved the rate increase to be effective on February 3, 1981 on all bills issued on or after March 5, 1981. The

Answer No. 10:
(Continued)

increase was imposed contingent on a wholesale rate increase by Southern California Edison. Southern California Edison has requested a wholesale rate increase to become effective on February 14, 1981. The Federal Energy Regulatory Commission suspended the Edison rate increase for five months to be effective July 16, 1981. The City's rate increase is rescinded and the Board and Council will consider a rate increase at a future date.

The rate increase was designed to increase the electric utilities revenues by approximately \$6.6 million annually.

Question No. 11:

If a membership organization is participating in a joint ownership, explain the contractual arrangement among the members that assures that funds will be available to meet the parties' obligations to the project. Provide copies of the power sales contract.

Answer No. 11:

This question is not applicable because Riverside is financing its own share of the cost of ownership in San Onofre Nuclear Generating Station Units 2 and 3.

Question No. 12:

Describe the applicant's plan for financing its share of the cost of eventual shutdown of the facility and maintenance in a safe shutdown condition.

Answer No. 12:

The City is currently attempting to determine which of several methods it should adopt to finance its share of the cost of eventual shutdown of San Onofre Nuclear Generating Station Units 2 and 3. A principal factor in this determination will be that those electric customers who benefit from use of the Generating Station facilities should also pay the cost of shutdown of the Generating Station. It is also the intention of the City to comply with the regulatory requirements of all governmental authorities having jurisdiction to regulate decommissioning cost recovery.

NEW ISSUE

Interest on the Bonds is exempt, in the opinion of Bond Counsel, from income taxes of the United States of America under present federal income tax laws, and is also exempt from personal income taxes of the State of California under present state income tax laws.

CITY OF RIVERSIDE, CALIFORNIA

\$80,000,000 ELECTRIC REVENUE BONDS, ISSUE OF 1980

\$9,070,000 ELECTRIC REFUNDING REVENUE BONDS, ISSUE OF 1980

Dated: October 1, 1980

Due: October 1, as shown below

Interest is payable semi-annually on April 1 and October 1 in each year, commencing April 1, 1981. The Bonds are issuable as coupon bonds in the denomination of \$5,000 registrable as to principal and interest. Principal, premium, if any, and interest on the Bonds are payable at the offices of the City Treasurer of the City of Riverside, or, at the option of the holder, at any Paying Agent of the City in Los Angeles, San Francisco, Chicago or New York.

The Bonds are subject to redemption prior to maturity, at the option of the City, on or after October 1, 1991, in whole, or in part by complete maturity or maturities as selected by the City Council of the City at its discretion, on any interest payment date at an initial redemption price of 104%, plus accrued interest. The Bonds due October 1, 2013 are also subject to redemption, by lot, in part on October 1, 2004 and on each October 1 thereafter from Mandatory Sinking Account payments at a price of 100% plus accrued interest.

The Bonds are being issued to finance the acquisition of a 1.79% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3, from the Southern California Edison Company, to fund certain reserves, to pay interest on a portion of the Bonds and to refund certain outstanding electric revenue bonds of the City.

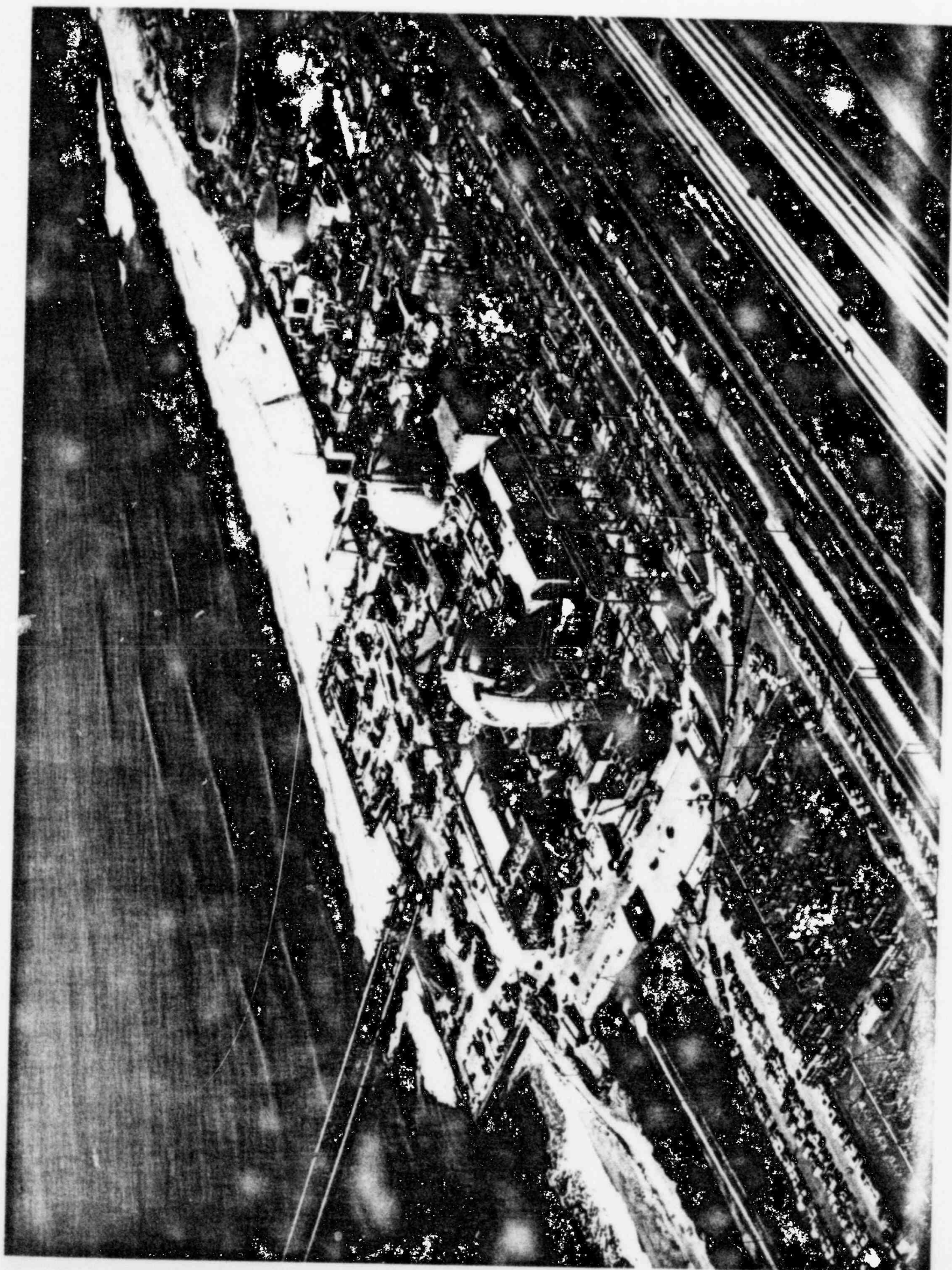
The Bonds are payable solely from the Net Operating Revenues of the Electric System of the City and do not constitute an obligation or evidence indebtedness of the City.

MATURITIES, AMOUNTS, RATES AND YIELDS OR PRICES
(Accrued interest to be added)

Year of Maturity	Principal Amount of Electric Refunding Revenue Bonds	Principal Amount of Electric Revenue Bonds	Rate	Yield or Price	Year of Maturity	Principal Amount of Electric Refunding Revenue Bonds	Principal Amount of Electric Revenue Bonds	Rate	Yield or Price
1981.....	\$450,000	—	10%	6.20%	1993.....	\$470,000	\$ 1,250,000	8 $\frac{1}{4}$ %	100%
1982.....	450,000	—	10	6.40	1994.....	470,000	1,375,000	8.40	100
1983.....	450,000	—	10	6.60	1995.....	470,000	1,500,000	8 $\frac{1}{2}$	8.55
1984.....	455,000	\$ 525,000	10	6.80	1996.....	470,000	1,650,000	8.70	100
1985.....	455,000	575,000	10	7.00	1997.....	300,000	1,800,000	8.80	8.85
1986.....	455,000	650,000	10	7.20	1998.....	300,000	1,950,000	9	100
1987.....	475,000	700,000	10	7.40	1999.....	300,000	2,125,000	9.10	100
1988.....	465,000	775,000	10	7.60	2000.....	300,000	2,325,000	9.10	9.15
1989.....	470,000	850,000	10	7.80	2001.....	220,000	2,525,000	9.20	100
1990.....	470,000	925,000	10	8.00	2002.....	130,000	2,750,000	9 $\frac{1}{4}$	100
1991.....	470,000	1,025,000	10	8.10	2003.....	125,000	3,000,000	9 $\frac{1}{4}$	9.30
1992.....	470,000	1,125,000	8.10	100					

\$50,600,000 9.70% Term Bonds Due October 1, 2013 at 100%

The Bonds are offered when, as, and if issued and received by the Underwriters, and subject to the approval of legality by O'Melveny & Myers, Los Angeles, California. It is expected that the Bonds in definitive form will be ready for delivery in Los Angeles, California on October 30, 1980.



SAN ONOFRE NUCLEAR GENERATING STATION

CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Albert C. Brown, *Mayor*

Robert A. Buster

Robert E. Bowers

Sam Digati

Terry Frizzel

Ronald O. Loveridge

Jean Mansfield

Edwin Shepard

BOARD OF PUBLIC UTILITIES

Edward J. Campbell, *Chairman*

Lester G. Heustis

Tony M. Esquibel

Glenn W. Pratt

Joseph L. Renck

CITY OFFICIALS

Douglas G. Weiford, *City Manager*

Alice Hare, *City Clerk*

Harold E. Brewer, *Finance Director
and City Treasurer*

Everett C. Ross, *Public Utilities Director*

John Woodhead, *City Attorney*

BOND COUNSEL

O'Melveny & Myers

SPECIAL COUNSEL

Alan R. Watts

CONSULTING ENGINEER

R. W. Beck and Associates

FINANCIAL ADVISOR

James J. Lowrey & Co. Incorporated

No dealer, broker, salesman or other person has been authorized by the City of Riverside or the Public Utilities Department or by the underwriters to give any information or to make any representations, other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.

The information set forth herein has been furnished by the City of Riverside, the Public Utilities Department and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the financial advisor or by any underwriter. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Riverside or the City's Electric System since the date hereof.

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**Official Statement
of the
CITY OF RIVERSIDE, CALIFORNIA
Relating to its
\$80,000,000 Electric Revenue Bonds, Issue of 1980
\$9,070,000 Electric Refunding Revenue Bonds, Issue of 1980**

INTRODUCTION

The Official Statement, including the Appendices hereto, is provided to furnish information in connection with the public sale by the City of Riverside, California (the "City") of \$80,000,000 aggregate principal amount of Electric Revenue Bonds, Issue of 1980 (the "1980 Bonds") and \$9,070,000 aggregate principal amount of Electric Refunding Revenue Bonds, Issue of 1980 (the "Refunding Bonds") (herein collectively referred to as the "Bonds"). The Bonds were authorized by two resolutions of the City Council (herein collectively referred to as the "Resolutions") adopted on July 29, 1980 and thereafter amended, all in accordance with the provisions of the City Charter.

The 1980 Bonds are being issued to acquire a 1.79% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3 (the "Project"), from the Southern California Edison Company ("Edison"), and the Refunding Bonds are being issued to refund the City's \$8,960,000 outstanding principal amount of Electric Revenue Bonds, Issues of 1966, 1969, 1971 and 1973 (the "Existing Bonds"). Of the two resolutions passed by the City Council, one resolution provides for the issuance of the 1980 Bonds to acquire the ownership interest in the Project and the other resolution provides for the issuance of the Refunding Bonds to refund the Existing Bonds. All Bonds are equally secured as described in this Official Statement.

The Project is currently owned by Edison and San Diego Gas and Electric Company ("San Diego"). Edison has been designated as project manager and operator. The City proposes to purchase its share of the Project from Edison. Edison has signed, and the City, upon delivery of the Bonds, will sign, the Participation Agreement, which provides, among other things, for the City to own its share of the Project and certain common facilities, for the City to pay Edison for the 1.79% ownership share and for Edison to construct, operate and maintain the Project on its behalf and on behalf of the other owners of the Project. The City has signed an Integrated Operations Agreement and, upon delivery of the 1980 Bonds, will sign a Supplemental Agreement with Edison, which agreements provide, among other things, integration of Project power and future City generating resources with those of Edison for operation, including the scheduling and dispatching of power from the City's ownership share of the Project with the scheduling and dispatching of output from Edison's other generating resources. Under the agreements, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's own generating resources and will credit the City on its monthly billing statements for the power and energy generated by the City's own generating resources that are integrated with the operation of the Edison resources. Summaries of the Participation Agreement, the Transmission Service Agreement, the Integrated Operations Agreement and the Supplemental Agreement (all terms hereinafter defined) are attached hereto as Exhibits B, C, D and E, respectively.

It is estimated that proceeds of the 1980 Bonds will be allocated as follows: (i) \$54,833,000 to the Construction Fund which, together with investment income thereon, will be used to pay the City's proportionate share of the cost of the Project; (ii) \$16,455,000 to the Bond Service Account to pay interest on 100% of the 1980 Bonds until June 1, 1982 and on 50% of the 1980 Bonds until August 1, 1983; (iii) \$8,212,000, the maximum amount of annual debt service on the 1980 Bonds, to the Reserve

Account and (iv) \$500,000 to allow for certain costs of issuance, and that the proceeds of the Refunding Bonds will be allocated as follows: (i) \$8,861,000 to the Escrow Fund to provide for the payment of the principal, interest and redemption premium on the Existing Bonds; (ii) \$50,000 to allow for certain costs of issuance and (iii) \$159,000 to the Construction Fund. (See "Application of Bond Proceeds.")

The Bonds are payable solely from the Net Operating Revenues of the electric public utility system of the City (the "Electric System") and other available funds pledged under the Resolutions. The Bonds do not constitute an obligation nor evidence a general obligation indebtedness of the City and neither the full faith and credit nor the taxing power of the City is pledged to their payment.

Brief descriptions of the Bonds, the security therefor and the Electric System, and summaries of the Resolutions are included elsewhere in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bonds, the Resolutions and any other documents are qualified in their entirety by reference thereto. Terms not defined herein shall have the meanings as set forth in the respective documents.

THE CITY'S PUBLIC UTILITIES DEPARTMENT

General Description

Under the provisions of the California Constitution, Article XIII of the Charter of the City, the City owns and operates both electrical and water public utility services for its citizens. The Department of Public Utilities (the "Department") exercises jurisdiction over the electric and water utilities owned, controlled, and operated by the City. The Department is under the management and control of the City Manager, subject to the powers and duties vested in the Board of Public Utilities, and is supervised by the Public Utilities Director who is responsible for design, construction, maintenance and operation of the electric and water utilities.

Management of the Public Utilities Department

EVERETT C. ROSS — Appointed Director of the Department in 1958 following two years' service as Assistant Manager of the Department. Received a Bachelor of Science in Electrical Engineering in 1947 from Stanford University. Registered electrical engineer in the State of California. Senior member of the Institute of Electrical and Electronic Engineers. Member of the American Water Works Association. Past Chairman of California Regional Water Quality Control Board, Santa Ana Region. Member of the Board of Governors and Past President, California Municipal Utilities Association.

The Electric System's offices are located at Riverside City Hall, 3900 Main Street, Riverside, California 92522. For additional information contact Mr. John K. Eide, Utilities Administrative Officer, at (714) 787-7504.

The Board of Public Utilities (the "Board"), created by Article XIII, Section 1301 of the City Charter, consists of five members appointed by the City Council. As set forth in said Article XIII, the Board, among other things, has the power and obligation to: (1) consider the annual budget for the Department during the process of its preparation and make recommendations with respect thereto to the City Council and the City Manager, (2) within the limits of the budget of the Department, authorize and purchase of equipment, materials or supplies exceeding the sum of \$2,000, and authorize the acquisition, construction, improvement, extension, enlargement, diminution, or curtailment of all or any part of any public utility system, and no such purchase, acquisition, construction, improvement, extension, enlargement, diminution or curtailment shall be made without such authorization, (3) within the limits of the budget of the Department, make appropriations from the contingency reserve fund for capital expenditures directly related to the appropriate utility function, (4) require of the City Manager monthly reports of receipts and expenditures of the Department, segregated as to each separate utility, and monthly statements of the general condition of the Department and its facilities, (5) establish rates for water and electric revenue producing

utilities owned, controlled, or operated by the City, but subject to the approval of the City Council, (6) approve or disapprove the appointment of the Director, who shall be the department head, (7) designate its own secretary, (8) make such reports and recommendations to the City Council regarding the Department as it shall deem advisable, (9) recommend to the City Council, which shall approve or disapprove such recommendation, that the City issue revenue bonds and (10) exercise such other powers and perform such other duties as may be prescribed by ordinance not inconsistent with any of the provisions of the City Charter.

The present members of the Board and their term of appointment are:

EDWARD J. CAMPBELL — Chairman of the Board, term expires October 31, 1981. Appointed as a Board member in March 1972. Businessman. Owner of Preston and Simons Mortuary.

LESTER G. HEUSTIS — Appointed as a Board member in 1968, term expires October 31, 1980. Registered Mechanical Engineer in the State of California. Retired Chief Engineer, Alcan Western Products, Division of Alcan Aluminum Corporation, in Riverside.

TONY M. ESQUIBEL — Appointed as a Board member in July 1972, term expires October 31, 1980. Owner and Chairman of Board of Bonita Enterprises, Inc., builder. Past commissioner, Riverside County Flood Control & Water Conservation District, Zone I.

GLENN W. PRATT — Appointed as a Board member in November 1978, term expires October 31, 1982. President of Inland Pipe and Supply Company.

JOSEPH L. RENCK — Appointed as a Board member in March 1980, term expires October 31, 1983. Retired owner of Renck Electric. Also former member of Parks Commission and former City Councilman.

SECURITY FOR AND SOURCES OF PAYMENT FOR THE BONDS

Pledge Under the Resolutions

Pursuant to the City Charter and the Resolutions, the Bonds are secured by a pledge, charge and lien upon the Net Operating Revenues of the Electric System. Net Operating Revenues are defined in the Resolutions as Gross Operating Revenues less Operating and Maintenance Expenses. Gross Operating Revenues consist of all revenues from rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other income derived by the City from the ownership, operation, use or service of the Electric System. Operating and Maintenance Expenses are the reasonable and necessary current expenses of maintaining and operating the Electric System, including any necessary contribution to the retirement of the Electric System employees.

The General Fund of the City is not liable for the payment of the Bonds or interest thereon, nor is the credit or taxing power of the City pledged for the payment of the Bonds or interest thereon. The holder of the Bonds or coupons may not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on the Bonds and premiums, if any, upon the redemption of any thereof are not a debt of the City nor a legal or equitable pledge, charge, lien, or encumbrance upon any of its property, or upon any of its income, receipts, or revenues, except the Net Operating Revenues of the Electric System which are, under the terms of the Resolutions, pledged to the payment of the Bonds.

Revenues and Flow of Funds Under the Resolutions

Pursuant to the Resolutions, all Gross Operating Revenues are deposited with the City Treasurer (the "Treasurer") to the credit of the Electric Revenue Fund. The Treasurer shall allocate or transfer from the Electric Revenue Fund on the first day of each calendar month the following amounts in the order of priority set forth below:

First, to the Maintenance and Operation Account, amounts sufficient for the payment of the Operating and Maintenance Expenses of the Electric System for the current month.

Second, (a) so long as any of the 1980 Bonds are outstanding, for deposit in the Bond Service Account, an amount which, when added to the provision for capitalized interest and any other amounts paid into said Account during the preceding month, will equal the total of (i) one-sixth of the interest which will become due and payable on the outstanding 1980 Bonds within the next ensuing six months and (ii) one-twelfth of the principal amount which will mature and be payable on the outstanding 1980 Bonds within the next ensuing twelve months, and (b) so long as any of the Refunding Bonds are outstanding, for deposit in the Refunding Bond Service Account, an amount which, when added to any other amounts paid into said Account during the preceding month, will equal the total of (i) one-sixth of the interest which will become due and payable on the outstanding Refunding Bonds within the next ensuing six months and (ii) one-twelfth of the principal amount which will mature and be payable on the outstanding Refunding Bonds within the next ensuing twelve months; provided, however, that on July 1, 1984 the Refunding Bond Service Account will merge with and into the Bond Service Account and, thereafter, all payments required to be made into the Refunding Bond Service Account will be made into the Bond Service Account.

Third, for deposit in the Mandatory Sinking Account, an amount equal to one-twelfth of the minimum principal amount of Term 1980 Bonds to be redeemed within the next ensuing twelve months.

Fourth, (a) for deposit in the Reserve Account, in the event of an insufficiency thereof, an amount equal to one-sixtieth (1/60) of the Maximum Amount of Annual Debt Service (as hereinafter defined) on all the Bonds until the Reserve Account equals the Maximum Amount of Annual Debt Service on the 1980 Bonds, and (b) for deposit in the Refunding Bond Reserve Account, for the first twelve months following the delivery of the Bonds, an amount equal to one-twelfth of the amount by which the Maximum Amount of Annual Debt Service on the Refunding Bonds exceeds the amount placed in said Account upon delivery of the Bonds, and, thereafter, in the event of an insufficiency thereof, an amount equal to one-sixtieth (1/60) of the Maximum Amount of Annual Debt Service on the Refunding Bonds; provided, however, that on July 1, 1984 the Refunding Bond Reserve Account will merge with and into the Reserve Account and, thereafter, there will be maintained in said Reserve Account an amount equal to the Maximum Amount of Annual Debt Service on all the Bonds (see "Reserve Account and Refunding Bond Reserve Account").

Fifth, to be applied for the following purposes in the priority indicated: (i) to pay the principal of and interest on the City's outstanding Electric Revenue Bonds, Issue of 1977 (Subordinated) (the "Subordinated Bonds") (none of which are outstanding), (ii) to restore, if necessary, the required amount in the Reserve Account or the Refunding Bond Reserve Account, (iii) to make capital expenditures for the Electric System, and (iv) to make one-twelfth of an annual payment to the City's General Fund not to exceed 11.5% of Gross Operating Revenues (exclusive of surcharge revenue) for the last fiscal year (see "Transfer to the General Fund of the City").

Sixth, to the Surplus Account, any money remaining in the Electric Revenue Fund after the above transfers and uses have been made and all other covenants of the City contained in the Resolutions have been performed. Such money may be: (i) invested in any authorized investments, (ii) used for the redemption of Bonds which are subject to redemption or for purchase in the open market of any Bonds at prices not exceeding the current redemption price or not exceeding the initial redemption price if the Bonds are not then redeemable; or (iii) used in any lawful manner.

Reserve Account and Refunding Bond Reserve Account

The Resolutions require that, upon delivery of the 1980 Bonds, there be deposited into the Reserve Account, from the proceeds of the 1980 Bonds, an amount equal to the Maximum Amount of Annual Debt Service on the 1980 Bonds. Maximum Amount of Annual Debt Service is defined in the Resolutions as an amount equal to the maximum amount required to be paid in any fiscal year on

account of interest and principal (or sinking fund payments) coming due on the subject Bonds. Upon delivery of the Refunding Bonds, approximately \$895,000 currently on deposit in the Reserve Account for the Existing Bonds and approximately \$255,000 currently on deposit in the Bond Service Account for the Existing Bonds will be transferred to the Refunding Bond Reserve Account and will remain in such account and be pledged to the holders of the Bonds. The approximate \$109,000 necessary to fund the Refunding Bond Reserve Account to an amount equal to the Maximum Amount of Annual Debt Service on the Refunding Bonds will be deposited in the Refunding Bond Reserve Account, within one year from the delivery of the Bonds, from Gross Operating Revenues.

Moneys in the Reserve Account and Refunding Bond Reserve Account may be used for the purpose of paying the interest or principal on any Bonds of the City payable out of the Electric Revenue Fund in the event that moneys in the Bond Service Account or Refunding Bond Service Account are insufficient therefor. Whenever moneys are withdrawn from either the Reserve Account or the Refunding Bond Reserve Account, the amount in said account or accounts shall be restored as described above (see "Revenues and Flow of Funds Under the Resolutions").

Any interest earned from investment of moneys in the Reserve Account during the period of construction and for six months thereafter shall be deposited in the Construction Fund. Thereafter, any interest so earned shall be deemed to be part of the Gross Operating Revenues and shall be placed in the Electric Revenue Fund.

Rate Covenant

The City has agreed under the Resolutions to prescribe, revise and collect such charges for the services, facilities and electricity of the Electric System which, after making allowances for contingencies and error in the estimates, shall be at least sufficient to pay the following amounts in the order set forth: (i) Operating and Maintenance Expenses, (ii) the interest on and principal (including any Mandatory Sinking Account payments) of all outstanding Bonds as they become due and payable, (iii) all payments required for compliance with the Resolutions, including payments required to be made into the Reserve Account and the Refunding Bond Reserve Account, (iv) all payments required for compliance with the resolution authorizing the Subordinated Bonds and (v) all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from revenues of the Electric System. Charges shall be so fixed that Net Operating Revenues shall be at least equal to the sum of 1.25 times the amounts payable under (ii) and 1 times the amounts payable under (iv).

Additional Debt

Under the Resolutions, the City covenants that no additional indebtedness shall be incurred having any priority over the Bonds in payment of principal or interest from the Gross Operating Revenues of the Electric System.

Parity bonds may be issued to finance or refinance any repairs, improvements, enlargements or extensions of the Electric System and to refund any Bonds then outstanding, provided that, except for bonds issued to refund Bonds, no additional indebtedness evidenced by revenue bonds, revenue notes or any other evidences of indebtedness payable out of the revenues of the Electric System and ranking on a parity with the Bonds shall be created or incurred unless: (i) the City is not in default under the terms of the Resolutions and (ii) the Net Operating Revenues of the Electric System, calculated on sound accounting principles, as shown by the books of the City for the latest fiscal year or last completed 12 month period ended prior to the incurring of such additional indebtedness as shown by an audit certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City, plus, at the option of the City, either or all of the items designated under (a) and (b) below, shall have amounted to at least 1.25 times the Maximum Amount of Annual Debt Service in any fiscal year thereafter on all indebtedness to be outstanding immediately subsequent to the incurring of such additional indebtedness.

The items which may be added to such Net Operating Revenues for the purpose of applying the above restriction are the following:

(a) An allowance for any increase in Net Operating Revenues (including, without limitation, a reduction in Operating and Maintenance Expenses) which may arise from any additions to and extensions and improvements of the Electric System to be made or acquired with the proceeds of such additional indebtedness or with the proceeds of bonds previously issued, and also for net revenues from any such additions, extensions or improvements which have been made or acquired with moneys from any source but which, during all or any part of such fiscal year or last completed 12 month period, were not in service, all in an amount equal to the estimated additional average annual net revenues to be derived from such additions, extensions and improvements for the first 36 month period in which each addition, extension or improvement is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the City, and

(b) An allowance for earnings arising from any increase in the charges made for the use of the Electric System which has become effective prior to the incurring of such additional indebtedness but which, during all or any part of such fiscal year or last completed 12 month period, was not in effect, in an amount equal to the amount by which the net revenues would have been increased if such increase in charges had been in effect during the whole of such fiscal year or 12 month period, as shown by the certificate or opinion of a qualified independent engineer employed by the City.

Other Covenants

Other covenants of the City under the Resolutions are summarized below:

(a) The City will punctually pay, or cause to be paid, the interest, principal and premium, if any, on the Bonds and will make all payments into the Bond Service Account, the Refunding Bond Service Account, the Mandatory Sinking Account, the Reserve Account and the Refunding Bond Reserve Account in conformity with the terms of the Bonds and the Resolutions.

(b) The City will commence the accomplishment of the purposes for which the 1980 Bonds are being issued and will complete such purposes with all practicable dispatch and in an economical manner.

(c) The City will make appropriate direction to the Escrow Bank for the payment of moneys from the Escrow Fund in sufficient amounts and times to meet the refunding requirements for the Existing Bonds, and will take all action necessary to pay, retire and redeem the Existing Bonds including, without limitation, the execution of the Escrow Agreement.

(d) The City will pay and discharge all lawful claims and any taxes, assessments or other governmental charges lawfully levied or assessed against the City upon or in respect of the Electric System or the Net Operating Revenues which, if unpaid, might impair the security of the Bonds.

(e) The City will operate the Electric System in an efficient and economical manner and will preserve the Electric System in good repair and working order.

(f) The City will not mortgage, encumber, sell, lease, pledge, place a charge on or otherwise dispose of the Electric System or the revenues therefrom and will not enter into any agreement which impairs the operation of the Electric System or otherwise impairs the rights of the Bondholders with respect to the revenue or operation of the Electric System without making adequate provision to protect the rights of the Bondholders.

(g) The City will maintain adequate insurance on the Electric System.

(h) The City will keep proper books of records and accounts of the Electric System in which complete and correct entries will be made of all transactions relating to the Electric

System, will cause the books and accounts of the Electric System to be audited annually by an independent certified public accountant and will furnish a copy of the audit report, upon request, to any Bondholder.

(i) The City will maintain and enforce valid regulations for the payment of bills for electric service and will permit no free connections with, or use and services of, the Electric System except to the extent that the City is required to do so under agreements and/or contracts existing on the effective date of the Resolutions.

(j) The City will not issue additional bonds having any priority in payment of principal or interest out of the Electric Revenue Fund over the Bonds.

(k) The City will not invest the proceeds of the Bonds in a manner which would result in the Bonds constituting taxable "arbitrage bonds" within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and the regulations issued thereunder.

(l) The City will maintain paying agents in Los Angeles, California, San Francisco, California, Chicago, Illinois, and New York, New York.

APPLICATION OF BOND PROCEEDS

The City anticipates that the proceeds of the Bonds (excluding accrued interest) will be applied approximately as follows:

	<u>1980 Bonds</u>	<u>Refunding Bonds(1)</u>
Payment of the City's share of Project Construction Costs.....	\$54,833,000(2)	\$ 159,000
Deposit to Escrow Fund to effect Refunding of the Existing Bonds.....	—	8,861,000(3)
Deposit in the Reserve Account.....	8,212,000	—
Payment of costs of issuance.....	500,000	50,000
Deposit in the Bond Service Account(4).....	16,455,000	—
	<u>\$80,000,000</u>	<u>\$9,070,000</u>

(1) See "Refunding Plan — Estimated Sources and Uses of Funds to Effect the Refunding Plan."

(2) Includes an estimated \$9,649,000 to be paid to Edison for interest charges prior to November 1, 1980. Excludes \$3,843,000 of estimated investment income on 1980 Bond proceeds deposited in the Construction Fund, the Bond Service Fund and the Reserve Fund which, together with this portion of the 1980 Bond proceeds, will equal the City's estimated total share of Project Construction Costs.

(3) In addition, approximately \$120,000 currently on deposit in the Bond Service Account for payment of principal and interest on the Existing Bonds will be deposited in the Escrow Fund.

(4) To pay 100% of the interest on the 1980 Bonds until June 1, 1982 and 50% of the interest on the 1980 Bonds until August 1, 1983.

REFUNDING PLAN

The City will use approximately \$8,861,000 of the proceeds of the Refunding Bonds together with approximately \$120,000 currently on deposit in the Bond Service Account for payment of principal and interest on the Existing Bonds to refund the currently outstanding Existing Bonds. The refunding is being undertaken to release the City from certain provisions contained in the resolutions pursuant to which the Existing Bonds were issued.

The Refunding Bonds are being issued to refund \$8,960,000 of outstanding Existing Bonds. Pursuant to State law, the City must call and redeem the Existing Bonds at the earliest available call dates. Set forth in the following table are the designations of each series of the Existing Bonds, the

principal amount of each series which is presently outstanding, and the date and premium, if any, at which each series will be paid under the City's refunding plan.

REDEMPTION SCHEDULE

Series of Refunded Bonds	Principal Amount Issued	Principal Amount Outstanding	Dates to be Paid or Redeemed	Price
Electric Revenue Bonds, Issue of 1966.....	\$4,700,000	\$ 2,600,000	April 1, 1981	(*)
Electric Revenue Bonds, Issue of 1969.....	2,100,000	70,000	December 1, 1980	100%
Electric Revenue Bonds, Issue of 1971.....	3,000,000	1,330,000	June 1, 1981	(*)
Electric Revenue Bonds, Issue of 1973.....	3,700,000	100,000	June 1, 1981	100%
		2,000,000	June 1, 1981	(*)
		120,000	April 1, 1981	100%
		2,500,000	April 1, 1981	(*)
		120,000	April 1, 1982	100%
		120,000	April 1, 1983	100%

(*) At 100¼% plus a premium of ¼ of 1% for each twelve month period or fraction thereof from call date to stated maturity date, but not to exceed 104%.

To effect the refunding of the Existing Bonds, the City will, at or prior to the delivery of the Bonds, enter into an Escrow Deposit Agreement (the "Escrow Agreement") with Security Pacific National Bank, as escrow agent (the "Escrow Agent"). Pursuant to the terms of the Escrow Agreement, the City will deposit a portion of the proceeds of the Refunding Bonds, and approximately \$120,000 currently on deposit in the Bond Service Account, with the Escrow Agent. Such moneys will be applied to the purchase of United States Treasury Obligations (such Treasury Obligations being herein collectively referred to as the "Treasury Securities"). The Treasury Securities will mature at such times and in such amounts so that the maturing principal, together with moneys held uninvested by the Escrow Agent, will be sufficient to pay, when due, all principal of, premium, as required, and interest on the Existing Bonds according to the above redemption schedule. The maturing principal of and interest income earned on the Treasury Securities held by the Escrow Agent will be irrevocably pledged to the payment of the principal of, redemption premium, as required, and interest on the Existing Bonds.

By the deposit of the Treasury Securities with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the full cash defeasance of the Existing Bonds in accordance with the bond resolutions under which the Existing Bonds were issued. As a result of such defeasance, the Existing Bonds will no longer be payable from or secured by the revenues of the Electric System or any of the other pledged funds, but will be payable solely from the principal of and interest income earned on the moneys in the Escrow Fund, and the lien of the Existing Bonds, together with all other obligations of the City to the holders of the Existing Bonds under the resolutions pursuant to which the Existing Bonds were issued, will terminate. As a result, the Bonds issued under the Resolutions will be payable from the Net Operating Revenues of the Electric System and other available funds pledged thereunder.

Estimated Sources And Uses of Funds to Effect the Refunding Plan

Sources	
Proceeds of the Refunding Bonds.....	\$8,861,000(1)
Other Available Moneys of the Electric System.....	120,000(2)
Investment Earnings on Treasury Securities.....	535,604(1)
Total Sources.....	<u>\$9,516,604</u>
Uses	
Payment of Principal of Existing Bonds(3).....	\$8,960,000
Payment of Interest on Existing Bonds(3).....	341,216
Payment of Redemption Premium(3).....	215,388
	<u>\$9,516,604</u>

- (1) The Refunding Bond issue was sized based upon an assumed 7½% yield on moneys held in the Escrow Fund. Since a higher yield was available at the time of sale, only \$8,861,000 will be used to effect the refunding plan. Under the Resolutions, excess Refunding Bond proceeds will be placed in the Construction Fund.
- (2) Approximate sum to be transferred from the Bond Service Account for the Existing Bonds to the Escrow Fund.
- (3) See "Redemption Schedule" on preceding page.

CITY OF RIVERSIDE – THE ELECTRIC SYSTEM

The City of Riverside was a pioneer in the long-distance transmission and distribution of electric power. The municipal electric system which was constructed in 1895, was among the first eight such municipally owned systems in the State of California prior to the turn of the century. It has been fundamentally a sub-transmission and distribution system, though the City did generate part of its own power from 1900 to 1924. Power has been purchased exclusively from Edison from 1950 to May of 1976. At that time, Riverside began receiving non-firm energy purchased from the Nevada Power Company and delivered to the City by Edison. The Electric System provides service throughout the City to domestic, commercial, industrial, agricultural, municipal and other customers.

Prior to mid-1950, the Electric System sold power to approximately 328 customers outside the City limits. The City sold these distribution facilities to Edison and the California Electric Power Company on June 30, 1950, in order to comply with the provisions of a wholesale-resale basic service agreement for the purchase of electric energy solely from Edison.

The City commenced service on April 13, 1966 to the Arlanza area annexed November 17, 1961 and to the La Sierra area annexed May 7, 1963; prior to this, both areas had been served by Edison. Part of the proceeds of the electric revenue bonds sold March 1966, was used to finance the consolidation of these areas into the Electric System.

Estimated Financial Information for Fiscal 1980

The Electric System, as well as the City, is currently undergoing its annual audit for the fiscal year ended June 30, 1980. Therefore, the financial information and statistics reflecting the status of the Electric System for the period ended June 30, 1980 have been estimated by the Department and are preliminary and subject to audit adjustment change.

Existing Facilities

The Electric System is fundamentally a sub-transmission and distribution system providing service to virtually all electric customers within the City limits.

Power is purchased wholesale from Edison at 66,000 volts and is supplied to the City limits through five separate 66,000-volt transmission lines owned and operated by Edison. These lines are used for the sole purpose of delivering electric energy from Edison's Vista Substation to the northerly limits of the City of Riverside, at which points connections are made to the City-owned and operated 66,000-volt transmission system.

Including street lights, the City had 1,278 circuit miles of sub-transmission and distribution lines as of the fiscal year ended June 30, 1980. The 637 circuit miles of underground lines are primarily in commercial and new residential areas. Newly constructed substations and recent additions to existing stations provide ample distribution capacity for most any type of industrial or commercial load. There are now 18 substations, with a combined capacity of 434 MVA (million volt-amperes). The following table sets forth statistical information relating to the facilities of the Electric System:

Electric System Facilities

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Net Utility Plant (less accumulated provision for depreciation).....	\$36,008,807	\$35,056,851	\$33,572,733	\$32,558,134	\$32,226,357
Distribution —					
Overhead Circuit Miles.....	637	625	623	602	625
Underground Circuit Miles.....	641	612	574	485	416

Power Supply

At present, all of the electricity supplied to the City is purchased from Edison or from Nevada Power Company. In fiscal year ended June 30, 1980, the Electric System purchased a total of 1,086,624,000 kilowatt hours of electricity for delivery to customers throughout Riverside. About 97 percent, or 1,057,397,000 kilowatt hours were purchased from Edison. The remaining 3 percent or 29,227,000 kilowatt hours, was purchased from Nevada Power Company.

The following table sets forth, in kilowatt hours of electricity, the total purchases of power and Electric System peak demand during the last five fiscal years.

Total Power Purchased and Peak Demand

	Fiscal Year Ended June 30				
	1980	1979	1978	1977	1976
From Edison (kWh).....	1,057,397,000	1,008,664,000	928,410,000	826,958,000	917,227,000
From Nevada Power Company (kWh).....	29,227,000	64,136,000	69,126,000	106,450,000	21,461,000
System Total (kWh).....	<u>1,086,624,000</u>	<u>1,072,800,000</u>	<u>997,536,000</u>	<u>933,408,000</u>	<u>938,688,000</u>
System peak demand, Kilowatts.....	296,640	289,800	253,440	249,120	248,040

The Electric System purchases power from Edison pursuant to the Integrated Operations Agreement whereby Edison agrees to furnish the capacity and energy necessary to meet the City's load, to the extent not provided by City integrated resources. The term of such agreement is 50 years. (See Appendix D for a summary of the Integrated Operations Agreement)

In addition, the Electric System purchases economy energy from Nevada Power Company pursuant to an agreement negotiated in 1976 which provided for purchase of economy energy for a minimum of four years. The proceeds of \$2,500,000 Subordinated Bonds were used to fund such purchases. Nevada Power delivers the energy to Edison's Eldorado Substation in Southern Nevada and Edison transmits the energy to Riverside. The Nevada Power agreement ends in December 1980. In July 1980, a subsequent agreement was executed between the City and Nevada Power Company providing for economy energy exchanges and energy banking arrangements. (See "Future Plans of the City's Electric System".)

The following table sets forth the annual purchased power costs during the last five fiscal years.

Annual Purchased Power Costs

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Annual Power Costs.....	\$44,723,275	\$36,249,753	\$31,668,783	\$27,646,644	\$24,299,050
Power Costs (mills per kilowatt hour).....	41.2	33.8	31.7	29.6	25.9

Consumers

The following table sets forth the average number of customers and total kilowatt hour usage during the last five years.

Average Number of Customers

	Fiscal Year Ended June 30				
	1980	1979	1978	1977	1976
Domestic.....	62,331	60,151	56,549	54,307	52,239
Commercial.....	4,943	4,704	4,519	4,392	4,304
Industrial.....	176	168	158	147	143
Other.....	171	178	185	208	216
Total — all classes.....	67,621	65,201	61,411	59,054	56,902

Total Kilowatt Hour Usage (000's omitted)

	Fiscal Year Ended June 30				
	1980	1979	1978	1977	1976
Domestic.....	398,683	380,457	360,579	319,230	318,376
Commercial.....	207,343	202,074	191,421	175,302	179,575
Industrial.....	391,772	376,415	364,378	344,882	357,978
Other.....	40,515	38,574	38,089	40,793	39,213
Total Kilowatt Hour Usage.....	1,038,313	997,520	954,467	880,207	895,142

The following table sets forth the ten major commercial and industrial customers of the Electric System, their annual kilowatt hours purchased and their total billing during calendar year 1979.

**Major Electric Customers
For Calendar Year 1979**

<u>Customer</u>	<u>Product or Service</u>	<u>Annual kWh Purchased</u>	<u>Total Annual Billing</u>
University of California, Riverside.....	State University.....	46,048,000	\$1,844,646
Alumax Mill Products, Inc.	Aluminum Mill Products, Sheet and Plate.....	28,425,000	1,012,362
Rohr Industries, Inc.	Aerospace and Aircraft Components.....	25,437,000	938,464
Bourns, Inc.	Precision Electro-Mechanical Instruments.....	11,729,000	409,688
Loma Linda University.....	Private College.....	8,328,000	356,565
Riverside County Hospital.....	Hospital.....	7,192,000	292,265
County of Riverside.....	Hall of Records.....	6,720,000	290,607
Riverside Community Hospital.....	Hospital.....	6,454,000	254,763
City of Riverside.....	City Hall.....	5,436,000	220,158
City of Riverside.....	Sewage Treatment Plant.....	5,411,000	219,145
Total.....		<u>151,180,000</u>	<u>\$5,838,663</u>
Percentage of System Total.....		15.2%	12.5%

Electric Rates and Charges

The City is obligated by its Charter and by the Resolutions to establish rates and collect charges in an amount sufficient to meet its expenses of operation and maintenance and service the Electric System's indebtedness, with specified requirements as to priority and coverage. (See "Rate Covenant" under the section "Security for and Sources of Payment for the Bonds".) Electric rates are established by the Board and subject to approval by the City Council. Electric rates are not subject to regulation by the California Public Utilities Commission or by any other state agency.

Although its rates are not subject to approval by any federal agency, the City is subject to certain rate making provisions of the Public Utility Regulatory Policies Act of 1978 (the "Act"). The City is operating in compliance with the Act and with the standards promulgated by the President's Council on Wage and Price Stability.

At present the Electric System has nine rate schedules in effect. The City provides no free electric service. The current electric rates were established by the Board, approved by the City Council and became effective on August 7, 1979. In addition, the Department maintains a fuel adjustment surcharge which reflects a monthly adjustment of fuel costs incurred by the Department in its purchase of energy from Edison. Such surcharge is not reflected in the general rate schedule. The following table sets forth the general rate schedules for the residential, commercial and industrial customers.

**Rate Schedules for Residential, Commercial and
Industrial Customers**

<u>Type and Description of Service</u>	<u>Per Meter Per Month Charge</u>
Domestic Service—Applicable where Service includes lighting, appliances, heating, cooking and power consuming appliances	
Customer Charge.....	\$ 2.20
Energy Charge (to be added to Customer Charge):	
First 500 kWh, per kWh.....	3.29c
All Excess kWh, per kWh.....	4.02c
General Service — Flat Rate Applicable to service for all types of uses	
Customer Charge.....	\$ 3.60
Energy Charge (to be added to Customer Charge):	
All kWh, per kWh.....	5.432c
General Service — Demand Basic Rate A	
Demand Charge	
First 20 KW.....	\$ 72.00
All excess KW, per KW.....	\$ 3.60
Energy Charge (to be added to Demand Charge)	
First 150 kWh, per KW of billing demand, per kWh.....	2.889c
Next 150 kWh, per KW of billing demand, per kWh.....	2.589c
Over 300 kWh, per KW of billing demand, per kWh.....	2.289c
General Services — Demand Basis Rate B	
Demand Charge	
First 200 KW.....	\$800.00
All excess KW.....	3.50
Energy Charge (to be added to Demand Charge)	
First 150 kWh, per KW of billing demand, per kWh.....	2.394c
Next 150 kWh, per KW of billing demand, per kWh.....	2.194c
Over 300 kWh, per KW of billing demand, per kWh.....	1.994c
Industrial Service — Applicable to service for industrial and processing establishments	
Demand Charge	
All KW, per KW.....	\$ 4.30
Energy Charge (to be added to Demand Charge)	
First 150 kWh, per KW of billing demand, per kWh.....	1.730c
Next 150 kWh, per KW of billing demand, per kWh.....	1.530c
Over 300 kWh, per KW of billing demand, per kWh.....	1.330c

Electric System rates have been changed four times over the last five years. The following table sets forth the percentage changes in rates for the indicated customer classes. Such percentage changes do not reflect changes in the fuel adjustment surcharge.

Percentage Increase in Electric Rates

<u>Effective Date</u>	<u>Overall System</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
July 1, 1974.....	16.3%	14.4%	19.2%	8.1%
January 15, 1976.....	18.4	9.0	24.9	29.9
October 1, 1977.....	4.8	5.0	3.3	—
August 7, 1979.....	4.2	—	—	—

The electric rates now in effect in the City compare favorably with those of other cities in the area, with Riverside being the lowest in most categories shown in the following table. Of those nine cities, six are served directly as retail customers of Edison. The latter sells power wholesale to both Riverside and Anaheim, while Los Angeles generates its own power.

Exact industrial comparisons are difficult because of the necessity of making assumptions for such factors as peak diversity. However, Riverside's industrial rates are competitive and generally follow the same relationships to other cities as for domestic and commercial service.

Comparison of Monthly Electric Bills

(As of June 1, 1980)

	Domestic			Commercial		
	150 kWh (small)	500 kWh (average)	1,500 kWh (large)	500 kWh (small)	2,000 kWh (average)	5,000 kWh (small power)
Riverside(1).....	\$10.60	\$30.18	\$ 93.45	\$42.30	\$158.38	\$390.55
Anaheim(1).....	8.73	27.13	85.55	41.03	150.60	369.75
Corona(2).....	9.28	34.89	116.58	47.11	174.94	430.60
Los Angeles(1).....	10.90	36.37	109.09	36.17	135.64	334.60
Ontario(2).....	9.28	34.89	116.58	47.11	174.94	430.60
Palm Springs(2).....	9.28	34.89	116.58	47.11	174.94	430.60
Pomona(2).....	9.28	34.89	116.58	47.11	174.94	430.60
San Bernardino(2).....	9.28	34.89	116.58	47.11	174.94	430.60
Santa Ana(2).....	9.28	34.89	116.58	47.11	174.94	430.60

(1) Served by Municipal Electric System.

(2) Served by Edison at retail.

Residential, commercial and industrial customers are billed monthly. Bills are due and payable on presentation and become delinquent fifteen days after mailing. After a bill is delinquent, following appropriate procedures, the Department may discontinue electric service. Charges for connection or reconnection of service, payments for deposits or to reinstate deposits, and the entire delinquent bill shall all be paid in full or other satisfactory arrangements made before service shall be connected or reconnected.

Gross revenues from the sale of electricity have increased from \$33,095,422 in fiscal year ended June 30, 1976 to \$56,246,036 in fiscal year ended June 30, 1980, an increase of 70%. The following table sets forth such gross electric sales during the five fiscal years.

Gross Electric Sales

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Domestic.....	\$22,149,968	\$18,749,458	\$17,074,243	\$13,706,804	\$12,875,919
Commercial and Industrial ...	32,477,023	26,528,741	24,335,511	20,793,573	19,021,370
Municipal.....	1,619,044	1,569,772	1,541,364	1,336,056	1,198,133
Total.....	<u>\$56,246,039</u>	<u>\$46,847,971</u>	<u>\$42,951,118</u>	<u>\$35,836,433</u>	<u>\$33,095,422</u>

The table below sets forth the average billing price per kilowatt hour of the various customer classes during the last five years.

Average Billing Price Per Kilowatt Hour

	Fiscal Year Ended June 30				
	1980	1979	1978	1977	1976
Domestic.....	\$.0556	\$.0493	\$.0474	\$.0429	\$.0404
Commercial and Industrial.....	.0527	.0447	.0427	.0386	.0342
Municipal.....	.0690	.0671	.0649	.0584	.0568
Average All Classes					
Combined.....	<u>\$.0542</u>	<u>\$.0470</u>	<u>\$.0450</u>	<u>\$.0407</u>	<u>\$.0370</u>

Operating Expenses of the Electric System

A staff of approximately 170 persons is employed by the City to operate and maintain the Electric System. During fiscal year 1980 the total operating expenses of the Electric System were \$49,729,396 excluding depreciation. The total Gross Operating Revenues of the Electric System were \$56,553,634.

Operating Expenses have increased from \$28,404,346 in fiscal year ended June 30, 1976 to \$49,729,396 in fiscal year ended June 30, 1980, an increase of approximately 75%. While system growth and general inflation has had some impact on operating expenses, the impact of increased prices paid by Edison for imported low sulphur fuel oil and increased demand charges on Edison's resale power rates have been the primary causes of increased operating expenses. Purchased power expense increased from \$24,299,050 for fiscal year ended June 30, 1976 to \$44,723,275 for fiscal year ended June 30, 1980, an increase of approximately 84%.

The following table sets forth the Operating Expenses of the Electric System (excluding depreciation) during the last five fiscal years.

Operating Expenses (Excluding Depreciation)

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Purchased Power.....	\$44,723,275	\$36,249,753	\$31,668,783	\$27,646,644	\$24,299,050
Transmission Expenses.....	91,885	52,409	78,197	79,008	70,965
Distribution Expenses.....	1,938,007	1,549,742	1,374,091	1,342,664	1,196,967
Customer Account Expenses	1,030,078	895,213	891,203	830,868	964,514
Power Service Expenses.....	31,161	40,383	29,241	35,460	34,302
Administration and General Expenses.....	1,896,570	1,629,469	1,585,802	1,578,407	1,617,461
Clearing and Miscellaneous Account Expenses.....	18,420	(5,348)	(34,331)	(33,911)	21,087
Total.....	<u>\$49,729,396</u>	<u>\$40,411,621</u>	<u>\$35,592,986</u>	<u>\$31,479,140</u>	<u>\$28,404,346</u>

Transfers to the General Fund of the City

Effective December 1, 1977, transfers to the General Fund of the City of surplus funds of the Electric System (after payment of Operating Expenses and debt service on the Bonds) are limited by the Charter of the City to twelve equal monthly installments during each fiscal year of an amount not to exceed 11.5% of the Gross Revenues, exclusive of fuel adjustment surcharges, for the last fiscal year ended and reported by an independent public auditor.

Debt Service Requirements

The following table indicates the debt service on the Bonds.

Estimated Debt Service Requirements (000)

Year of Maturity	Principal	Interest	Total
1981	\$ 450	\$ 8,448(1)	\$ 8,898
1982	450	8,403(1)	8,853
1983	450	8,358(1)	8,808
1984	980	8,313	9,293
1985	1,030	8,215	9,245
1986	1,105	8,112	9,217
1987	1,155	8,001	9,156
1988	1,240	7,886	9,126
1989	1,320	7,762	9,082
1990	1,395	7,630	9,025
1991	1,495	7,490	8,985
1992	1,595	7,341	8,936
1993	1,720	7,211	8,931
1994	1,845	7,069	8,914
1995	1,970	6,914	8,884
1996	2,120	6,747	8,867
1997	2,100	6,563	8,663
1998	2,250	6,378	8,628
1999	2,425	6,175	8,600
2000	2,625	5,955	8,580
2001	2,745	5,716	8,461
2002	2,880	5,463	8,343
2003	3,125	5,197	8,322
2004	3,300	4,908	8,208
2005	3,600	4,588	8,188
2006	3,925	4,238	8,163
2007	4,300	3,858	8,158
2008	4,675	3,441	8,116
2009	5,125	2,987	8,112
2010	5,600	2,490	8,090
2011	6,100	1,947	8,047
2012	6,675	1,355	8,030
2013	7,300	708	8,008
	<u>\$89,070</u>	<u>\$195,877(2)</u>	<u>\$284,947(2)</u>

(1) 100% of the interest on the 1980 Bonds is capitalized until June 1, 1982 and 50% of the interest on the 1980 Bonds is capitalized until August 1, 1983.

(2) Variation due to rounding.

Constitutional Limitation on Governmental Spending

Article XIII B of the California Constitution (adopted by a vote of the people in November, 1979) limits the annual appropriations of State and local governmental entities to the amount of appropriations of the entity for the prior fiscal year, as adjusted for changes in the cost of living, changes in population and changes in services rendered by the entity.

Pending clarification of certain of its provisions by the courts, or by the Legislature, the full impact of Article XIII B is not clear. However, to the extent moneys in the Electric Revenue Fund are used to pay the costs of maintaining and operating the Electric System and debt service on the Bonds (including the funding of the Reserve Fund, as required by the Resolutions), such moneys should not, under the terms of Article XIII B as supported by recent legislation and based upon the official ballot argument supporting the measure at the November 1979 election be held to be subject to the appropriation limit.

Coverage of Debt Service

The following table shows the historical coverage of debt service on the outstanding Bonds as well as the Subordinated Bonds by the Net Operating Revenues of the Electric System for the last five years as calculated in accordance with the flow of funds in the Resolutions.

Summary of Coverage of Debt Service

	Fiscal Year Ended June 30				
	1980 (Unaudited)	1979	1978	1977	1976
Operating Revenues:					
Total Electric Sales.....	\$56,246,039	\$46,847,971	\$42,951,118	\$35,836,433	\$33,095,422
Other Operating Revenues.....	307,595	199,257	217,964	198,427	13,960
Total Operating Revenues.....	<u>\$56,553,634</u>	<u>\$47,047,228</u>	<u>\$43,169,082</u>	<u>\$36,034,860</u>	<u>\$33,235,382</u>
Operating Expenses:					
Purchased Power.....	\$44,723,275	\$36,249,753	\$31,668,783	\$27,646,644	\$24,299,050
Transmission Expenses.....	91,885	52,409	78,197	79,008	70,965
Distribution Expenses.....	1,938,007	1,549,742	1,374,091	1,342,664	1,396,967
Customer Account Expenses.....	1,030,078	895,213	891,203	830,868	964,514
Power Service Expenses.....	31,161	40,383	29,241	35,460	34,302
Administration and General Expenses.....	1,896,570	1,629,469	1,585,802	1,578,407	1,617,461
Clearing and Miscellaneous Account Expenses.....	18,420	(5,348)	(34,331)	(33,911)	21,087
Total Operating Expenses.....	<u>\$49,729,396</u>	<u>\$40,411,621</u>	<u>\$35,592,986</u>	<u>\$31,479,140</u>	<u>\$28,404,346</u>
Net Operating Revenues Available for Debt Service and Depreciation.....	6,824,238	6,635,607	7,576,096	4,555,720	4,831,036
Debt Service Requirements on Existing Bonds and Subordinated Bonds.....	\$ 1,812,433	\$ 1,825,074	\$ 1,465,342	\$ 994,985	\$ 963,717
Times Debt Service Covered.....	3.8	3.6	5.2	4.6	5.0

For further information concerning the Electric System's operations and financial position, see the financial statements attached hereto as Appendix F.

SUMMARY PROJECTION OF OPERATING RESULTS OF THE ELECTRIC SYSTEM

Based on the forecast of power costs by the Consulting Engineer and on certain data supplied by the City and certain considerations and assumptions (see "Considerations and Assumptions of the Consulting Engineer"), the Consulting Engineer has prepared a summary projection of operating

results of the City's Electric System for the fiscal years ending 1981 through 1985. Increases in revenue requirements are projected beyond those generated by the City's existing rates. The required revenues are based on covering projected operating expenses, debt service on the Bonds and on meeting the City's projected capital improvement program and other non-operating financial commitments. The additional revenues required are primarily to meet future capital improvements and escalating purchased power costs from Edison.

**Projected Operating Results
(000)**

	Fiscal Year Ending June 30,				
	1981	1982	1983	1984	1985
Gross Operating Revenues:					
Revenues from Sales of Electricity:					
At Existing Rates	\$60,890	\$62,798	\$ 64,594	\$ 66,502	\$ 68,466
Additional Revenues Required(1)	15,499	25,231	41,257	61,162	73,672
Subtotal	\$76,389	\$88,029	\$105,851	\$127,664	\$142,138
Miscellaneous Operating Revenues(2)	205	208	210	212	214
Other Income(3)	400	429	749	1,068	1,097
Total Estimated Gross Operating Revenues	\$76,994	\$88,666	\$106,810	\$128,944	\$143,449
Operating Expenses:					
Power Production—San Onofre Units 2 and 3	\$ 0	\$ 764	\$ 2,393	\$ 4,355	\$ 5,117
Purchased Power from Edison	62,438	71,932	84,246	99,357	111,799
Other Operating and Maintenance Expense(2)	5,185	5,600	6,048	6,532	7,055
Total Estimated Operating Expenses Excluding Depreciation and Amortization	\$67,623	\$78,296	\$ 92,687	\$110,144	\$123,971
Total Estimated Net Operating Revenues	\$ 9,371	\$10,370	\$ 14,123	\$ 18,800	\$ 19,478
Debt Service on the Bonds:					
Subordinated Bonds	\$ 459	\$ 0	\$ 0	\$ 0	\$ 0
Proposed Bonds:(4)					
San Onofre Portion — 1980 Bonds	0	319	3,828	7,731	8,180
Refunding Portion — Refunding Bonds	972	1,300	1,268	1,226	1,182
Total Debt Service on the Bonds	\$ 1,431	\$ 1,619	\$ 5,096	\$ 8,957	\$ 9,362
Balance for Other Purposes(5)	\$ 7,940	\$ 8,751	\$ 9,027	\$ 9,843	\$ 10,116
Debt Service Coverage on the Bonds(6)	6.55	6.41	2.77	2.10	2.08

(1) Additional revenues required primarily to meet costs of future capital improvements and escalating purchased power costs from Edison.

(2) Estimated by the City.

(3) Estimated by the City. Includes interest earnings on the Reserve Account and the Refunding Bond Reserve Account at an assumed 8.5% interest rate and interest earnings on other funds and working capital at an assumed 7% interest rate.

(4) Based on 100% of interest on the 1980 Bonds capitalized to June 1982; 50% of interest on the 1980 Bonds capitalized to August 1983 and full principal and interest payments on the 1980 Bonds at an assumed interest rate of approximately 9.60% and the amortization of principal over 30 years commencing August 1, 1983. Principal and interest on the Refunding Bonds are based upon scheduled maturity and interest at an assumed rate of approximately 9.90%.

(5) Includes, among other things, funds for capital improvements and payments to the general fund of the City.

(6) Ratio of Total Estimated Net Operating Revenues to Total Debt Service on the Bonds.

THE PROJECT

General

Pursuant to a Settlement Agreement dated August 4, 1972 with Edison, the City was granted the right to acquire a 1.79% ownership interest in the Project with Edison providing the necessary transmission services to the City to deliver the output of the Project to the Electric System. Edison has signed and the City, upon delivery of the Bonds, will sign the San Onofre Units 2 and 3 Participation Agreement (the "Participation Agreement") with Edison which sets forth the terms and conditions under which the City will participate in the ownership and output of the Project and the Transmission Service Agreement (the "Transmission Service Agreement") whereby Edison agrees to provide transmission of the City's share of the output of the Project to the point of delivery. The City has also signed an Integrated Operations Agreement (the "IOA") and will sign upon delivery of the 1980 Bonds a Supplemental Agreement for the Integration of Riverside's entitlements in San Onofre Units 2 and 3 (the "Supplemental Agreement") with Edison which provides, among other things, for the operation of the Project by Edison for the benefit of the City. Under the IOA, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's share of the Project and any future City owned resource and will credit the City on its monthly billing statements for the power and energy generated by such resources that are integrated with Edison resources. The City and Edison have agreed in the Supplemental Agreement that the Project will be included as an integrated resource pursuant to the IOA. (For a summary description of the Participation Agreement, the Transmission Service Agreement, the IOA and the Supplemental Agreement see Appendices B, C, D and E, respectively, attached hereto.)

Description of the Project

The San Onofre Nuclear Generating Station consists of two 1,100 MWe nuclear generating units currently under construction and an existing nuclear generating unit, Unit No. 1 (not a part of the Project) rated at 450 MWe. The station is located on an 84-acre site approximately three miles south of San Clemente, California and within the U.S. Marine Corps Base at Camp Pendleton. Except for certain common facilities shared with Unit 1, the Project consists of the two units under construction. These units, Units 2 and 3, are essentially identical in design and will share certain common facilities including the control room and certain other facilities.

The nuclear steam supply systems for the Project, supplied by Combustion Engineering, Inc., are closed-cycle pressurized water reactor systems rated at 3,410 MWt each. The turbine generators are tandem compound units supplied by GEC Turbine Generators, Ltd. (formerly English Electric). The main condensers are being supplied by Ingersoll Rand and will be cooled by circulating seawater obtained through large intake lines extending out 5200 feet into the ocean.

The main generators are rated at 1,312,950 kVA. The main transformers will step up the output voltage of each generator to 220 kV for interconnection into the facilities of Edison's network.

The Project is being designed and the construction is being managed by the Bechtel Power Company for Edison. Edison is managing the start-up program and will operate the two units upon receiving a commercial operating license.

It is currently planned that the Project will be owned as tenants-in-common by the following investor owned and publicly owned utilities.

<u>Participants</u>	<u>Ownership Interest</u>
Edison.....	76.55%
San Diego.....	20.00
City of Riverside.....	1.79
City of Anaheim.....	1.66
Total.....	<u>100.00%</u>

Estimated Financing Requirements for the Project

The following table shows the estimated cost of constructing and financing the Project.

	<u>Total Project(1)</u>	<u>City's Share</u>
Land and Land Rights.....	\$ 3,270,000	\$ 59,000
Structures and Improvements.....	680,928,000	12,189,000
Reactor Plant Equipment.....	811,009,000	14,517,000
Turbogenerator.....	460,008,000	8,234,000
Accessory Electrical Equipment.....	15,485,000	3,499,000
Miscellaneous Power Plant Equipment.....	58,500,000	1,047,000
Subtotal Direct Construction Costs.....	<u>\$2,209,200,000</u>	<u>\$39,545,000</u>
Ad Valorem Taxes(2).....		691,000
Nuclear Fuel(1).....		5,174,000
City's Contingency(3).....		<u>3,500,000</u>
Total Construction Costs.....		<u>\$48,910,000</u>
Interest payable to Edison(4).....		9,649,000
Reserve Account(5).....		8,196,000
Interest Funded During Construction(6).....		16,588,000
Financing Costs.....		<u>500,000</u>
Gross Requirements.....		<u>\$83,843,000</u>
Less: Interest Income(7).....		<u>3,843,000</u>
Net Financing Requirements.....		<u>\$80,000,000</u>

- (1) Estimated by Edison.
- (2) Estimated share of tax to be paid by City.
- (3) Additional contingency not included in Edison's estimated costs to allow funds for uncertainties in the licensing schedule and possible additional design changes in the future.
- (4) City's share of estimated interest costs paid by Edison through October 31, 1977 and City's interest costs at 9% per year on funds expended by Edison from November 1, 1977 to October 31, 1980.
- (5) Maximum annual debt service based on estimated debt service payments on the 1980 Bonds.
- (6) Based on an assumed annual interest rate of approximately 9.60% on the 1980 Bonds. 100% of the interest on the 1980 Bonds is capitalized until June 1, 1982, and 50% of the interest on the 1980 Bonds is capitalized until August 1, 1983.
- (7) From temporary investment at an assumed interest rate of 7% on the 1980 Bond proceeds deposited in the Construction Fund. Also included are 100% of interest income on the Reserve Account invested at an assumed interest rate of 8½% until June 1, 1982 and 50% of such interest

income until August 1, 1983. The interest earnings on the Reserve Account are required by the Resolutions to be deposited in the Construction Fund during the period of construction and for six months thereafter.

The Three Mile Island Unit No. 2 ("TMI-2") accident analysis of the Nuclear Regulatory Commission (the "NRC") has resulted in additional design change requirements by the NRC. These design changes are estimated by Edison to cost \$30,000,000 plus overhead and Edison has included funding to cover these costs in the Project estimate. There is the possibility that additional design changes may be required in the future.

Status and Schedule of Construction

Construction of Unit 2 began in March 1974 after receipt of a construction permit from the NRC in October 1973, and the major construction of Unit 3 started in June 1975. Fuel loading for Unit 2 is scheduled for the second quarter of 1981 with commercial operation in December 1981. Fuel loading for Unit 3 is scheduled for the third quarter of 1982 with commercial operation scheduled for February 1983. An operating license must be issued for each unit before fuel loading may begin for that unit. As of June 1980, Edison has stated that the construction of Unit 2 was approximately 93% complete and Unit 3 was approximately 63% complete.

Various locals of the International Brotherhood of Boilermakers have begun work stoppages at projects in certain western states, after the expiration on September 30, 1980 of their regional contract. Local 92 of the Boilermakers halted work on the Project on October 7, 1980, and, with other trade unions honoring the stoppage, construction work on the Project has stopped. The City is unable to predict the duration of the stoppage or the impact of the stoppage on the construction schedule or cost of the Project.

Nuclear Fuel

The nuclear fuel cycle consists of four basic elements prior to insertion of the fuel assemblies in a nuclear reactor. These elements include acquisition of uranium concentrates, conversion of the uranium concentrates to uranium hexafluoride, enrichment of the uranium hexafluoride and fabrication of the enriched uranium into fuel assemblies. After the fuel has been used in the reactor, it is removed for reprocessing or disposal.

The following table shows the amount of coverage of the necessary materials and services Edison has acquired for the Project:

	Unit No. 2		Unit No. 3	
	Full Coverage Through	% Coverage Through 1990	Full Coverage Through	% Coverage Through 1990
Uranium.....	1985	85	1985	52
Conversion.....	1990	100	1990	100
Enrichment.....	2009	100	2009	100
Fabrication.....	1984	25	1985	55
Storage.....	1991	100	1992	100

At the present time, no operating facilities for the reprocessing of spent fuel are available and in April 1977 the President of the United States announced an indefinite deferral of reprocessing spent fuel and the use of plutonium. In October 1977, the United States Department of Energy (the "DOE") announced its intent to accept and take title to spent fuel from utilities upon payment of a one time storage fee. The details of this DOE program are currently being formulated. Edison is providing on-site spent fuel storage capacity for the Project estimated to be sufficient to accommodate storage of the discharges of all spent fuel from Unit 2 through 1991 and from Unit 3 through 1992. By then it is assumed that an appropriate program will have been implemented to accept spent fuel for placement in a suitable repository.

Permits and Approvals

Edison has informed the City that all major required permits, except an operating license, have been granted. Edison's current schedule anticipates that the operating license will be received from the NRC in sufficient time to meet the projected fuel loading and startup schedules. However, petitions have been granted to certain adverse parties to intervene in the operating license proceedings. The City cannot predict what impact, if any, such intervention will have upon the timing of, issuance of, or the conditions included in, the operating license (See "Regulatory Matters").

City's Future Power Supply Requirements and Future Power Supply Resources

Pending further development of other generating resources the City may enter into (see "Other Projects of the Electric System") it is assumed that the City's power requirements not produced by the Project will be met by purchases from Edison through the IOA. The following table shows the annual peak and energy requirements as estimated by the City and the estimated amounts of power and energy expected to be supplied from the Project and from Edison purchases.

Fiscal Year Ending June 30	Peak (MW)			Energy (Millions of kWh)		
	Requirements	Purchased from Edison	Capacity from the Project	Requirements	Purchased from Edison	Generated by the Project
1981.....	312.0	312.0	—	1,144	1,144	—
1982.....	315.0	315.0	—(*)	1,180	1,145	35
1983.....	325.0	309.5	15.5(*)	1,214	1,105	109
1984.....	334.0	304.0	31.0	1,250	1,071	179
1985.....	344.0	314.0	31.0	1,287	1,073	214
1986.....	355.0	325.0	31.0	1,327	1,099	228
1987.....	365.0	335.0	31.0	1,367	1,129	238
1988.....	376.0	346.0	31.0	1,407	1,169	238
1989.....	388.0	358.0	31.0	1,450	1,212	238
1990.....	399.0	369.0	31.0	1,494	1,256	238

(*) The City will receive certain capacity credits for the Project for the years ending June 30, 1982 and June 30, 1983 from Edison, however, not all capacity from the City's share of the Project will be available to meet the City's forecast peak load for those years.

Estimated Cost of Power to the City from the Project

The following table shows the estimated annual costs of power from the Project as it is delivered to the City's system for the years 1982 through 1990 based on Edison's estimate of energy generation by the Project.

Estimated Annual Costs to the City of Power From the Project
(000)

	Fiscal Year Ending June 30.								
	1982	1983	1984	1985	1986	1987	1988	1989	1990
Interest and Amortization(1).....	\$ 319	\$3,828	\$ 7,731	\$ 8,180	\$ 8,192	\$ 8,186	\$ 8,185	\$ 8,184	\$ 8,176
Land Easement(2).....	1	2	3	3	4	4	4	4	5
Operation and Maintenance(2).....	264	539	998	1,442	1,586	1,739	1,906	2,088	2,289
Administrative and General(2).....	154	322	405	448	488	531	577	628	683
Nuclear Insurance(2).....	52	124	169	188	204	222	242	263	286
Nuclear Fuel(3).....	111	902	1,901	2,213	2,039	2,531	3,115	2,689	2,791
Renewals and Replacements(4).....	115	291	444	480	518	559	604	652	704
Taxes(5).....	5	60	115	120	120	120	120	120	120
Transmission(6).....	62	153	220	223	226	230	233	237	240
Subtotal.....	\$1,083	\$6,221	\$11,986	\$13,297	\$13,377	\$14,122	\$14,986	\$14,865	\$15,294
Less: Interest Earnings(7).....	29	349	668	697	697	697	697	697	697
Total.....	\$1,054	\$5,872	\$11,318	\$12,600	\$12,680	\$13,425	\$14,289	\$14,168	\$14,597
Energy Delivered (Millions of kWh)(8).....	35	109	179	214	228	238	238	238	238
Cost (Mills per kWh).....	30.1	53.9	63.2	58.9	55.6	56.4	60.0	59.5	61.3

- (1) Based on 100% of interest on the 1980 Bonds capitalized until June 1, 1982 and 50% of the interest on the 1980 Bonds capitalized until August 1, 1983. Remaining interest to be paid from revenues. Debt service payments are based on an assumed interest rate of approximately 9.60% and the amortization of principal on the 1980 Bonds over 30 years with the initial principal payment due October 1, 1984.
- (2) Estimated by Edison.
- (3) Based on Edison nuclear fuel costs.
- (4) Estimated at 1.0% of capital costs and escalated at 8.0% per year.
- (5) Based on the City's share of ad valorem taxes at the time of acquiring its ownership share.
- (6) Based on the Transmission Service Agreement.
- (7) Earnings on moneys in the Reserve Account not deposited in the Construction Fund at an assumed interest rate of 8½%.
- (8) Computed at City's share of estimated total generation at the Project site less energy transmission losses estimated at approximately 1.6%.

Considerations and Assumptions of the Consulting Engineer

The estimates and projections of R. W. Beck and Associates (the "Consulting Engineer") are based upon, among other things, information from Edison, as manager of the Project and from the City. Such estimates and projections are also based upon the considerations and assumptions reflected in Appendix A — Consulting Engineer's Report.

Conclusions of the Consulting Engineer

The Consulting Engineer to the City, has prepared the Consulting Engineer's Report concerning the Project. Based upon the studies, investigations, analyses and assumptions set forth and the information supplied by the City and Edison with respect to the proposal by the City to acquire an ownership interest in the Project, the Consulting Engineer is of the opinion that:

1. The acquisition of an ownership interest in the Project by the City and the operation of the Project under the provisions of the IOA will provide the City with an economical long-range source of power that will result in lower power supply costs than would result from the continued purchase of all its power requirements from Edison.
2. The forecast overall revenue requirements from the sale of electricity by the City are reduced by the City acquiring an ownership share in the Project rather than continuing to purchase all of its power requirements from Edison.
3. The estimated cost of power from the Project compares favorably with forecast purchase power rates from Edison and with available cost projections of other generating resources potentially available to the City in the 1980's.
4. The construction cost estimates provided by Edison for the Project are comparable with the costs expected for similar projects being developed within the same time frame.

Certain Factors Affecting the Electric Utility Industry and Effects of the Three Mile Island Accident

The electric utility industry is currently experiencing problems in a number of areas including, among others, the effects of inflation upon the costs of operations and construction, availability and high cost of capital, availability and increased cost of fuel for the generation of electric energy, long construction periods for new generating units, licensing and other delays affecting the construction of new facilities, and compliance with environmental regulations and Federal energy legislation, including the National Energy Act of 1978. The City is unable to predict the extent to which the Electric System will be affected by such factors.

In addition, following the accident at the TMI-2, the NRC has undergone a reorganization and an interruption of its licensing efforts. The licensing requirements for nuclear plants are continually being re-evaluated in light of the TMI-2 accident which has resulted in some uncertainty in the licensing schedules for all plants approaching completion of construction.

The TMI-2 accident analysis of the NRC has resulted in additional design change requirements by the NRC. These design changes are estimated by Edison to cost \$30,000,000 plus overhead, and Edison has included funding to cover these costs in the Project estimate. There is the possibility that additional design changes may be required in the future.

REGULATORY MATTERS

The California Public Utilities Commission has issued an order authorizing Edison to transfer an ownership interest in the Project to the City. It is not necessary that either the Federal Energy Regulatory Commission ("FERC") or the California Energy Commission (the "CEC") approve the transfer of an ownership interest to the City. The City has complied with the California Environmental Quality Act insofar as it is applicable to the transfer of an ownership interest to the City. To the extent that additional permits or approvals (other than the NRC operating permit discussed below) may be required, the City believes that such will be obtained in due course.

Nuclear Regulatory Commission

The Atomic Energy Act (42 USC 2131; Title 10 CFR 50.10(a)) provides that it is unlawful for any person within the United States to transfer or receive in interstate commerce, manufacture, produce, transfer, acquire, possess, use any utilization of production facility equipment except under and in

accordance with a license issued by the NRC. A Construction Permit was issued on October 18, 1973 to Edison and San Diego. Therefore, while the City will not operate the facility, it has been concluded that it will be necessary for the Construction Permit to be amended by adding the City as an owner thereto. On July 19, 1979 Edison, San Diego, Riverside and Anaheim filed an Application with the NRC to amend the Construction Permit. On August 5, 1980, the NRC approved the Application to amend the Construction Permit thereby adding Riverside and Anaheim as owners of the Project.

Edison and San Diego have applied for an Operating Permit. Petitions to Intervene have been granted to several adverse parties. Primary issues raised relate to seismic and geologic conditions and to emergency planning. As part of the proceedings, the United States Geological Survey is preparing a report on seismic and geologic matters for submission to the NRC for its consideration. Edison has advised the City that, based on studies conducted by and on behalf of Edison, it believes that the Project is designed to be able to withstand maximum adverse seismic conditions it considers credible for the Project area. Discovery has commenced and is presently proceeding. Thereafter the Atomic Safety and Licensing Board (the "Licensing Board") will set dates for hearings on this matter. The Licensing Board has indicated that when the City and the city of Anaheim acquire their ownership interest in the Project they will be consolidated with Edison and San Diego for the Operating Permit proceedings. An Operating Permit has not yet been granted for this facility. It will be necessary for the City to apply for, and be granted, an Operating Permit for Units 2 and 3. It is not anticipated that the City will have any different problems with obtaining an Operating Permit than will Edison and San Diego.

FUTURE PLANS OF THE ELECTRIC SYSTEM

The City currently purchases all of its firm electrical power requirements from Edison at Edison's wholesale rates and purchases certain amounts of economy energy, pursuant to an Economy Energy Agreement dated May 25, 1976 from Nevada Power Company. The Economy Energy Agreement will terminate in December 1980. In July, 1980 the City and Nevada Power Company executed an agreement which provides for economy energy exchanges and energy banking arrangements.

The increased cost of fuel oil has resulted in higher wholesale power costs to the City. The cost of electricity purchased by the City increased by 19% for the fiscal year ended 1980. In order to lessen the impact of the continually rising power costs, the City is actively pursuing alternate sources of power including joint participation in coal and other electric generating projects.

OTHER PROJECTS OF THE ELECTRIC SYSTEM

In addition to the Project, the City has an ongoing program to investigate other potential power supply resources which could be used to serve a portion of its electrical requirements which are currently being purchased from Edison. Of these potential resources, the most definitive is the Intermountain Power Project ("IPP"), to be located in Southwest Utah.

Intermountain Power Project

In 1974 the City entered into a membership and study agreement with the California cities of Anaheim, Burbank, Glendale, Pasadena and the Department of Water & Power of the City of Los Angeles ("LADWP") and with the Intermountain Consumer Power Association, composed of a group of Utah municipalities and rural electric cooperatives. The purpose of the agreement was to investigate the feasibility of constructing and operating the project. The proposed project is a 3,000-megawatt coal-fired electric-generating plant consisting of four 750-megawatt generators, to be located in Southwest Utah. The presently projected commercial operation date of the first unit is July 1986 with other units following at one-year intervals. A feasibility study has been completed by the LADWP pursuant to an agreement between IPP and the LADWP.

In May 1977, several Utah municipalities, which are members of the Intermountain Consumer Power Association, agreed to organize the Intermountain Power Agency ("IPA"), a political subdivision of the State of Utah created pursuant to the provisions of the Interlocal Cooperation Act of the State of Utah, for the express purpose of undertaking and financing IPP. It is currently contemplated that IPA will issue long-term bonds (estimated to aggregate approximately \$8 billion) to finance the construction of IPP with said bonds secured by "take-or-pay" power sales contracts between IPA and purchasers of power from IPP obligating those purchasers to pay whether or not power is produced. On August 6, 1980, the City entered into such a power sales contract obligating it to purchase a 6.82% share of IPP capacity and energy. Payments by the City of its share of IPP power costs (including debt service) are expected to commence in the fiscal year ending 1987. Based upon preliminary estimates, R. W. Beck and Associates expects that participation in IPP will result in lower costs of power to the City than purchasing the equivalent amount of power from Edison. Pursuant to the IOA, Edison has agreed to integrate IPP as a resource and to provide transmission services to the City's point of delivery.

An environmental impact statement has been prepared by the United States Bureau of Land Management. On December 19, 1979, the Secretary of the Interior announced his approval of the project following the completion of the environmental impact statement. IPA is entering into contracts to acquire approximately 39,500 acre feet of surface water annually from the Sevier River and 5,500 acre feet of ground water annually from wells located in the vicinity of the proposed plant site. IPA has commenced negotiations to acquire a coal supply but no contracts have been executed to obtain coal for the project.

White Pine Project

The City, together with other public and private utilities in California and Nevada have begun preliminary studies to explore the feasibility of constructing a coal-fired generating station near Ely, Nevada. This generating station would provide approximately 1,500 megawatts of electrical capacity. It is contemplated that White Pine County would finance and construct this project. The bonds issued by White Pine County would be secured by power sales contracts executed with the various purchasers of power from the project. The City's entitlement percentage share for feasibility studies is currently expected to be approximately 2.652%. It is currently anticipated that the electric utilities referred to above will enter into a power supply development agreement with White Pine County in the fall of 1980 for the purpose of conducting further feasibility and environmental studies and obtaining permits and licenses for constructing and operating the project. It is anticipated that White Pine County will issue notes not exceeding \$30,000,000 for such purposes. Such notes will be payable from the proceeds of long term bonds issued by the County or from payments by the participants under such agreements on the basis of entitlement shares. The estimated commercial operation dates for each of three 500 megawatt generating units are 1989, 1990 and 1991, respectively.

California Coal Project

The City has entered into a letter agreement with Edison and other utilities to endeavor to obtain all necessary regulatory approvals required to construct and operate the California Coal Project. The project is a proposed 1,500-megawatt plant consisting of three 500-megawatt generating units to be located in the eastern desert in Southern California. A Notice of Intent for certification and approval of a plant site was filed with the CEC on December 28, 1979. Proceedings are currently being held before the CEC with respect to the Notice of Intent. A decision by the CEC is expected by January 15, 1981. The City's entitlement percentage share for the feasibility studies currently is 2.5%. The project is planned to be in operation in the early 1990's with Edison acting as the project manager.

North Brawley Geothermal Project

Union Oil Company ("Union") has entered into an agreement with Edison wherein Union agreed to construct a 10 megawatt demonstration plant and a separate agreement wherein Union agreed to sell geothermal energy to Edison to operate the 10 megawatt demonstration plant. It has been proposed that the City, along with other public agencies in Southern California, agree to acquire a 50% ownership interest in the demonstration plant for the purpose of studying the technological developments and operating experience obtained in the operation of the demonstration plant, all for the purpose of constructing additional geothermal units.

It is proposed that the City enter into an agreement with LADWP, Burbank, Glendale, Pasadena, Anaheim and the Imperial Irrigation District to acquire ownership rights in the demonstration plant and the right to acquire options to purchase geothermal energy from Union Oil Company in the North Brawley Geothermal Field for approximately 450 megawatts of geothermal energy. The City's proposed entitlement percentage share would be approximately 5%.

Other Possible Resources

The City is also studying the feasibility of participating in the acquisition of some hydroelectric resources in the State of California. Along with the City of Anaheim, the City has filed an application for a preliminary permit to study a proposed 140 megawatt hydroelectric project at Balsam Meadows, FERC Project No. 2858. The City has also filed, along with the cities of Azusa, Banning, Colton and Anaheim and the Northern California Power Agency, a competing application with Pacific Gas and Electric Company for a license to operate the existing hydroelectric facilities at Cresta and Rock Creek powerhouses on the Feather River, FERC Project No. 1962.

It is unknown whether either of these applications will be granted by FERC.

Southern California Public Power Authority

The City and other public agencies in Southern California are considering the creation of a joint powers authority. As currently contemplated, such authority would provide for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the City participates in any project developed by the Authority, it is anticipated that the City would be obligated for its share of cost on a "take-or-pay" basis whether or not power is generated or delivered.

DESCRIPTION OF THE BONDS

General

The Bonds are being issued in the aggregate principal amount of \$89,070,000, are dated October 1, 1980, bear interest at the rates per annum set forth on the cover page of this Official Statement, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 1981, and mature on October 1 in the years and principal amounts set forth on the cover page of this Official Statement.

The Bonds are issuable in coupon form in the denomination of \$5,000 each, registrable as to principal and interest, with the privilege of discharge from registration.

The principal of and premium, if any, and interest on the Bonds are payable at the office of the City Treasurer of the City of Riverside, California, or, at the option of the holder, at any paying agent of the City in Los Angeles, San Francisco, Chicago or New York.

Optional Redemption

The Bonds maturing on or after October 1, 1992 are subject to redemption, at the option of the City, on and after October 1, 1991, in whole or in part by complete maturity or maturities as selected

by the City Council at its discretion, on any interest payment date, at the following redemption prices, plus accrued interest to the date of redemption:

Redemption Period (dates inclusive)	Redemption Price (percentage of principal amount)
October 1, 1991 — September 30, 1995	104%
October 1, 1995 — September 30, 1997	103
October 1, 1997 — September 30, 1999	102
October 1, 1999 — September 30, 2001	101
October 1, 2001 — maturity	100

Sinking Account Redemption Provisions

The 1980 Bonds maturing on October 1, 2013, shall also be subject to redemption in part, by lot, prior to maturity on October 1, 2004 and on each October 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption, from minimum Term Bond payments deposited in the Mandatory Sinking Account in the amounts set forth below:

Year	Minimum Principal Amount	Year	Minimum Principal Amount
2004	\$3,300,000	2009	\$5,125,000
2005	3,600,000	2010	5,600,000
2006	3,925,000	2011	6,100,000
2007	4,300,000	2012	6,675,000
2008	4,675,000	2013	7,300,000

Notice of Redemption

The Resolutions require the City to give notice of redemption of the Bonds by publication in a newspaper of general circulation in the City and in a financial newspaper or journal of national circulation published in the City of New York, New York, said publications to be at least 30 days but not more than 60 days prior to the redemption date.

CITY OF RIVERSIDE — ECONOMIC BACKGROUND

The Bonds will not be secured by any pledge of ad valorem taxes or General Fund revenues but will be payable solely from the Net Operating Revenues of the City's Electric System. The financial and economic position of the City set forth below and on the following pages is included in the Official Statement for information purposes only, in the interest of giving a more complete description of the City.

General

The City is the County seat of Riverside County and is located in the western portion of that County about 57 miles east of downtown Los Angeles and about 87 miles north of San Diego. Within ten miles of Riverside are the seven cities of San Bernardino, Corona, Norco, Fontana, Rialto, Colton and Redlands. Those eight cities are located in the Counties of Riverside and San Bernardino, which together are referred to as the Riverside-San Bernardino-Ontario Standard Metropolitan Statistical Area (SMSA). The eight cities, including Riverside, represent an important economic area of the State and of Southern California. They lie to the west and south respectively of the strategic San Geronimo and Cajon Passes, from which transcontinental railroads and interstate highways converge to connect the Los Angeles area with other areas of the nation. The City is situated in close proximity to the metropolitan economic centers of Los Angeles and Orange counties.

Riverside and San Bernardino counties cover 27,400 square miles, a land area larger than the State of Virginia. Riverside County alone is larger than the State of New Jersey. The City area, though small geographically in relation to the bi-county area, contains most of the population.

Rainfall in the Riverside area amounts to about 12 inches during the average year, and average temperatures range from 51° in January to 75.5° in July. More extreme weather prevails in the arid interior of the counties.

Municipal Government

The City is a charter City and has a council-manager form of government with a seven member council being elected for four-year overlapping terms. The mayor is elected at large for a four-year term and is presiding officer of the council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the council to serve as administrator of the staff and to carry out the policies of the council.

Functions of the City government are carried out by approximately 1,550 full-time and 140 part-time personnel. Water is supplied by the City system. The City operates and maintains a sewer system. Electricity is provided by the City-owned electric utility. Other City services include a diversified recreation program and park department, museum and library.

Population

The growth of Riverside has steadily increased since 1950. The 1970 Federal Census showed the City's population to be 140,089, which represents an increase of 55,757 or 66% in the ten years since the 1960 census. During the twenty year period since the 1950 census, the population increased by 93,343. The State Department of Finance estimated population at 162,800 as of January 1, 1979. The following table shows the growth in population since 1940.

Population Statistics

<u>Year</u>	<u>Population</u>
1940.....	38,227
1950.....	46,746
1960.....	84,332
1970.....	140,089
1979.....	162,800

Building Activity

Paralleling population and commercial growth in the City, building activity has increased steadily. Close to \$521 million of building permits have been issued by the City's Building Department since 1975. The increase in 1977 is due principally to building permits being issued for 4,138 single family dwellings with a total permit valuation of \$168 million.

In November 1977, the City placed a building moratorium on all residential construction except for individual single-family dwelling construction. The purpose of this moratorium was to allow the City sufficient time to complete various area planning studies and to develop a system for evaluating residential developments and their impact upon City services. The moratorium was terminated in March 1979.

Upon termination of the moratorium a residential point system process was instituted. This process will somewhat limit building activity. In addition, some prime agricultural areas and hillside areas have been restricted as to potential future growth by the passage of an initiative measure restricting these areas to one house per two acres to one house per five acres. However, the City anticipates new construction to proceed at rates comparable to the period prior to 1977.

In addition, the City's sewage treatment plant is approaching capacity and additional capacity does not appear to be possible for a three- to four-year period. As a result, the City has determined that the remaining capacity will be prorated over the next three years by limiting sewer connections. The City is planning to add sewer capacity by construction of additional treatment facilities after the three year period.

The following chart indicates the total valuation of all building permits issued by the City's Building Division during the period from 1975 to 1979.

	1979	1978	1977	1976	1975
New residential	\$27,338,100	\$ 7,387,791	\$209,401,108	\$77,044,696	\$30,861,332
Commercial/industrial	46,027,102	27,649,356	18,950,143	9,319,695	11,290,255
Alterations/additions	10,839,108	12,520,797	15,333,157	10,367,007	6,179,004
Total valuation.....	\$84,204,310	\$47,557,944	\$243,684,408	\$96,731,398	\$48,330,591
Total new dwelling units....	280	78	4,506	1,660	87
Total permits	3,710	4,319	8,468	4,754	3,425

Source: City Planning Department—Building Division.

Employment

While no annual information is regularly compiled on employment for the City, information for the Riverside-San Bernardino-Ontario SMSA, the sixth largest of 17 in California, indicates that resident employment increased from 415,500 in 1975 to about 533,100 in 1979. The rate of resident unemployment ranged from 10.1% to 6.6% in 1975 through 1979. The following table indicates the employment statistics during the period from 1975 to 1979.

Riverside-San Bernardino-Ontario SMSA
Employment, Unemployment and Labor Force(*)
Averages: 1975-1979
(thousands)

	1979	1978	1977	1976	1975
Employment	533.1	511.3	467.7	436.0	415.5
Unemployment	37.6	38.5	42.9	44.9	46.7
Civilian Labor Force	570.7	549.8	510.6	480.9	462.2
Unemployment Rate	6.6%	7.0%	8.4%	9.3%	10.1%
State Unemployment Rate	6.2%	7.1%	8.2%	9.2%	9.9%

(*) By place of residence, including workers involved in labor disputes.

Source: State Employment Development Department.

The most important wage and salary employment sectors are trade, services, and government, which combined made up almost two thirds of all such employment in 1979. Government constituted about 24%. Being the county seats, Riverside's and San Bernardino's county government establishments, as well as two major U.S. Air Force bases, March Air Force Base south of Riverside and Norton Air Force Base near San Bernardino, explain the importance of that sector.

The City is an important industrial center for the manufacture of, among others, instruments, computer equipment, aluminum, recreational vehicles, mobile homes, and aerospace and aircraft components. The City has over 3,800 acres zoned for industrial use.

The following two tables indicate the scope of employment in Riverside in relating the wage and salary employment by industry and the principal employers.

Riverside-San Bernardino-Ontario SMSA
Wage and Salary Employment by Industry(*)
Averages: 1975-79
(thousands)

Sector	1979	1978	1977	1976	1975
Agriculture.....	18.4	19.1	19.9	19.2	17.4
Mining.....	2.6	2.5	2.3	2.2	2.0
Construction.....	29.3	26.0	17.7	14.5	12.8
Durable Manufacturing.....	50.0	46.9	41.3	39.1	37.1
Non-Durable Manufacturing	17.4	17.2	15.8	15.2	14.0
Transportation,					
Communications, Utilities	23.6	21.8	20.1	19.0	19.0
Wholesale Trade.....	14.4	14.0	14.3	13.6	13.1
Retail Trade.....	81.0	84.1	74.5	69.1	64.8
Finance, Insurance, Real					
Estate.....	18.6	17.0	14.5	13.5	12.6
Services.....	87.6	82.3	74.8	71.2	68.1
Government.....	97.3	96.4	92.9	90.0	89.2
Total.....	440.2	427.3	388.1	366.6	350.4

(*) By place of work, excluding the self-employed, farmers, unpaid family workers, domestic workers in households, and workers involved in labor disputes.

Source: State Employment Development Department.

Principal Employers

<u>Firm/Institution</u>	<u>Principal Products</u>	<u>Number of Employees</u>
Manufacturing:		
Rohr Industries Inc.	Aircraft and rocket motor assemblies	3,080
Bourns Inc.	Electronic components and systems	1,800
Fleetwood Enterprises	Mobile homes, recreational vehicles	1,000
Toro Co.	Automatic irrigation systems	500
Owens-Illinois/Lily Div.	Paper and plastic cups and containers	450
Alumax Inc.	Aluminum mill products	375
ATCO International Inc.	Relocatable housing structures	325
Hunter Engineering Co.	Rolling mill machinery/equipment	300
Riverside Cement Co.	Cement	250
FMC Corp., Citrus Machinery Div.	Citrus processing machinery, egg handling systems	200
Non-Manufacturing:		
County of Riverside	County government	6,500
Univ. of Calif. Riverside	State university	2,885
Riverside Unified School District	Public school system	2,400
City of Riverside	City government	2,000
Riverside Community Hospital	Private hospital	1,060
March AFB (non-military empl.)	Military installation	1,050
Pacific Telephone Co.	Telephone utility	900
Alvord Unified School District	Public school system	860
Press-Enterprise Co.	Daily newspaper	750

Source: Riverside County Department of Development, 1980.

Income

Total resident personal income in the Riverside-San Bernardino-Ontario SMSA increased about 90% from 1971 through 1977 (the latest year published by the U.S. Department of Commerce), due both to increases in population as well as to increased per capita income. Per capita personal income in the SMSA increased about 67.8% from \$3,827 in 1971 to \$6,423 in 1977. The latter amount trailed the \$8,356 average in the four Southern California counties and the \$8,015 average in California. The total personal income of residents of the SMSA in 1977 represented about 10% of the four Southern California counties' personal income and about 4.8% of the State's personal income.

Retail Sales

Retail merchandising is a primary factor in the City's economy. The City serves as a major commercial and marketing center for a large portion of Riverside and San Bernardino counties. The following table indicates the growth in taxable transactions from 1975 to 1979.

Taxable Transactions

<u>Year</u>	<u>Outlets July 1</u>	<u>Taxable Transactions</u>
1975.....	2,903	\$506,560,000
1976.....	3,034	588,267,000
1977.....	3,161	722,846,000
1978.....	3,294	834,053,000
1979.....	3,433	954,303,000

Source: State Board of Equalization.

Education

Riverside provides instruction at all levels. The University of California at Riverside, with a 1978/79 enrollment of approximately 5,000 offers undergraduate and graduate degrees in many liberal arts fields in addition to a notable agricultural curriculum.

The Riverside Unified School District operates 24 elementary schools, 5 junior high schools, 4 high schools and 3 special schools. The Alvord Unified School District also provides public schools for a small percentage of City residents.

Also located at Riverside is La Sierra College, a four-year Seventh-Day Adventist college affiliated with Loma Linda University. Specialized schools include California School for the Deaf and the Sherman Institute.

The Riverside City Community College District operates Riverside City College. The school is a community college offering two-year programs leading either to terminal degrees in technical fields or to entrance to a four-year college at the third year level, plus adult education courses. Fall 1977 enrollment was approximately 16,000.

CITY OF RIVERSIDE – FINANCIAL INFORMATION

Certain Financial Information

The following tables present the comparative Balance Sheets and the comparative Statements of Revenues and Expenditures for the General Fund of the City over the years 1974-1975 to 1978-1979.

COMPARATIVE BALANCE SHEETS

A s s e t s

	Fiscal Year Ended June 30				
	1979	1978	1977	1976	1975
Cash	\$6,279,811	\$3,256,432	\$5,370,679	\$2,304,195	\$1,144,255
Accounts Receivable — Net	706,982	587,668	612,789	678,560	284,336
Interfund Loans Receivable	489,381	426,136			
Due From Other Governmental					
Agencies.....	851,177	883,135	711,070	198,443	205,441
Pre-paid Expenses	35,971	160,731	135,635	140,345	116,728
Amount to be provided for					
Contract & Lease Purchase					
Obligations	48,996	125,079	398,849	489,408	624,779
Total	<u>\$8,412,318</u>	<u>\$5,439,181</u>	<u>\$7,229,022</u>	<u>\$3,810,951</u>	<u>\$2,375,539</u>

Liabilities, Reserves and Fund Balance

Accounts Payable	\$2,144,251	\$1,669,334	\$1,374,166	\$1,029,826	\$ 805,085
Interfund Loans Payable	—	94,682	156,306	—	—
Deferred Revenues	—	—	20,918	14,411	6,282
Contract and Lease Purchase					
Obligations	48,996	125,079	398,849	489,408	624,779
Total Liabilities	<u>2,193,247</u>	<u>1,889,095</u>	<u>1,950,239</u>	<u>1,533,645</u>	<u>1,436,146</u>
Reserves	5,934,555	1,353,645	1,043,883	550,053	434,850
Fund Balance	284,516	2,196,441	4,234,900	1,727,253	504,543
Total	<u>\$8,412,318</u>	<u>\$5,439,181</u>	<u>\$7,229,022</u>	<u>\$3,810,951</u>	<u>\$2,375,539</u>

Summary of Revenues and Expenditures

	Fiscal Year Ended June 30,				
	1979	1978	1977	1976	1975
REVENUES					
Property taxes	\$ 3,038,704	\$ 4,832,015	\$ 4,465,422	\$ 3,975,581	\$ 3,601,056
Sales and use taxes	9,521,980	8,414,718	6,713,855	5,690,908	4,832,203
Other non-property taxes	5,546,717	6,561,334	5,076,931	3,068,953	2,693,741
Licenses and permits	975,588	2,017,458	1,534,897	1,876,304	1,084,898
Fines and penalties	1,044,658	903,944	819,142	681,166	684,006
Use of money and property	1,582,421	966,886	476,248	452,720	640,493
From other agencies	19,509,754	13,392,221	11,621,089	12,911,274	9,508,874
Current services	8,747,096	8,537,908	7,624,377	4,802,899	4,704,924
Other revenue	4,990,475	4,713,394	4,122,321	4,177,388	3,307,429
Total	\$55,007,393	\$50,339,878	\$42,454,242	\$37,637,193	\$31,057,624
EXPENDITURES					
General government	\$ 7,068,281	\$ 7,692,314	\$ 5,190,295	\$ 3,605,212	\$ 2,800,626
Public safety	15,718,952	14,393,066	12,692,188	11,491,824	10,282,932
Public works	12,187,920	11,353,256	9,159,340	8,700,639	8,350,101
Health	—	—	—	24,084	56,140
Library	2,565,788	2,835,537	2,480,356	2,304,122	2,098,121
Parks and recreation	4,498,347	4,838,170	3,782,253	3,316,951	2,976,007
Contributions to other governmental units	69,988	253,445	133,838	19,338	67,122
Capital outlays	10,106,148	4,115,766	5,041,604	5,661,477	4,232,265
Total	\$52,215,424	\$45,481,554	\$38,479,874	\$35,123,647	\$30,863,314

Source: City Finance Department as reported to State Controller and published in State Controller's Annual Report entitled *Financial Transactions Concerning Cities of California*. Excludes Airport, Electric System and Water Department enterprise funds.

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June of the following year.

At such date as the City Manager determines, each department head must furnish to the City Manager an estimate of revenues and expenditures for such department, for the ensuing fiscal year, detailed in such manner as may be prescribed by the City Manager. In preparing the proposed budget, the City Manager reviews the estimates, holds conferences thereon with the respective department heads, boards or commissions as necessary, and may revise the estimates as he or she deems advisable.

At least thirty-five days prior to the beginning of each fiscal year, the City Manager submits to the City Council the proposed budget as prepared by him or her. After reviewing and making such revisions as it deems advisable, the City Council determines the time for the holding of a public hearing thereon and causes to be published a notice thereof not less than ten days prior to the hearing date. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk at least ten days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the proposed budget and makes any revisions thereof that it deems advisable and on or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the Council.

From the effective date of the budget, the several amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer funds from one object or purpose to another within the same department, office or agency. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered.

At any public meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of at least five members of the City Council.

Under the City charter, the City may not incur indebtedness evidenced by general obligation bonds which would in the aggregate exceed fifteen percent of the total assessed valuation, for purposes of City taxation, of all the real and personal property within the City, and no bonded indebtedness which shall constitute a general obligation of the City may be created unless authorized by the affirmative votes of two-thirds of the electors voting on such proposition at any election at which the question is submitted to the electors. At present the City has no authorized but unissued general obligation bonds, and future authorizations are precluded as a result of the passage of Article XIII of the California Constitution.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council and at such other times as he or she shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

Assessed Valuations and Tax Collections

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 6% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 6% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the assessee.

Direct and Overlapping Debt

The following table indicates the direct and estimated overlapping bonded debt of the City prepared by California Municipal Statistics, Inc. as of September 29, 1980.

STATEMENT OF DIRECT AND ESTIMATED OVERLAPPING BONDED DEBT

1980-81 Assessed Valuation: \$788,905,799 (Before deducting redevelopment tax allocation increment)

Direct and Overlapping Bonded Debt:	Percent Applicable	Debt as of 10/1/80
Riverside County	18.937%	\$ 106,047
Riverside County Building Authorities	18.937	4,798,636
Metropolitan Water District	1.137	5,738,655
Riverside County Flood Control Dist., Zone #1	74.346	15,110,825
Riverside City Com. College Dist. (various issues)	62.372—62.691	750,378
Riverside Unif. School Dist. (various issues)	91.586—92.858	13,544,938
Alvord Unif. School Dist. (various issues)	90.385—93.539	4,300,447
Other School and Unified School Districts	Various	38,934
City of Riverside	100.	3,545,000
City of Riverside Building Authorities	100.	27,743,000
City of Riverside Parking Dist. #1	100.	565,000
La Sierra Community Services Dist.	100.	210,000
Other Special Districts	Various	164,172
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		76,616,032
Less: Parking Dist. #1 (100% self-supporting)		565,000
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$76,051,032

RATIOS TO ASSESSED VALUATION

Direct Debt (\$31,288,000)	3.97%
Total Gross Debt	9.71%
Total Net Debt	9.64%

SHARE OF AUTHORIZED AND UNSOLD BONDS

Metropolitan Water District	\$4,219,400
Alvord Unified School District	\$ 655,507
Highgrove School District	\$ 4,751
Moreno Valley Unified School District	\$ 49
Riverside Unified School District	\$ 551,190
Home Gardens Sanitary District	\$ 253
La Sierra Community Services District	\$ 100,000
Riverside (Airport Revenue)	\$ 250,000
Western MWD, ID #3	\$ 339,515

State School Aid Repayable as of 6/30/80: \$6,712,226

Total assessed valuation of all taxable property in the City increased from 296,720,661 to 740,053,848 at an average annual rate of approximately 10.37% from 1970-71 to 1979-80. Such assessed valuations include secured and unsecured properties assessed by the Riverside County Assessor and secured utility properties assessed by the State Board of Equalization. The valuations are before deduction of State-reimbursed homeowners' and business inventory exemptions but exclude veterans, religious, charitable, and other such nonrecoverable exemptions. Excluded also are the incremental assessed valuations within redevelopment project areas, the revenues from which were allocated to the Riverside Redevelopment Agency in the years beginning with 1975-76.

In addition to a 10-year record of assessed valuations the table below shows the City tax levies, collections, and collection percentages for the last ten completed fiscal years.

Assessed Valuations, Tax Collections, and Tax Rates

Fiscal Year Ended June 30	Assessed Valuation All Taxable Property(1)	Total Tax Levy	Total Tax Collections(2)	Percent of Current Year's Taxes Received During Current Year	Ratio of Total Collections to Total Tax Levy	Secured Roll Tax Rate		
						City of Riverside	Overlapping Agencies	Total
1970.....	\$ 279,265,432	\$2,958,343	\$2,955,321	95.9%	99.9%	\$ 1.1300	\$ 8.9250	\$10.0550
1971.....	296,740,661	3,113,037	3,105,231	96.7	99.8	1.1300	9.3000	10.4300
1972.....	322,768,084	3,409,436	3,381,375	95.4	99.2	1.1300	9.7780	10.7080
1973.....	336,823,772	3,563,196	3,571,253	95.6	100.2	1.1300	9.6150	10.7450
1974.....	355,837,058	3,403,294	3,371,122	95.4	99.1	1.1300	9.3010	10.4310
1975.....	385,907,138	3,687,559	3,584,477	93.6	97.2	1.1300	8.9400	10.0700
1976.....	416,491,631(3)	3,974,909	3,926,906	94.2	98.8	1.1300	9.8760	11.0060
1977.....	453,417,402(3)	4,363,320	4,432,360	97.3	101.6	1.1300	10.1290	11.2590
1978.....	542,390,209(3)	4,855,572	4,805,534	N/A	100.1	1.0100	9.4370	10.4470
1979.....	614,459,041	N/A(4)	3,010,161	N/A	N/A	N/A	N/A	4.942
1980.....	715,300,139	N/A(4)	N/A	N/A	N/A	.580	4.24	4.820

(1) Gross assessed valuation less all exemptions, plus the homeowners' and business inventory exemptions beginning in 1969-70, the taxes on which are paid by the State of California.

(2) Includes prior years.

(3) Excludes incremental assessed valuation in the redevelopment project area, the taxes on which are payable to the Redevelopment Agency.

(4) Because the City, by law is no longer required to set a tax rate other than a debt service rate and is receiving only a percentage of the taxes collected by the County of Riverside, it can no longer compute the percentage of tax collected to amount levied after fiscal year ended June 30, 1975.

Source: City of Riverside Annual Financial Reports.

Summarized below is a 10-year history of property tax rates levied in a typical tax code area in Riverside by the City and overlapping taxing agencies.

Property Tax Rate History
Typical Tax Code Area
(Mills per \$1.00 of Valuation)

Fiscal Year	City	School Districts	County of Riverside	Other	Total
1969.....	1.130	5.338	2.3774	.6140	9.4594
1970.....	1.130	5.640	2.5450	.7400	10.0550
1971.....	1.130	5.677	2.9590	.6640	10.4300
1972.....	1.130	5.780	2.9250	.8730	10.7080
1973.....	1.130	5.930	2.8250	.8600	10.7450
1974.....	1.130	5.758	2.6730	.8700	10.4310
1975.....	1.130	5.445	2.6350	.8600	10.0700
1976.....	1.130	6.387	2.6330	.8560	11.0060
1977.....	1.130	6.384	2.9230	.8220	11.2590
1978.....	1.010	6.077	2.5440	.8160	10.4470
1979.....	N/A	N/A	N/A	N/A	4.942 (*)
1980.....	.680	2.494	1.182	.464	4.820 (*)

(*) Estimated

Retirement System

Employees of the City participate in a defined-benefit pension plan which is administered in accordance with a contract between the City and the State of California Public Employees' Retirement System ("PERS").

The PERS system was established in 1931. As of June 30, 1978, there were 541,187 members, of whom approximately 10% are classified as "safety" members (principally fire and police duties) and the balance are classified as "miscellaneous" members (management, administrative, staff, operational and clerical employees).

Approximately one-third of the members of PERS are state personnel and the balance are other public agency personnel. As of June 30, 1979, the PERS provided retirement, death and survivor benefits under 1,039 contracts for 2,136 public agency employers (cities, counties, school districts, special districts and other public bodies) with 358,537 members. PERS's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules.

Total assets of the PERS at June 30, 1979 were \$11.4 billion, according to the most recent annual audit. Of this amount, net assets of \$11.1 billion were available for benefits. The annual contribution by employers for the 1978/79 fiscal year was \$988 million. The annual contribution by employees for the 1978/79 fiscal year was \$354 million.

The most recent actuarial valuation, performed by PERS, utilized census data as of June 30, 1976. The total unfunded obligation of the PERS was determined to be \$6,868,665,000. The method used was entry age normal cost, which is a projected benefit cost method wherein level employer normal cost rates, considering present member contributions, are calculated at amounts sufficient to fund benefits over the entire service life of members.

Except for the pooling of certain public agency miscellaneous members, actuarial evaluations are performed for each participating employer, and the total accrued actuarial liability noted above is the sum of the individual employer accounts. According to the PERS annual report, public agency

employer contribution rates set forth between each agency and PERS will meet all ongoing costs and fund the unfunded liability for each agency in accordance with the terms of each agency's contract.

State law provides that, when rendered necessary by changes in benefits or by periodic actuarial review, PERS may modify the amounts of annual pension contributions by agencies contracting with it. At July 1, 1978, an actuarial valuation by the state (the most recent) indicated the City had an unfunded liability for safety members of \$18,899,494 and for miscellaneous members of \$20,542,688. Contribution rates of 10.594% for safety members and 6.068% for miscellaneous members were established by the state to amortize this liability by July 1, 2006.

The PERS's financial statements are prepared on an accrual basis of accounting. The PERS's auditor is Touche Ross & Co., San Francisco, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The PERS's actuarial activities are conducted internally on a continuous basis, with an experience analysis being required no less than every four years under the Retirement Law. Management Applied Programming, Inc., Los Angeles, is reviewing the June 30, 1977 actuarial valuation prepared by the PERS staff.

LITIGATION

Relating to the City and the Bonds

In the opinion of the City Attorney, there is no litigation pending or, to the knowledge of the City, threatened, questioning the corporate existence of the City, or the title of the officers of the City to their respective offices, or the validity of the Bonds or the power and authority of the City to issue the Bonds, or the validity of the IOA, Participation Agreement, Supplemental Agreement or Transmission Service Agreement, except as noted below. There is no litigation pending, or the knowledge of the City, threatened, questioning the authority of the City to fix, charge and collect rates for the sale of power and energy by the City as provided in the Resolution.

Other Litigation

City of Anaheim, Et Al. v. So. California Edison Company

On March 2, 1978, the cities of Riverside, Anaheim, Banning, Colton and Azusa filed an action in the Federal District Court for the Central District of California alleging that Edison was involved in a conspiracy to restrain and monopolize trade and price discrimination all in violation of the Sherman Antitrust Act and the Robinson-Patman Price Discrimination Act. On or about May 5, 1978 Edison filed motions for a more definite statement, to dismiss the complaint for failure to state a claim, or in the alternative, to stay the action. The District Court denied Edison's Motion to Dismiss, but stayed the case pending the FERC's decision in Docket No. ER 76-205, E-796 and E-7777. The District Court lifted the stay on September 10, 1979 to permit discovery on certain matters. On February 10, 1980 the District Court vacated the stay entirely. On November 29, 1979 Edison filed its Answer and Counterclaim requesting damage in an unspecified amount. A status conference is scheduled for February, 1981. Counsel to the City believes, based upon the allegations contained in the Counterclaim, which allegations constitute the factual basis for such belief, that the Counterclaim of Edison is without merit.

The City is a party plaintiff or intervenor in various rate cases and other proceedings affecting the Electric System. The City does not believe that any of these proceedings will have an adverse effect upon the financial condition of the Electric System.

LEGAL OPINIONS

The City will furnish to the Underwriters the approving legal opinions of O'Melveny & Myers, of Los Angeles, California, Bond Counsel to the City. Said opinions in substantially the form attached as Appendix G will be printed on the Bonds.

Bond Counsel's participation in the preparation of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the captions "Security for and Sources of Payment for the Bonds" and "Description of the Bonds." The services of Bond Counsel are limited to reviewing and rendering assistance in the preparation of the legal proceedings authorizing the Bonds, to the limited participation in the preparation of the Official Statement described above, to the issuance of the opinion described in the preceding paragraph, and to the issuance of the tax opinion described below. Such opinions will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the issue not stated in this paragraph to have been reviewed by Bond Counsel.

TAX EXEMPTION

In the opinion of Bond Counsel, interest on the Bonds is exempt from income taxes of the United States of America under present federal income tax laws, and is also exempt from personal income taxes of the State of California under present state income tax laws.

CLOSING DOCUMENTS

The City will furnish the Underwriters, without charge, concurrently with payment for the delivery of the Bonds, the following closing documents each dated the date of such delivery:

(a) The opinions of Bond Counsel in the form included in this Official Statement as Appendix G;

(b) A certificate of the Public Utilities Director to the effect that at the time of the sale of the Bonds and at all times subsequent thereto up to and including the time of said delivery the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(c) A certificate of an appropriate official of the City, acting solely in an official and not personal capacity, to the effect that the members of the City Council have reviewed the Official Statement and have determined that as of the date thereof the information contained therein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and that the signatory knows of no material adverse change in the condition of the City which would make it unreasonable for the purchasers of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds.

(d) The certificate of the City Attorney that there is no litigation pending affecting the validity of the Bonds.

CITY OF RIVERSIDE, CALIFORNIA

/s/ ALBERT C. BROWN
MAYOR

/s/ DOUGLAS G. WEIFORD
CITY MANAGER

/s/ EVERETT C. ROSS
PUBLIC UTILITIES DIRECTOR

OCTOBER 21, 1980

R. W. BECK AND ASSOCIATES

ENGINEERS AND CONSULTANTS

PLANNING
DESIGN
RATES
ENVIRONMENTAL
ECONOMICS
MANAGEMENT

TOWER BUILDING
7TH AVENUE AT OLIVE WAY
SEATTLE, WASHINGTON 98101
206-422-5000

GENERAL OFFICE
SEATTLE, WASHINGTON
206-422-5000

October 21, 1980

City of Riverside
City Hall
3900 Main Street
Riverside, California

Gentlemen:

Subject: Consulting Engineer's Report
Riverside Electric System

Presented herewith is a summary of our analyses, investigations and studies with respect to the proposal by the City of Riverside, California (the "City") to issue \$80,000,000 of Electric Revenue Bonds, Issue of 1980 (the "1980 Bonds") for the purpose of paying the cost of acquiring a 1.79% ownership interest in the San Onofre Nuclear Generating Station, Units 2 and 3 (together referred to herein as the "Project") and \$9,070,000 of Electric Revenue Refunding Bonds, Issue of 1980 (the "Refunding Bonds") for the purpose of refunding previous bonds. The Project is being constructed by the Southern California Edison Company ("Edison") and the San Diego Gas and Electric Company. Edison has been designated manager and operator of the Project. The City proposes to acquire its ownership share of the Project from Edison. Based on estimated costs of the Project, the City expects that the 1980 Bonds will be sufficient to acquire a 1.79% ownership interest in the Project. However, the City's present financing program provides that additional bonds could be issued at later dates if necessary to pay any remaining cost of acquiring its ownership interest in the Project.

The City entered into a Settlement Agreement dated August 4, 1972 with Edison which provided, among other things, that the City may acquire a 1.79% ownership interest in the Project and that Edison will provide the necessary transmission services to the City to deliver the output of the Project to the City's system. The City has signed an Integrated Operations Agreement ("IOA") and the Supplemental Agreement for the Integration of Riverside's Entitlement in San Onofre Units 2 and 3 ("Supplemental Agreement") with Edison which provide, among other things, for the operation of the Project by Edison for the benefit of the City. Under the IOA, Edison will continue to supply the City's power and energy requirements over and above the capability of the City's share of the Project and any future City owned resource and credit the City on its monthly billing statements for the power and energy generated by such resources that are integrated with Edison resources. The Supplemental Agreement provides that the Project will be included as an integrated resource pursuant to the IOA. Further, Edison has signed and the City, upon delivery of the Bonds, will sign the San Onofre Units 2 and 3 Participation Agreement which sets forth the terms and conditions under which the City will participate in the ownership and output of the Project and the Transmission Service Agreement in which Edison agrees to provide transmission of the City's share of the output of the Project to the City's point of delivery. For a summary of the San Onofre Units 2 and 3 Participation Agreement the Transmission Service Agreement, the IOA and the Supplemental

Agreement see Appendices B, C, D, and E respectively to the Official Statement to which this report is attached ("Official Statement").

Currently, all of the City's power and energy is purchased at wholesale rates from Edison except for interruptible energy which the City may purchase from other public and private electric utilities and governmental agencies when it is available at an economically attractive price. The City expects to use its share of the output of the Project to replace a portion of the power and energy currently being purchased from Edison, with resulting long-term economic benefits to the City.

THE PROJECT

San Onofre Nuclear Generating Station

The San Onofre Nuclear Generating Station consists of two 1,100 MWe nuclear generating units currently under construction and an existing nuclear generating unit, Unit No. 1 (not part of the Project), rated at 450 MWe. The station is located on an 84-acre site approximately three miles south of San Clemente, California and within the U.S. Marine Corps Base at Camp Pendleton. Except for certain common facilities shared with the existing unit, the Project consists of the two units under construction. These units, Units 2 and 3, are essentially identical in design and will share certain common facilities including the control room and certain other facilities.

The nuclear steam supply systems for the Project, supplied by Combustion Engineering, Inc., are closed-cycle pressurized water reactor systems rated at 3,410 MWt each. The turbine generators are tandem compound units supplied by GEC Turbine Generators, Ltd. (formerly English Electric). The main condensers are being supplied by Ingersoll Rand and will be cooled by circulating seawater obtained through large intake lines extending out 5200 feet into the ocean.

The main generators are rated at 1,312,950 kVA. The main transformers step up the output voltage of each generator to 220 kV for interconnection into the facilities of Edison's transmission network.

The Project is being designed and the construction is being managed by the Bechtel Power Company for Edison. Edison is managing the startup program and will operate the two units upon receiving a commercial operating license.

It is currently planned that the Project will be owned as tenants-in-common by the following utilities:

	<u>Ownership Interest</u>
Edison	76.55%
San Diego Gas & Electric Company	20.00
City of Riverside.....	1.79
City of Anaheim.....	1.66
Total.....	<u>100.00%</u>

Status and Schedule

Construction of Unit 2 began in March 1974 after receipt of a construction permit from the Nuclear Regulatory Commission ("NRC") in October 1973, and the major construction of Unit 3 started in June 1975. Fuel loading for Unit 2 is scheduled for the second quarter of 1981 with commercial operation in December 1981. Fuel loading for Unit 3 is scheduled for the third quarter of 1982 with commercial operation scheduled for February 1983. As of June 27, 1980, construction of Unit 2 was approximately 93% complete and Unit 3 was approximately 63% complete. Edison's current schedule anticipates that the operating license will be received from the NRC in sufficient time to meet the projected fuel loading and startup schedules. For a discussion of the status of the operating license, see the caption "Regulatory Matters — Nuclear Regulatory Commission" in the Official Statement.

Construction work on the Project is currently halted due to a strike as part of a western regional work stoppage by the International Brotherhood of Boilermakers. The City is unable to predict the duration of the stoppage, or its impact on the construction schedule or cost of the Project. For a further discussion, see the caption "The Project - Status and Schedule of Construction" in the Official Statement.

Estimated Financing Requirements for the Project

The following table shows the estimated cost of constructing and financing the Project:

Item	Total Project(1)	City's Share
Land & Rights	\$ 3,270,000	\$ 59,000
Structures & Improvements	680,928,000	12,189,000
Reactor Plant Equipment	811,009,000	14,517,000
Turbogenerator	460,008,000	8,234,000
Accessory Electrical Equipment	195,485,000	3,499,000
Miscellaneous Power Plant Equipment	58,500,000	1,047,000
Subtotal Direct Construction Costs	\$2,209,200,000	\$39,545,000
Ad Valorem Taxes(2)		691,000
Nuclear Fuel(1)		5,174,000
City's Contingency(3)		3,500,000
Total Construction Costs		\$48,910,000
Interest Payable to Edison(4)		9,649,000
Reserve Account(5)		8,196,000
Interest Funded During Construction(6)		16,588,000
Financing Costs(6)		500,000
Gross Requirements		\$83,843,000
Less: Interest Income(7)		3,843,000
Net Financing Requirements		<u>\$80,000,000</u>

(1) Estimated by Edison.

(2) Estimated share of tax to be paid by City.

(3) Additional contingency not included in Edison's estimated costs to allow funds for uncertainties in the construction, licensing and startup schedules and possible additional design changes.

(4) City's share of estimated interest costs paid by Edison through October 1, 1977 and City's interest costs at 9% per year on funds expended by Edison from November 1, 1977 to October 31, 1980.

(5) Maximum annual debt service based on estimated debt service payments on the 1980 Bonds.

(6) Based on an assumed annual interest rate of approximately 9.60% on the 1980 Bonds. 100% of the interest on the 1980 Bonds is capitalized until June 1, 1982, and 50% of the interest on the 1980 Bonds is capitalized until August 1, 1983.

(7) From temporary investment at an assumed interest rate of 7% on the 1980 Bonds proceeds deposited in the Construction Fund. Also included are 100% of interest income on the Reserve Account, invested at an assumed interest rate of 8.5% until June 1, 1982 and 50% of such interest income until August 1, 1983. The interest earnings on the Reserve Account are required by the Resolution authorizing the 1980 Bonds to be deposited in the Construction Fund during the period of construction and for six months thereafter.

Effects of the Three Mile Island Accident

Following the accident at the Three Mile Island Unit No. 2 ("TMI-2"), the NRC has undergone a reorganization and an interruption of its licensing efforts. The licensing requirements for nuclear plants are continually being reevaluated in light of the TMI-2 accident which has resulted in some uncertainty in the licensing schedules for all plants near the completion of construction.

The TMI-2 accident analysis of the NRC has resulted in additional design change requirements by the NRC. These design changes are estimated by Edison to cost \$30,000,000 plus overhead, and Edison has included funding to cover these costs in the Project estimate. There is the possibility that additional design changes may be required in the future.

Nuclear Fuel

The nuclear fuel cycle consists of four basic elements prior to insertion of the fuel assemblies in a nuclear reactor. These elements include acquisition of uranium concentrates, conversion of the uranium concentrates to uranium hexafluoride, enrichment of the uranium hexafluoride and fabrication of the enriched uranium into fuel assemblies. After the fuel has been used in the reactor, it is removed for reprocessing or disposal.

The following table shows the amount of coverage of the necessary materials and services Edison has acquired for the Project:

	Unit 2		Unit 3	
	Full Coverage Through	% Coverage Through 1990	Full Coverage Through	% Coverage Through 1990
Uranium	1985	85	1985	52
Conversion	1990	100	1990	100
Enrichment	2009	100	2009	100
Fabrication	1984	25	1985	55
Storage	1991	100	1992	100

At the present time, no operating facilities for the reprocessing of spent fuel are available, and in April 1977 the President of the United States announced an indefinite deferral of reprocessing spent fuel and the use of plutonium. In October 1977, the United States Department of Energy ("DOE") announced its intent to accept and take title to spent fuel from utilities upon payment of a one-time storage fee. The details of this DOE program are currently being formulated. Edison is providing on-site spent fuel storage capacity for the Project estimated to be sufficient to accommodate storage of the discharges of all spent fuel from Unit No. 2 through 1991 and from Unit No. 3 through 1992. By then it is assumed that an appropriate program will have been implemented to accept spent fuel for placement in a suitable repository.

Estimated Cost to the City of Power from the Project

The following table shows the estimated annual costs to the City of power from the Project as it is delivered to the City's system for the years ending June 30, 1982 through 1990 based on Edison's estimate of energy generation by the Project.

ESTIMATED ANNUAL COSTS TO THE CITY OF POWER FROM THE PROJECT (000)

	Fiscal Year Ending June 30,									
	1982	1983	1984	1985	1986	1987	1988	1989	1990	
Interest and Amortization(1)	\$ 319	\$3,828	\$ 7,731	\$ 8,180	\$ 8,192	\$ 8,186	\$ 8,185	\$ 8,184	\$ 8,176	
Land Easement(2)	1	2	3	3	4	4	4	4	5	
Operation and Maintenance(2)	264	539	998	1,442	1,586	1,739	1,906	2,088	2,289	
Administrative and General(2)	154	322	405	448	488	531	577	628	683	
Nuclear Insurance(2)	52	124	169	188	204	222	242	263	286	
Nuclear Fuel(3)	111	902	1,901	2,213	2,039	2,531	3,115	2,689	2,791	
Renewals and Replacements(4)	115	291	444	480	518	559	604	652	704	
Taxes(5)	5	60	115	120	120	120	120	120	120	
Transmission(6)	62	153	220	223	226	230	233	237	240	
Subtotal	\$1,083	\$6,221	\$11,986	\$13,297	\$13,377	\$14,122	\$14,986	\$14,865	\$15,294	
Less: Interest Earnings(7)	29	349	668	697	697	697	697	697	697	
Total	\$1,054	\$5,872	\$11,318	\$12,600	\$12,680	\$13,425	\$14,289	\$14,168	\$14,597	
Energy Delivered (Millions of kWh)(8)	35	109	179	214	228	238	238	238	238	
Cost (Mills per kWh)	30.1	53.9	63.2	58.9	55.6	56.4	60.0	59.5	61.3	

- (1) Based on 100% of interest capitalized on the 1980 Bonds until June 1, 1982 and 50% of the interest on the 1980 Bonds capitalized on the 1980 Bonds until August 1, 1983. Remaining interest to be paid from revenues. Debt service payments are based on an assumed interest rate of approximately 9.60% and the amortization of principal on the 1980 Bonds over 30 years with the initial principal payment due October 1, 1984.
- (2) Estimated by Edison.
- (3) Based on Edison nuclear fuel costs.
- (4) Estimated at 1.0% of capital costs and escalated at 8.0% per year.
- (5) Based on the City's share of ad valorem taxes at the time of acquiring its ownership share.
- (6) Based on the Transmission Service Agreement.
- (7) Earnings on monies in the Reserve Account not deposited in the Construction Fund at an assumed interest rate of 8.5%.
- (8) Computed as the City's share of estimated total generation at the Project site, less energy transmission losses estimated at approximately 1.6%.

ENERGY AND CAPACITY REQUIREMENTS

During the last five fiscal years, the City's electric customers have increased by 18.8% from 56,902 customers in 1976 to 67,621 customers in 1980.

During the same period of time, the City's electric energy requirements have increased from 938,688,000 kilowatt-hours in 1976 to 1,086,624,000 kilowatt-hours in 1980, a 15.8% total increase and a 3.7% increase per year. Peak demand increased from 248,000 kilowatts in 1976 to 296,600 kilowatts in 1980.

Historical Number of Customers and Load Requirements

Fiscal Year Ending June 30	Average Number of Customers	% Increase (1)	Energy Requirements (MWh)	% Increase (1)	Peak Demand (MW)	% Increase (1)
1976	56,902	1.4	938,688	2.9	248.0	6.5
1977	59,054	3.8	933,408	(0.6)	249.1	0.4
1978	61,411	4.0	997,536	6.9	253.4	1.7
1979	65,201	6.2	1,072,800	7.5	289.8	14.4
1980	67,621	3.7	1,086,624	1.3	296.6	2.3

(1) Over previous year.

The City's forecast of load requirements, shown on the following table, are based on preliminary results of a forecast the City is preparing to submit to the California Energy Commission ("CEC"). The City does not expect its final submission of a forecast to the CEC to materially differ from that shown herein. The forecast shows a slightly lower rate of growth than that experienced in the previous five-year period. The load forecast, as developed by the City, was prepared considering, among other things, economics of the region, price elasticity and the City's on-going conservation programs.

Forecast Peak and Energy Requirements

Fiscal Year Ending June 30	Peak Demand (MW)(1)	% Increase (2)	Energy Requirements (MWh)	% Increase (2)
1981	312(3)	—	1,144,000	—
1982	315	1.0	1,180,000	3.1
1983	325	3.2	1,214,000	2.9
1984	334	2.8	1,250,000	3.0
1985	344	3.0	1,287,000	3.0
1986	355	3.2	1,327,000	3.1
1987	365	2.8	1,367,000	3.0
1988	376	3.0	1,407,000	2.9
1989	388	3.2	1,450,000	3.1
1990	399	2.8	1,494,000	3.0

(1) Estimated by the City.

(2) Over the previous year.

(3) Actual in July 1980.

POWER SUPPLY PLANNING

Currently, all of the City's electricity is purchased at wholesale rates from Edison except for interruptible energy which the City may purchase from other public and private electric utilities and governmental agencies when it is available at an economically attractive price. For a discussion of the contractual arrangements between the City and Edison and the City and the Nevada Power Company which has provided certain economy energy to the City, see the caption: "Future Plans of the Electric System" in the Official Statement. The capacity and energy expected to be received from the Project will be used to displace a portion of the power currently purchased from Edison.

Future Power Supply Resources

The City has an ongoing program to investigate potential power supply resources, in addition to the Project, which could be used to offset purchases of power from Edison as well as to meet all or some portion of forecast load growth. The City has contracted to purchase power from the Intermountain Power Project ("IPP") and is involved in the feasibility studies of other projects. The City plans on evaluating each of these potential future resources on the basis of providing an economic reliable supply of electric power to its customers. The status of IPP and other projects under construction are described herein.

Intermountain Power Project

In 1974 the City entered into a membership and study agreement with the California cities of Anaheim, Burbank, Glendale, Pasadena and the Department of Water & Power of the City of Los Angeles ("LADWP") and with the Intermountain Consumer Power Association, composed of a group of Utah municipalities and rural electric cooperatives. The purpose of the Membership and Study Agreement was to investigate the feasibility of constructing and operating IPP. The proposed IPP is a 3,000-megawatt coal-fired electric generating plant consisting of four 750-megawatt generators, to be located in Millard County in central Utah. The IPP plan includes construction of two \pm 500-kV direct-current transmission lines from the plant site to the Leon Substation in the vicinity of Victorville, California where the lines will be connected to the LADWP transmission grid. The City will receive its power over these transmission lines. A feasibility study has been completed by LADWP pursuant to an agreement between IPP and the LADWP. As currently contemplated, LADWP will act as project manager.

In May, 1977, several Utah municipalities, which are members of the Intermountain Consumer Power Association, organized the Intermountain Power Agency ("IPA"), a political subdivision of the State of Utah, for the express purpose of financing and constructing IPP. It is proposed that IPA issue long-term bonds (estimated to aggregate approximately \$8 billion) to finance construction of the IPP with said bonds secured by "take or pay" power sales contracts between IPA and purchasers of power from the IPP obligating the purchasers to pay whether or not power is produced. The City has entered into such a contract to purchase a 6.82% share of IPP capacity and energy. Payments by the City of its share of IPP costs (including debt service) are expected to commence in the year ending June 30, 1987. Based on preliminary estimates, it is expected that participation in IPP will result in lower costs of power to the City than purchasing the equivalent amount of power from Edison. Pursuant to the IOA, Edison has agreed to integrate IPP as a resource and to provide transmission services to the City's point of delivery.

An environmental impact statement has been prepared by the United States Bureau of Land Management. On December 19, 1979, the Secretary of the Interior announced his approval of the project following the completion of the environmental impact statement. IPA is entering into contracts to acquire approximately 39,500 acre feet of surface water annually from the Sevier River and 5,500 acre feet of ground water annually from wells located in the vicinity of the proposed plant site. IPA has commenced negotiations to acquire a coal supply but no contracts have been executed to obtain coal for the project.

White Pine Project

The City, Anaheim, Burbank, Glendale, Pasadena and LADWP have begun preliminary studies to explore the feasibility of constructing a coal-fired generating station near Ely, Nevada. This generating station would provide approximately 1,500 megawatts of electrical capacity. It is contemplated that White Pine County would finance and construct this project. The bonds issued by White Pine County would be secured by power sales contracts executed with the various purchasers of power from the project. The City's percentage share for feasibility studies is currently expected to be approximately 2.65%. It is currently anticipated that the electric utilities referred to above will enter into a power supply development agreement with White Pine County in the fall of 1980 for the

purpose of conducting a study to determine the feasibility of constructing and operating the project. The estimated commercial operation dates for each of three 500-megawatt generating units are 1989, 1990 and 1991, respectively.

California Coal Project

The City has entered into a letter agreement with Edison and other utilities to endeavor to obtain all necessary regulatory approvals required to construct and operate the California Coal Project. The project is a proposed 1,500-megawatt plant consisting of three 500-megawatt generating units to be located in the eastern desert in Southern California. A Notice of Intent for certification and approval of a plant site was filed with the CEC on December 28, 1979. Proceedings are currently being held before that commission with respect to the Notice of Intent. A decision by the CEC is expected by January 15, 1981. The City's entitlement percentage share for the feasibility studies currently is 2.40%. The project is planned to be in operation in the early 1990's with Edison acting as the project manager.

North Brawley Geothermal Project

Union Oil Company ("Union") has entered into an agreement with Edison wherein Union agreed to construct a 10-megawatt demonstration plant and a separate agreement wherein Union agreed to sell geothermal energy to Edison to operate the 10-megawatt demonstration plant. It has been proposed that the City, along with other public agencies in Southern California, agree to acquire a 50% ownership interest in the demonstration plant for the purpose of studying the technological developments and operating experience obtained in the operation of the demonstration plant.

It is proposed that the City enter into an agreement with LADWP, Burbank, Glendale, Pasadena, Anaheim and the Imperial Irrigation District to acquire ownership rights in the demonstration plant and the right to acquire options to purchase geothermal energy from Union Oil Company in the North Brawley Geothermal Field for approximately 450 megawatts of geothermal energy. The City's proposed entitlement percentage share would be approximately 2.5%.

Other Possible Resources

The City is also studying the feasibility of participating in the acquisition of some hydroelectric resources in the State of California. Along with the City of Anaheim, the City has filed an application for a preliminary permit to study a proposed 140-megawatt hydroelectric project at Balsam Meadows, Federal Energy Regulatory Commission ("FERC") Project No. 2858. The City has also filed, along with the Cities of Azusa, Banning, Colton and Anaheim and the Northern California Power Agency, a competing application with Pacific Gas and Electric Company for a license to operate hydroelectric facilities at Cresta and Rock Creek powerhouses on the Feather River, FERC Project No. 1962.

It is unknown whether either of these applications will be granted by FERC.

Southern California Public Power Authority

The City and other public agencies in Southern California are considering the creation of a joint powers authority. As currently contemplated, such authority would provide for the financing and construction of electric generating and transmission facilities. To the extent the City participates in any project developed by the authority, it is anticipated that the City would be obligated for its share of costs on a "take or pay" basis whether or not power is generated or delivered.

PROJECTED RESOURCES AND POWER COSTS

City's Power Supply

Pending further development of IPP or other generating resources the City may enter into, we have assumed herein that the City's power requirements exceeding that provided by the Project will

be met by purchases from Edison through the IOA. The following table shows the annual peak and energy requirements as estimated by the City and the estimated amounts of peak and energy expected to be supplied from the Project and from Edison purchases.

Fiscal Year Ending June 30	Peak (MW)			Energy (Millions of kWh)		
	Requirements	Purchased from Edison	Capacity from the Project	Requirements	Purchased from Edison	Generated by the Project
1981	312.0	312.0	—	1,144	1,144	—
1982	315.0	315.0	— (*)	1,180	1,145	35
1983	325.0	309.5	15.5(*)	1,214	1,105	109
1984	334.0	303.0	31.0	1,250	1,071	179
1985	344.0	313.0	31.0	1,287	1,073	214
1986	355.0	324.0	31.0	1,327	1,099	228
1987	365.0	334.0	31.0	1,367	1,129	238
1988	376.0	345.0	31.0	1,407	1,169	238
1989	388.0	357.0	31.0	1,450	1,212	238
1990	399.0	368.0	31.0	1,494	1,256	238

(*) The City will receive certain capacity credits for the Project for the years ending June 30, 1982 and June 30, 1983 from Edison; however, not all capacity from the City's share of the Project will be available to meet the City's forecast peak load for those years.

Under the provisions of the IOA, the City will receive credit for the amount of capacity of its integrated resources less transmission losses and less the City's share of Edison system reserves. For purposes of our analyses, we have assumed the transmission losses would be approximately 1.6% and that Edison system capacity reserves would be 20% for each year of the study.

Cost of Power to the City

We have projected the costs of power to the City for the period 1982 through 1990 on the basis that the City would purchase from Edison all power requirements not supplied from the Project. In accordance with the IOA, the City will purchase power from Edison at Edison's partial requirements rates. In addition, when a City Capacity Resource, such as the Project, is not available, the City shall purchase Contract Energy, which is the amount of energy capability associated with the capacity credit less energy received from City Integrated Resources.

During the study period Contract Energy is estimated to average less than 5% of all energy purchased from Edison by the City. The Contract Energy cost is determined by multiplying Edison's cost of fuel for conventional oil-fired combustion turbine and combined-cycle generating resources measured in dollars per Btu by the weighted heat rate of these generating resources measured in Btu's per kilowatt-hour. This rate plus a charge for certain other costs associated with fuel is then adjusted for transmission losses to the City's point of delivery.

Should extended outages occur at the City Integrated Resource, the City will be required to provide or purchase from Edison Replacement Capacity. In accordance with the IOA, the amount of Replacement Capacity that the City must purchase is the greater of (i) the maximum kilowatt difference (rated generating capability of the City's Integrated Resource for a given day less the capacity available from the resource that day) which has existed for 70 or more consecutive days immediately preceding that day, or (ii) the maximum kilowatt difference which exists for that day and has existed for 100 or more non-consecutive days during the 180 consecutive-day period immediately preceding that day. The City will not be required to purchase Replacement Capacity until a generating unit has been out or partially out of operation for more than 70 consecutive days or more than 100 days out of 180 consecutive days and the City has exhausted its maintenance reserve for each unit for that year. The maintenance reserve is an amount of megawatt-days

established for each of the City's Integrated Resources each year from which the City may withdraw megawatt-days to be credited against City's Replacement Capacity obligation for each unit.

The cost of Replacement Capacity, measured in dollars per kilowatt-day, is based on the costs of electric generating facilities installed during the five years just prior to the current year. However, the City expects to be required to pay the cost of Replacement Capacity only under unusual circumstances arising from extended outages of its Integrated Resources. Therefore, we have not considered the effects of Replacement Capacity costs on the City's power supply costs.

Based upon the foregoing assumptions, forecast wholesale power rates from Edison and forecast Project costs, the following table shows the estimated power supply costs for the City for the period from 1982 through 1990, with and without Project ownership. The savings to the City resulting from Project ownership as shown in that table increase from \$535,000 in the fiscal year ending June 30, 1982 to \$10,389,000 in the fiscal year ending June 30, 1990. However, these projected savings will differ from actual savings to the extent that actual conditions differ from those assumed.

ESTIMATED POWER SUPPLY COSTS AND SAVINGS TO THE CITY
Fiscal Year Ending June 30
(000)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
ANNUAL POWER COSTS WITH THE PROJECT									
San Onofre Project									
Costs.....	\$ 1,054	\$ 5,872	\$ 11,318	\$ 12,600	\$ 12,680	\$ 13,425	\$ 14,289	\$ 14,168	\$ 14,597
Purchased Power									
Costs(1).....	71,932	84,246	99,357	111,799	122,741	135,310	150,277	163,224	176,109
Total Annual Power Costs.....	\$72,986	\$90,118	\$110,675	\$124,399	\$135,421	\$148,735	\$164,566	\$177,392	\$190,706
Total Energy Requirements (GWh).....	1,180	1,214	1,250	1,287	1,327	1,367	1,407	1,450	1,494
Unit Power Costs (Mills/kWh).....	61.9	74.2	88.5	96.7	102.1	108.8	117.0	122.3	127.6
ANNUAL POWER COSTS WITHOUT THE PROJECT									
Purchased Power									
Costs.....	\$73,521	\$90,379	\$111,560	\$128,494	\$142,096	\$157,091	\$173,500	\$187,378	\$201,095
Unit Power Costs (Mills/kWh).....	62.3	74.4	89.2	99.8	107.1	114.9	123.3	129.2	134.6
Savings to the City(2).....	\$ 535	\$ 261	\$ 885	\$ 4,095	\$ 6,675	\$ 8,356	\$ 8,934	\$ 9,986	\$ 10,389

- (1) Based on projected Edison energy and capacity rates and projected Edison contract energy costs.
- (2) Estimated savings to City are calculated from estimates of Project costs and Edison wholesale power rates which are based on the assumptions set out in this report. The savings to the City resulting from Project ownership shown above will differ from actual savings to the extent that actual conditions differ from those assumed.

PROJECTED OPERATING RESULTS

Based on the foregoing forecast of power costs and on certain data supplied by the City, we have prepared a projection of operating results of the City's electric system for the fiscal periods ending June 30, 1981 through 1985. In these projections, we show increases in revenue requirements beyond those generated by the City's existing rates. Required revenues are based on covering projected operating expenses, debt service on the Bonds and previous bonds issued by the City, and on meeting the City's projected capital improvement program and other non-operating financial

commitments. The additional revenues required are primarily to meet future capital improvements and escalating power costs, including any further fuel adjustments, from Edison.

PROJECTED OPERATING RESULTS
(000)

	Fiscal Year Ending				
	1981	1982	1983	1984	1985
Gross Operating Revenues:					
Revenues from Sales of Electricity:					
At Existing Rates	\$60,890	\$62,798	\$ 64,394	\$ 66,502	\$ 68,466
Additional Revenues Required(1)	15,499	25,231	41,257	61,162	73,672
Subtotal	\$76,389	\$88,029	\$105,851	\$127,664	\$142,138
Miscellaneous Operating Revenues(2)	205	208	210	212	214
Other Income(3)	400	429	749	1,068	1,097
Total Estimated Gross Operating Revenues	\$76,994	\$88,666	\$106,810	\$128,944	\$143,449
Operating Expenses:					
Power Production — San Onofre Units 2 and 3	\$ 0	\$ 764	\$ 2,393	\$ 4,255	\$ 5,117
Purchased Power — Edison	62,438	71,932	84,246	99,357	111,799
Other Operation and Maintenance Expense(2)	5,185	5,600	6,048	6,532	7,055
Total Estimated Operating Expenses Excluding Depreciation and Amortization	\$67,623	\$78,296	\$ 92,687	\$110,144	\$123,971
Total Estimated Net Operating Revenues	\$ 9,371	\$10,370	\$ 14,123	\$ 18,800	\$ 19,478
Debt Service on the Bonds:					
Subordinated Bonds	\$ 459	\$ 0	\$ 0	\$ 0	\$ 0
Proposed Bonds:(4)					
San Onofre Portion — 1980 Bonds	0	319	3,828	7,731	8,180
Refunding Portion — Refunding Bonds	972	1,300	1,268	1,226	1,182
Total Debt Service on the Bonds	\$ 1,431	\$ 1,619	\$ 5,096	\$ 8,957	\$ 9,362
Balance for Other Purposes(5)	\$ 7,940	\$ 8,751	\$ 9,027	\$ 9,843	\$ 10,116
Debt Service Coverage on the Bonds(6)	6.55	6.41	2.77	2.10	2.08

(1) Additional revenues required primarily to meet costs of future capital improvements and escalating purchased power costs from Edison.

(2) Estimated by the City.

(3) Estimated by the City. Includes interest earnings on the Reserve Account at an assumed 8.5% interest rate and interest earnings on other funds and working capital at an assumed 7% interest rate.

(4) Based on 100% of interest capitalized on the 1980 Bonds to June 1982; 50% of interest capitalized on the 1980 Bonds to August 1983 and full principal and interest payments on the 1980 Bonds at an assumed interest rate of approximately 9.60% and the amortization of principal over 30 years commencing August 1, 1983. Principal and interest on the Refunding Bonds are based upon scheduled maturity and interest at an assumed rate of approximately 9.90%.

(5) Includes, among other things, funds for capital improvements and payments to the general fund of the City.

(6) Ratio of Total Estimated Net Operating Revenues to Total Debt Service on the Bonds.

CONSIDERATIONS AND ASSUMPTIONS

The estimates and projections, contained herein, of the operations of the electric system of the City are based upon, among other things, information made available to us by Edison, as manager of the Project, and from the City. These estimates and projections are also based upon the following principal considerations and assumptions which in light of inflation rates and other conditions presently prevailing in the economy appear to be reasonable:

1. The forecast power and energy requirements were estimated by the City.
2. The capital expenditures and operation and maintenance expenses of the City's electric system will follow historical trends and have been estimated by the City.
3. Commercial operation for Units 2 and 3 of the Project, respectively, will be December 1981 and February 1983 as estimated by Edison.
4. Based on Edison's estimate of Total Direct Construction Costs of the Project, the City's share of such costs will be \$39,545,000.
5. Nuclear fuel costs, ad valorem taxes and all other operating costs of the Project were estimated by Edison.
6. Each unit of the Project will have a plant factor of 35% during the first year of operation, 60% in the second and third years of operation, and 70% thereafter as estimated by Edison.
7. Power and energy requirements of the City beyond that provided by the Project will be purchased from Edison in accordance with the principles of the Integrated Operations Agreement. The City's participation in the Intermountain Power Project or other potential resources available during the forecast period have not been included in forecast power costs to the City.
8. The 1980 Bonds will be amortized over 30 years at an annual interest rate of approximately 9.60%. Reinvestment rate for the Reserve Account is 8.5%. Reinvestment rate in all other funds is 7%. 100% of the interest on the 1980 Bonds is capitalized until June 1, 1982, and 50% of the interest on the 1980 Bonds is capitalized until August 1, 1983. 100% reinvestment earnings on the Reserve Fund will be deposited in the Construction Fund until June 1, 1982, and 50% of reinvestment earnings on the Reserve Fund will be deposited in the Construction Fund until August 1, 1983.
9. During the study period, the City will finance the estimated costs of the electric system capital improvement program from current revenues.
10. Transmission for Project power will be provided by Edison at a rate of \$5.29 per kilowatt in 1980 escalated at 1.5% per year with losses from the Project to the City at 1.61% per year.
11. Renewals and replacements are assumed to be 1% of direct construction costs escalated at 8.0% per year.
12. Projected wholesale power and energy rates for Edison are based on recent rate filings, electric system plans and forecasts and their generation resource program. Annual escalation factors for coal and nuclear fuel were 8.0% per year. Fuel oil and natural gas were escalated at 25% from 1980 to 1981, 20% per year from 1981 to 1983, 16% from 1983 to 1984, and 10% thereafter, utilizing a base rate for fuel oil of \$28.00 per barrel in 1980. Operation and maintenance expenses were escalated at approximately 10.0% per year. The resulting average wholesale power rate during our study increased at an average annual rate of 9.3%.

CONCLUSIONS

Based upon our studies, investigation and analyses, the assumptions set forth in this letter and the information supplied by the City and Edison with respect to the proposal by the City to acquire an ownership interest in the Project, we are of the opinion that:

1. The acquisition of an ownership interest in the Project by the City and the operation of the Project under the principles of the IOA should provide the City with an economical long-range source of power that will result in lower power supply costs than if the City continued to purchase all of its power requirements from Edison.

2. The forecast overall revenue requirements from the sale of electricity by the City are reduced by the City acquiring an ownership share in the Project rather than continuing to purchase all of its power requirements from Edison.

3. The estimated cost of power from the Project compares favorably with forecast purchase power rates from Edison and with available cost projections of other generating resources potentially available to the City in the 1980's.

4. The construction cost estimates provided by Edison for the Project are comparable with the costs expected for similar projects being developed within the same time frame.

Respectfully submitted.

/s/ R. W. BECK AND ASSOCIATES

SUMMARY OF THE SAN ONOFRE UNITS 2 AND 3 PARTICIPATION AGREEMENT

The following is a general summary of certain provisions of the Participation Agreement. Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Participation Agreement, copies of which may be obtained from the City, upon written request.

Purpose

Edison and the Cities of Riverside, Anaheim and Banning entered into a Settlement Agreement, dated August 4, 1972, under which offered to said Cities participation in the ownership and output of Units 2 and 3 at San Onofre. Anaheim and Riverside have indicated their intent to participate in Units 2 and 3. The purpose of the Participation Agreement is to provide for the terms and conditions under which the Parties will participate in the ownership and output of Units 2 and 3.

Parties

The parties to the Participation Agreement are Edison, San Diego, Riverside and Anaheim. Edison and San Diego have signed the Participation Agreement and the City will sign upon delivery of the 1980 Bonds.

Ownership

Upon execution of the Participation Agreement Edison, San Diego, Riverside and Anaheim shall own facilities as tenants-in-common as follows:

	Edison	San Diego	Riverside	Anaheim
Units 2 and 3.....	76.55%	20.00%	1.79%	1.66%
Common Facilities.....	77.12	20.00	1.49	1.39
Project Easements				
Unit 1.....	80.00	20.00	0	0
Units 2 and 3.....	76.55	20.00	1.79	1.66
Switchyard Area.....	80.00	20.00	0	0

Construction Agreement

Edison assigns to Riverside and Anaheim, respectively, an undivided 1.79% and 1.66% interest in the Construction Agreement as it pertains to Units 2 and 3. Riverside and Anaheim acquire all rights and assume all duties and obligations of a "company" under the Construction Agreement, which shall be amended to provide for payment by Riverside and Anaheim of their proportionate shares of expenses.

Operating Agreement

The parties shall execute an Operating Agreement, covering the operation and maintenance of Units 2 and 3, which shall be accomplished in substantially the same manner and terms and conditions as the Unit 1 Operating Agreement provides for Unit 1. Edison will be operating agent for Units 2 and 3 and shall act as both Agent and Principal on behalf of the other parties.

Each of the parties shall be entitled to their proportioned share of the benefits and bear their proportioned share of the burden incurred by Edison and San Diego in the performance of their duties under the agreements entered into by them for the construction, operation and maintenance of Units 2 and 3 and the common facilities.

Billing and Payment

Riverside and Anaheim will reimburse Edison within fifteen (15) days after receipt of invoice for construction costs incurred prior to execution of the Participation Agreement. Construction costs

incurred after date of execution shall be paid in the manner prescribed in the Construction Agreement. Until such time as direct payment arrangements are made, Edison will bill Riverside and Anaheim for their proportionate share of costs of all project easements, plant site easements and the costs of Units 2 and 3 Off-Shore Land Easement Lease.

Riverside and Anaheim will reimburse Edison for production costs of the common facilities paid by Edison and for the acquisition, rental and developmental expenses incurred by Edison within ten (10) days after execution of this Agreement.

Riverside and Anaheim will reimburse Edison for costs incurred to effect their participation in Units 2 and 3 each month within fifteen (15) days after receipt of invoice. Payments not made on or before the due date will be payable, with interest accrued at a rate of 10% per annum or the maximum rate of interest, whichever is less.

Administration

Anaheim and Riverside shall designate representatives in accordance with Section 7 of the Construction Agreement within ten (10) days after execution of the Participation Agreement. Rights and obligations set forth in Section 7 will become effective when Riverside and Anaheim begin paying funds pursuant to the billing and payment procedures set out above.

Liability and Insurance

The provisions of Section 8 and 9 of the Construction Agreement shall apply to the Participation Agreement except as follows:

The term "company" shall include Edison, San Diego, Riverside, and Anaheim. The percentages to be paid as set forth in Section 9.5 and 9.7 of the Construction Agreement shall be changed to Edison — 76.55%, San Diego — 20.00%, Riverside — 1.79%, and Anaheim — 1.66%.

Riverside and Anaheim will be added as named insureds on those policies of insurance presently in effect. Each will make application to Nuclear Mutual Limited, to become member insureds under the policies of insurance presently in effect for San Onofre Units 2 and 3 for (a) all risk builders' risk insurance covering loss or damage to project work under course of construction, and (b) nuclear property damage insurance. If application for such insurance is accepted, Riverside and Anaheim shall maintain the policies through the term of this Agreement. If the application is not accepted, Riverside and Anaheim will each secure and maintain insurance coverage from the Nuclear Energy Liability-Property Insurance Association and the Mutual Atomic Energy Reinsurance Pool, or their equivalent.

Riverside and Anaheim agree to release Edison and San Diego from any and all liability resulting from damage to, or loss of use of, Units 2 and 3, which is a result of the construction, operation or maintenance of Unit 1, the Edison Switchyard, the San Diego Switchyard, the Interconnection Facilities, or any additional generating units. Edison and San Diego release Riverside and Anaheim from any and all liability resulting from damage to or loss of use of Unit 1, which is the result of the construction, operation or maintenance of Units 2 or 3, or any additional generating units.

Nuclear Fuel

The Project Director, Edison, will make arrangements for the supply of nuclear fuel. In doing so, it will negotiate, execute, administer, perform and enforce nuclear fuel agreements as it deems necessary or appropriate. The proposed Nuclear Fuel Agreements will be submitted to the coordinating representatives for information and approval prior to execution. However, any Nuclear Fuel Agreement may be executed by the Project Director without its being submitted to the coordinating representatives as long as obligations of the parties are consistent with the Nuclear Fuel Budget.

Costs incurred by the Project Director shall be shared by each party in proportion to its generation entitlement share. Each party will own an undivided interest in all nuclear fuel equal to its generation entitlement share and may determine its own method of financing. With certain limitations, any party may elect to provide directly all or a portion of its share of natural uranium 308 concentrates if the election is communicated to the Project Director sufficiently in advance.

One year prior to each date in which natural uranium 308 concentrates are scheduled to be delivered, the Project Director will notify all parties of the quantity and specifications of uranium concentrates required. Within one month of such notification each party will provide the Project Director with evidence that the party has a firm commitment for providing the required uranium. If such evidence is not satisfactory the Project Director may proceed to arrange for delivery of the deficient party's uranium concentrates and the cost shall be billed to the deficient party as incurred. If the Project Director is unable to arrange for the uranium to cover a deficient party's commitment, then party shall be subjected to an appropriate reduction in its entitlement to the Net Energy Generation during the cycle. Each party shall pay its proportionate share of the total amount due in advance of the date of which payments therefore by the Project Director become due.

Taxes

All taxes or assessments levied against each party's ownership or beneficial interest in San Onofre shall be that party's sole responsibility. Riverside and Anaheim shall reimburse Edison or San Diego for all taxes which are levied against Edison or San Diego as a result of their transfer to Riverside and Anaheim of a portion of Edison's ownership interest in Units 2, 3 or the common facilities. These taxes shall not include any tax on capital gains which may result from such transfer.

Termination

Riverside and Anaheim may terminate this Agreement if unable to attain any required approval from regulatory or other authorities. If construction of Units 2 and 3 is not continued by the remaining parties, the accumulated construction costs incurred by the terminating party shall be borne by such terminating party. If construction is continued the other parties shall acquire the terminating parties interest in San Onofre and shall reimburse such terminating party for its incurred construction costs.

Additional Generating Units

The parties reserve any right to participate in any additional generating unit, provided, that Riverside and Anaheim shall neither be granted nor denied participation rights by reason of any provision of the Participation Agreement. If additional generating units are constructed, interests in the project easements shall be reallocated among the participants.

Uncontrollable Forces

No party will be considered in breach of any obligation herein other than the obligation to pay money, to the extent failure of performance is due to an uncontrollable force as defined in the Participation Agreement. Any party unable to fulfill obligations by reason of an uncontrollable force shall exercise diligence to remove the inability with all reasonable dispatch.

Miscellaneous Provisions

Edison shall, within twelve (12) months after receipt of payments, procure releases of the interest transferred from the lien of Edison's trust indenture and deliver to Riverside and Anaheim a bill of sale covering their respective ownership interests.

Each party will be responsible for making arrangements necessary to transmit its entitlement of San Onofre power from San Onofre to its electric system. Except as provided in the Participation Agreement, Riverside and Anaheim will each be responsible for obtaining from all regulatory authorities such authorizations and approvals as are necessary for its participation and construction and operation of San Onofre and its performance of the provisions of the Participation Agreement.

Each party waives the right to seek partition of San Onofre and the Project Easements. Each further agrees that it will not resort to any action at law or inequity to partition the same. Before any party may assign to any entity, other than another party, any or all its interests in Units 2 or 3, the other parties each shall have the right of first refusal.

Riverside and Anaheim have the right to audit the books and records of Edison directly pertaining to Units 2 and 3 in the common facilities and the plant site. If any errors are revealed by such inspection, appropriate adjustments will be made.

SUMMARY OF THE EDISON-RIVERSIDE SAN ONOFRE TRANSMISSION SERVICE AGREEMENT

The following is a general summary of certain provisions of the Edison-Riverside San Onofre Transmission Service Agreement (the "Agreement"). Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Agreement, copies of which may be obtained from the City, upon written request.

Purpose

The purpose of the Agreement is to provide transmission of Riverside's share of the energy from the Edison Switchyard at San Onofre Nuclear Generating Station to Riverside's point of delivery.

Term

The Agreement shall become effective on the date following execution by the parties when accepted for filing by the Federal Energy Regulatory Commission. The Agreement shall remain in effect for 50 years unless terminated sooner by (i) written agreement of the Parties; (ii) termination of the Integrated Operations Agreement; or (iii) termination of the Units 2 and 3 ownership or operating agreements. If notice of termination of the Integrated Operations Agreement is given by either party the parties shall take action to develop a new arrangement for furnishing the services referred to in the Settlement Agreement. Edison has signed the Agreement and the City will sign upon delivery of the 1980 Bonds.

Transmission Service

Except as modified in the Agreement, transmission service shall be provided in accordance with the Contract Rate TN. Service shall commence on the Date Of Firm Operation for Unit 2, at which time Contract Capacity shall be 19.69 megawatts, the City's share of the expected maximum rated capacity for Unit 2. On the Date of Firm Operation for Unit 3, Contract Capacity shall be increased by 19.69 megawatts, the City's share of the expected maximum rated capacity for Unit 3, and Contract Capacity shall, for each unit, be 19.69 megawatts.

Edison will accept delivery of Riverside's Units 2 and 3 energy at Edison's 220-kV buses at rates of delivery not exceeding Contract Capacity, and will simultaneously deliver a like amount of energy to Riverside at the Point Of Delivery. The Point Of Delivery is the City Limits of Riverside. During times when Riverside may be required to provide its share of auxiliary power requirement at San Onofre, Edison will accept deliveries from Riverside at the Point Of Delivery and simultaneously deliver the like amount to Edison's 220-kV busses to enable Riverside to meet its requirements.

Edison reserves the right to temporarily interrupt or curtail services upon reasonable advance notice to Riverside to make repairs or modifications or to perform maintenance work.

Charges and Transmission Losses

Charges will be made in accordance with the rates set forth in Contract Rate TN. Circuit mileage is agreed to be 69.9 miles subject to change. No additional charge shall be made for auxiliary power requirements.

Transmission losses will be determined in accordance with the rates set forth in Contract Rate TN, and using the circuit mileage agreed to above.

Edison reserves the right, in furnishing transmission service, to file with the Federal Energy Regulatory Commission for changes in rates, charges, classification, or services, or any rule, regulation or contract as provided in the Integrated Operations Agreement.

Billing and Payment

Prior to the 15th day of December of each year, Edison will render a bill to Riverside for services to be provided during the following year. One-twelfth of such annual charge shall be due by Riverside on the 15th day of each month. Payments which are not made in full by the due date shall accrue interest at 10% per annum on the unpaid balance.

Integration Agreement Provisions

Provisions of the Integrated Operations Agreement covering liability, arbitration, regulatory authority, uncontrollable forces, governing law, notices, and other matters, apply also to this Agreement.

SUMMARY OF THE INTEGRATED OPERATIONS AGREEMENT

The following is a general summary of certain provisions of the Integrated Operations Agreement (the "Agreement"). Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Agreement, copies of which may be obtained from the City, upon written request.

Purpose

The City has executed the Agreement with Edison pursuant to which the Project will be integrated and operated for the benefit of the City. In order to more efficiently meet the power requirements and obtain operational economies on their respective systems, the City and Edison agreed to integrate their present and future Resources. The Agreement is intended to provide for Edison to furnish the capacity and energy necessary to meet the City's load, to the extent not provided by City integrated resources.

Term

The Agreement was signed by Edison on November 1, 1977 and became effective on the date it was accepted for filing by the Federal Energy Regulatory Commission and shall remain in effect for fifty (50) years, unless terminated (i) by written agreement of the parties, (ii) upon 30 days advance written notice by the City, to Edison, if no City Capacity Resource has been accepted for integration, (iii) upon not less than ten (10) years advance written notice from one party to the other, or (iv) upon five (5) years advance written notice from City to Edison if Edison tenders for filing a change in rates which effects Integrated Operations, and which creates a substantial detriment to the City. If Notice of Termination is given by either party the parties shall commence negotiations to negotiate in good faith a new arrangement to become effective upon termination of the Agreement.

Integration of Resources

City may construct or acquire and integrate a Resource as a City Capacity Resource to meet all or part of its Firm Load, and Edison shall use its best efforts to integrate such proposed City Capacity Resource in accordance with the qualifications contained in the Agreement.

Scheduling and Dispatching

Edison, acting as City's agent, shall provide scheduling and dispatching services for City Resources and City Transmission Facilities.

Reserve Obligations

City's contribution to Reserves is deemed to be a percentage of the sum of the kilowatt capability of City Capacity Resources. The percentage for any year shall be equal to the arithmetic average of the five annual reserve margins planned by Edison for its resources for the next five consecutive years.

Partial Requirements Service

Edison shall make available and deliver capacity and energy to City under the Partial Requirements Rate then in effect with the Federal Energy Regulatory Commission. City is billed under the Partial Requirements Rate for its maximum peak demand during the billing period, less the Capacity Credit in effect at the time such maximum peak demand occurs. The Capacity Credit is equal to the rated capabilities of the City Capacity Resources minus the City contribution to installed reserves. The amount of the partial requirements energy to be purchased in any billing period shall equal the total energy requirement of the City's load, minus the greater of the amount of energy scheduled and dispatched from City Resources, or the amount of energy associated with the effective Capacity Credit.

Replacement Capacity and Contract Energy

If a City Capacity Resource is unavailable for 70 or more consecutive days, or for 100 or more non-consecutive days during a 180 consecutive day period, the City must provide replacement

capacity by first withdrawing a number of kilowatt-days from the Scheduled Maintenance Account for that City Capacity Resource. After the scheduled maintenance account for a City Capacity Resource is exhausted, the City may obtain replacement capacity by purchase from one or more third parties outside the Edison Control Area, or Edison, or both. When a City Capacity Resource is not available, the City shall purchase from Edison, Contract Energy, which is the amount of energy capability associated with the capacity credit, less the amount of energy received from City Integrated Resources. The cost of Contract Energy is derived by utilizing Edison's fuel cost for conventional oil-fired, combustion turbine and combined-cycle generation plus the operating and maintenance costs associated with the production of such energy.

Surplus Capacity and Excess Energy from City Capacity Resources

Edison shall purchase from the City surplus capacity and associated energy from any City Capacity Resource when the City, upon twelve (12) months advance written notice to Edison, shall declare such capacity and energy to be surplus to the City's estimated load during the period of sale. Edison shall pay the City for such capacity and associated energy at a price which shall fully compensate City for its costs associated with such City Capacity Resources.

When energy is dispatched from one or more City Capacity Resources which exceeds the requirements of City's load in any hour, such excess energy shall be purchased by Edison. The charge for such energy shall be City's incremental costs of that City Capacity Resource, plus 15% of such costs.

To the extent a City Capacity Resource is available, but not dispatched by Edison, City may sell energy associated with such City Capacity Resource to third parties outside the Edison Control Area.

Transmission Service

Edison shall provide, upon City's request, firm transmission service for capacity or energy, or both, associated with City Capacity Resources. Transmission Service shall be provided either on Edison's 220 kV network or on a point-to-point basis where transmission service is to be provided outside the 220 kV network but within Edison's Certificated Service Area. Edison shall use its best efforts to provide transmission service where a City requests transmission service outside of Edison's Certificated Service Area.

Transmission service shall be provided in accordance with rates on file and approved by the Federal Energy Regulatory Commission.

Change of Rates

In general, with respect to the rates charged by Edison for Partial Requirements Service, Replacement Capacity and Contract Energy, and Transmission Service, Edison reserves the right to file with the Federal Energy Regulatory Commission for a change in rates, charges and conditions of service provided that no change shall be made which is inconsistent with the Integrated Operations Agreement or any Integration Agreement. Edison's right to file for a change in rates with respect to Partial Requirements Service is subject to certain limitations when the Partial Requirements Rate becomes different than the All Requirements Rate. Thereafter, changes in the rate design of the Partial Requirements Rate are also subject to certain limitations. Edison has the right to change the rates, charges and conditions relating to Replacement Capacity and Contract Energy, provided that no change shall be inconsistent with the Agreement or any Integration Agreement. Edison may also change the wording contained in the Agreement which describes how Replacement Capacity and Contract Energy charges are calculated, but such changes may not become effective for three years after the filing or a Final Order of the Commission, whichever occurs first.

Edison reserves the right to change the rates, charges and conditions of service with respect to the furnishing of Transmission service, provided that no change shall be inconsistent with the Agreement or any Integration Agreement. Moreover, any change as to wording in any Transmission Service Agreement may not become effective for two years after the filing or a Final Order of the Commission, whichever occurs first.

**SUMMARY OF THE SUPPLEMENTAL AGREEMENT
FOR THE INTEGRATION OF RIVERSIDE'S ENTITLEMENTS
IN SAN ONOFRE UNITS 2 AND 3**

The following is a general summary of certain provisions of the Supplemental Agreement for the Integration of Riverside's Entitlements in San Onofre Units 2 and 3 (the "Supplemental Agreement"). Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Supplemental Agreement, copies of which may be obtained from the City, upon written request.

The Supplemental Agreement between the City and Edison is supplemental to the Integrated Operations Agreement and does not amend or supersede it except to the extent that terms therein are inconsistent. The Supplemental Agreement provides that the City's entitlements in the San Onofre Nuclear Generating Station, Units 2 and 3 will be integrated.

Integration

Riverside's entitlements in Units 2 and 3 shall be integrated and Riverside shall receive capacity credit in accordance with the Integrated Operations Agreement. Riverside's Unit 2 entitlement shall become a source of Rated Capability on October 1, 1980, or the Date Of Firm Operation for Unit 2, whichever is later and, Unit 3 entitlement shall become a source of Rated Capability on January 1, 1982, or the Date of Firm Operation for Unit 3, whichever is later.

Determination of Riverside's Rated Capability

Rated Capability of Riverside's entitlements shall be equal to 1.79% of the Rated Capabilities rating of Units 2 and 3 respectively. The Rated Capability shall be equal to the effective operating capacity of each unit and is planned for 1,100 megawatts for each Unit.

Riverside's Election to Pay for Energy When Units are Available but Not Dispatched

To the extent that Units 2 and 3 are available, but not dispatched by Edison, the City may elect to pay for the amount of energy associated with its capacity credit at the cost of Contract Energy or the incremental cost of Unit 2 and 3 energy. Riverside has elected to pay for energy associated with its entitlement in Units 2 and 3 at City Incremental Cost. Riverside may change its election to pay at Contract Energy Cost or City Incremental Cost upon either three years notice to Edison or when a change in a Contract Energy Cost formula has become effective. The City Incremental Cost is derived by adding the cost of fuel to other production costs and subtracting transmission losses.

Effective Date, Term and Termination

The Supplemental Agreement is effective on the date following the execution by both parties when accepted for filing by the Commission, or at such time when the Commission determines that the Supplemental Agreement is just and reasonable without new conditions unacceptable to either party. The Supplemental Agreement is to remain effective for fifty (50) years, except upon, (1) written agreement of the parties to terminate the Agreement, or (2) termination of the Integrated Operations Agreement, or (3) termination of the Units 2 and 3 ownership or operating agreements.

If Notice of Termination of the Integrated Operations Agreement is given by either party, the party shall take actions to develop a new arrangement for furnishing the services referred to in the Supplemental Settlement Agreement.

THOMAS, BYRNE & SMITH
Certified Public Accountant

November 27, 1979

Donald L. Thomas, C.P.A.
D. Richard Byrne, C.P.A.
V. C. Smith, Jr. C.P.A.

4302 Orange Street
Riverside, California 92504
682-4851

The City Council
City of Riverside
3900 Main Street
Riverside, California 92522

Gentlemen:

We have examined the balance sheet of the Electric Enterprise Funds of the City of Riverside as of June 30, 1979, and the related statements of revenue and expense, changes in retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances except that we did not verify historical costs of all property and equipment.

In our opinion, except for the values shown for property and equipment, the accompanying financial statements present fairly the financial position of the Electric Enterprise Funds of the City of Riverside at June 30, 1979, and with the exception of depreciation which was computed on property and equipment whose historical cost was not verified by us, the accompanying statements reflect fairly the results of operations and changes in financial position of the Electric Enterprise Funds for the year then ended in conformity with that of the preceding year.

Respectfully submitted,

THOMAS, BYRNE & SMITH

Certified Public Accountant

**CITY OF RIVERSIDE
BALANCE SHEET
ELECTRIC FUND
June 30, 1979 and 1980**

	1979 (Audited)	1980 (Unaudited)
ASSETS		
Cash.....	\$ 9,270,320	\$ 9,057,673
Cash with Fiscal Agent.....	482,298	505,494
Accounts Receivable.....	3,917,426	4,900,453
Allowance for Estimated Uncollectibles.....	(42,782)	(75,179)
Interest Receivable.....	171,173	166,212
Inter Fund Loans Receivable.....	505,063	505,063
Due From Other Governments.....	1,180	1,328
Prepaid Expenses.....	203,797	119,426
Land.....	827,155	830,621
Buildings and Improvements.....	1,482,507	1,503,351
Accumulated Depreciation.....	(440,934)	(469,923)
Improvements Other Than Buildings.....	49,219,450	51,548,282
Accumulated Depreciation.....	(16,332,567)	(17,941,286)
Machinery and Equipment.....	1,317,639	1,553,833
Accumulated Depreciation.....	(1,016,399)	(1,016,071)
Construction in Progress.....	3,451,176	3,314,903
Total Assets.....	<u>\$53,016,502</u>	<u>\$54,504,180</u>
LIABILITIES AND FUND EQUITY		
	1979 (Audited)	1980 (Unaudited)
Accounts Payable.....	\$ 6,678,627	\$ 7,995,557
Contracts Payable.....	25,135	-0-
Accrued Liabilities.....	81,321	109,224
Revenue Bonds Payable.....	10,710,000	9,410,000
Total Liabilities.....	<u>17,495,083</u>	<u>17,514,781</u>
Fund Equity:		
Contributed Capital and Grants.....	5,556,894	5,789,467
Retained Earnings:		
Reserve for Revenue Bond Retirement.....	1,572,045	1,550,908
Unreserved.....	28,392,480	29,649,024
Total Retained Earnings.....	<u>29,964,525</u>	<u>31,199,932</u>
Total Fund Equity.....	<u>35,521,419</u>	<u>36,989,399</u>
Total Liabilities and Fund Equity.....	<u>\$53,016,502</u>	<u>\$54,504,180</u>

The accompanying notes are an integral part of this statement

CITY OF RIVERSIDE
STATEMENT OF CHANGES IN FINANCIAL POSITION
ELECTRIC FUND
Year Ended June 30, 1979 and 1980

	1979 (Audited)	1980 (Unaudited)
Sources of Financial Resources:		
Operations:		
Net increase (decrease) in retained earnings or fund balance during the year (exhibit 4).....	\$ 1,236,223	\$ 1,235,407
Expenses not requiring current outlay of financial resources:		
Depreciation	1,775,481	1,892,729
Total financial resources from operations	3,011,704	3,128,136
Contributed capital.....	658,804	232,573
Total sources of financial sources.....	<u>3,670,508</u>	<u>3,360,709</u>
Uses of Financial Resources:		
Acquisition of fixed assets.....	3,381,372	2,708,412
Retirement of revenue bonds payable.....	1,250,000	1,300,000
Total uses of financial resources.....	<u>4,631,372</u>	<u>4,008,412</u>
Net increase (decrease) in working capital.....	<u>\$ (960,864)</u>	<u>\$ (647,703)</u>
Component elements of net increase (decrease) in working capital:		
Cash.....	\$ 4,204,370	\$ (212,647)
Cash with fiscal agent.....	5,124	23,196
Accounts receivable (net).....	(270,569)	950,778
Prepaid expenses.....	(1,116,102)	(84,371)
Interest receivable.....	23,623	(4,961)
Accounts payable.....	(3,823,379)	(1,316,930)
Contracts payable.....	21,232	25,135
Accrued liabilities.....	(5,163)	(27,903)
Net increase (decrease) in working capital.....	<u>\$ (960,864)</u>	<u>\$ (647,703)</u>

The accompanying notes are an integral part of this statement

CITY OF RIVERSIDE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 ELECTRIC FUND
 Year Ended June 30, 1979 and 1980

	1979 (Audited)	1980 (Unaudited)
Operating revenues:		
Charges for service	\$47,047,228	\$56,553,634
Total operating revenues	<u>47,047,228</u>	<u>56,553,634</u>
Operating expenses:		
Personal services	3,481,461	3,763,463
Contractual services	338,374	581,330
Maintenance and operations	36,232,543	45,115,404
General office expenses	83,098	81,773
Materials and supplies	4,640	4,584
Insurance	116,305	27,642
Rent payments	155,200	155,200
Depreciation	1,775,481	1,892,729
Total operating expenses	<u>42,187,102</u>	<u>51,622,125</u>
Operating income	<u>4,860,126</u>	<u>4,931,509</u>
Non-operating revenues (expenses)		
Interest revenue	675,812	792,298
Sundry	184,119	173,579
Interest expenses and fiscal charges	(575,074)	(524,701)
General fund contributions	(3,908,760)	(4,137,278)
Total non-operating revenues (expenses)	<u>(3,623,903)</u>	<u>(3,696,102)</u>
Net income	<u>1,236,223</u>	<u>1,235,407</u>
Retained earnings/fund balance July 1	28,728,302	29,964,525
Retained earnings/fund balance June 30	<u>\$29,964,525</u>	<u>\$31,199,932</u>

The accompanying notes are an integral part of this statement

City of Riverside
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 1979

A. Summary of financial report presentation:

Financial report presentation. The City's 1978-79 Financial Report is presented to conform with Statement 1, "Governmental Accounting and Financial Reporting Principles," released March, 1979, by the National Council on Governmental Accounting.

Compliance with American Institute of Certified Public Accountants Statement of Position 77-2, September 1, 1977. The City has reflected the utility contributions to the General Fund on the statements of revenue, expense and changes to retained earnings in accordance with the Statement of Position. The contributions were formerly reflected in a separate comparative analysis of changes in retained earnings statement.

Accounting records of the City of Riverside are organized on the basis of the eight generic fund types and the two account groups generally used by governmental units. Descriptions are on divider pages in the statement section of this report.

Memorandum totals. This report uses memorandum totals on combined statements. The total columns on such statements are not comparable to a consolidation; it does not fairly present financial position in conformity with generally accepted accounting principles, even if interfund elimination were made. It is not customary to make such eliminations in the combined statements of governmental units. Memorandum totals are used for overview purposes only.

Basis of accounting. The General, Special Revenue and Debt Service Funds are maintained on the modified accrual basis of accounting, wherein:

1. Revenues are recorded as received in cash except:

a. Revenues which are both measurable and available as a resource to finance operations of the current year are accrued.

b. Revenues of a material amount not received at the normal time of receipt are accrued or deferred as appropriate.

c. Examples of revenues accrued:

1. Property taxes collected by the County of Riverside but not received by the City at June 30, 1979.

2. Interest earned on investments.

3. Governmental grants.

4. Known revenues collected by other governmental agencies but not received by the City at June 30, 1979.

5. Charges for current services which are billable.

(Note: The City of Riverside accrues all revenues as recommended by the California League of Cities.)

2. Expenditures are recorded on an accrual basis except:

a. Disbursements for inventory type items are considered expenditures at the time of purchase.

b. Interest on long-term debt is recorded as an expenditure on its due date.

All other funds are maintained on the accrual basis of accounting.

Investments are stated at cost. Cash accounts of all funds are pooled for investment purposes in order to maximize interest earnings. All such interest earnings become revenue to the General Fund

unless prohibited by bond covenants, or legal requirements relating to specific funds or grant provisions.

Inventories are priced at cost using the average cost method.

Fixed Assets are carried at cost in the enterprise funds and internal service fund. Depreciation of these assets is computed by use of straight-line method over the estimated useful lives of the assets.

General fixed assets are recorded as expenditures in the General, Special Revenue, and Capital Project Funds at time of purchase. These assets, excluding streets and storm drain related facilities which are not capitalized, are capitalized at cost in the general fixed assets account group. Gifts are recorded in general fixed assets at fair market value at the time received. No depreciation is provided on general fixed assets.

Fixed assets disposed of are removed from the accounts on the basis of their historical or estimated acquisition costs, as appropriate.

Uncollectible accounts relative to utility accounts receivable (electric, water, sewer and refuse service charges, street light excise taxes and utility users tax), is determined by the percentage of sales method. Uncollectible account expense, relative to miscellaneous accounts receivable, is determined by the direct write-off method on those accounts considered uncollectible and by reserving those accounts which are doubtful. The City has loaned the Redevelopment Agency of the City of Riverside, a separate public entity, \$500,315. Current changes in California Property Tax Laws makes the anticipated repayment of the loan doubtful, inasmuch as it was based on tax increments available to the Redevelopment Agency on this project. The City has reflected this note as being a 100% doubtful account; when payments are received they will be recorded as current revenues.

Encumbrances. The City records obligations in the form of purchase orders, contracts on other commitments. They cease to be encumbrances when the actual liability is incurred and the related expenditure is recorded.

Budgetary Process. The annual budget, which includes estimated revenue and appropriations, is adopted by the City Council and presented in the financial statements as follows.

1. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year.
2. Original appropriations are modified by supplemental appropriations and transfers among budget categories.
3. Available appropriations from certain completed projects and programs are closed out to a budget clearing account and during the fiscal period additional appropriations are made from this clearing account.
4. Strict budget control is maintained over all accounts and expenditures are not allowed to exceed appropriations except in those specific projects and programs approved in advance by the City Council.
5. The City Council approves all significant changes.

Property Taxes. Property tax rates for general obligations bond debt services are determined by the City with collections and allocations made by the County of Riverside. The City also receives from the County of Riverside a percentage of the basic \$4 maximum tax rate allowed on assessments collected and allocated by the County.

Cash with Fiscal Agent. The City transfers to its bond fiscal agent all debt service requirements fifteen days prior to the date due. Unpaid redemptions are shown on the City's records as a payable.

Investments with Fiscal Agent. The City has deposited with its fiscal agent funds which will earn interest to cover all debt service requirements for Parking District No. 1 Revenue Bonds.

Contributed Capital and Grants. The following transactions are recorded as contributions in the enterprise and intragovernmental service funds:

1. Receipts of federal and state grants for acquisition of fixed assets.
2. Fixed assets contributed from other funds or the general fixed assets account group.
3. Contributions from customers for the acquisition of fixed assets.

B. Composition of Cash.

Treasurers cash and investments at June 30, 1979.

Demand deposits and checking accounts	\$ 1,679,057
Time certificate of deposit and other investments	28,324,716
Banker's acceptance	13,491,282
Cash on hand, June 30, 1979	33,799
Total treasurers cash and investments	<u>\$43,528,854</u>

Included in the above amount is restricted cash reserved for bond construction and debt service requirements, in the enterprise funds.

	<u>Bond Construction</u>	<u>Debt Service Requirements</u>
Electric	\$ —	\$1,572,045
Water	7,028,221	2,803,973
Sewer	—	486,851
	<u>\$7,028,221</u>	<u>\$4,862,869</u>

C. Retirement Plan.

Substantially all city employees are members of the Public Employees' Retirement System, administered by the State of California, to which contributions are made by both the City and employee. At July 1, 1978, the plan administrator indicated the City had an unfunded liability of \$20,542,688 for the miscellaneous members and \$18,899,494 for the safety members. The excess of the actuarially computed value of vested benefits over the amounts available in the pension fund was not determined at June 30, 1979. Contribution rates have been established to amortize the unfunded liabilities by the year 2000. Most city employees (except Police and Fire) are also covered under OASDI, administered by the Public Employees' Retirement System of the State of California fully funded equally by the City and the employee. The total pension expense recognized by the City for the fiscal year ended June 30, 1979, was approximately \$4,314,000 for PERS and \$862,000 for OASDI.

D. Vacation and Sick Pay.

The accompanying financial statements do not include any accrual for vacation and sick pay benefits due employees at June 30, 1979. These amounts are recorded as realized and appropriated accordingly in the annual budget.

Vacation. City employees receive from ten to twenty days vacation each year depending upon the length of service. Vacation can be accumulated as of January 1 to a maximum not to exceed accumulation of two years continuous service. Unused vacation pay may be redeemed in cash upon termination of employment. At June 30, 1979 employees vacation leave balance totaled approximately 25,800 days, representing a potential cost of approximately \$1,600,000.

Sick Leave. City employees receive one working day of sick leave for each month of employment or major portion thereof with unlimited accumulation for unused sick leave. Upon retirement, disability or death, unused sick leave can be redeemed in cash at the rate of 25% after five years employment and 50% after ten years employment. At June 30, 1979 employee sick leave balance

totaled approximately 89,800 days. This represents a cost of approximately \$5,567,600, because of the City's sick leave policy there is no way to calculate the liability to the City. The past three years experience is as shown below:

	Sick Leave Used	Sick Leave Payoff
1976-77.....	\$548,000	\$211,000
1977-78.....	598,000	199,000
1978-79.....	682,000	129,000

E. Changes in General Long Term Debt and Capitalized Leases.

	Balance July 1, 1978	General Obligations Bonds Retired	Debt Service Funds Operations	Lessors Revenues Principal Reduction	Balance June 30, 1979
Amount available in debt service funds.....	\$ 133,473	\$ —	\$ 380,250	\$ —	\$ 513,723
Amount to be provided for retirement:					
Long term debt.....	4,676,527	570,000	(380,250)	—	3,726,277
Long term lease obligation.....	27,120,000	—	—	495,000	26,625,000
Total available and to be provided.....	<u>\$31,930,000</u>	<u>\$ 570,000</u>	<u>\$ —</u>	<u>\$ 495,000</u>	<u>\$30,865,000</u>
General obligation debt payable:					
General bonds.....	\$ 4,810,000	\$ 570,000	\$ —	\$ —	\$ 4,240,000
Long term lease obligations.....	27,120,000	—	—	495,000	26,625,000
Total general obligation debt payable and long term lease obligations.....	<u>\$31,930,000</u>	<u>\$ 570,000</u>	<u>\$ —</u>	<u>\$ 495,000</u>	<u>\$30,865,000</u>
General debt service requirements to maturity:					
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
		<u>\$4,240,000</u>	<u>\$ 982,522</u>	<u>\$5,222,522</u>	

Capitalized Leases.

The City has entered into lease agreements with the Riverside Civic Center Authority and Parking Authority of the City of Riverside, separate public entities, which have issued revenue lease bonds to construct facilities for the City.

These bonds are collateralized by leases of the facilities to the City with the facilities becoming the City's property upon the retirement of the bonds. The lease payments approximately equal the total debt service requirements of the bonds. Because of the nature of the leases and related bond transactions, these transactions are being accounted for as though the City owned and financed the facilities directly. Accordingly the lease obligations have been recorded in the City's long-term debt account. The total of the related bond debt, and the amount expended to date for construction of the facilities have been reflected in the general fixed assets group of accounts.

The following tabulation reflects pertinent information reflecting the sale of bonds and annual lease payments.

	Riverside Civic Center Authority		Parking Authority of the City of Riverside
	City Hall	Community Center Facility (Amounts in thousands)	Parking Garage 3 Facility
Date of issue.....	12-1-72	7-15-74	8-15-74
Amount issued.....	\$15,000	\$11,000	\$3,450
Interest rate.....	4.25% to 6.25%	7%	7%
Years of redemption.....	1975-02	1975-04	1977-03
Redemption range.....	\$220 to \$1,065	\$155 to \$795	\$40 to \$270
Lease expires.....	2002	2003	2003
Annual lease payment.....	\$1,008.6	\$925	\$285.7
Current long term obligation.....	\$13,065	\$10,417.5	\$3,142.5

On August 16, 1977, a Refunding Lease Revenue Bond was issued for \$9,000,000 by Riverside Civic Center Authority to refund Community Center Facility Bonds. The bonds bear interest at rates which vary from 5.1% to 6.6% and mature serially in progressive annual amounts from \$360,000 in 1988 to \$845,000 in 2003 with final year payment of \$405,000 in 2004. The 1977 Refunding Lease Revenue Bonds were sold to redeem callable bonds of the 1974 issue totaling \$8,665,000 and pay a call premium of \$225,900 on July 15, 1987.

F. Revenue Bond Debt Services and Capitalized Lease.

Outstanding revenue bond debt service at June 30, 1979 is,

	Principal	Interest	Total
Electric.....	\$10,710,000	\$ 5,230,308	\$15,940,308
Water.....	32,790,000	28,206,617	60,996,617
Sewer.....	3,045,000	1,708,890	4,753,890
Total.....	<u>\$46,545,000</u>	<u>\$35,145,815</u>	<u>\$81,690,815</u>

On July 5, 1978 the City authorized the issuance of \$43,000,000 in Electric Revenue Bonds for acquisition of ownership in the San Onofre Nuclear Generating Station, Units No. 2 and No. 3, from the Southern California Edison Company.

Subsequent to June 30, 1979, the City sold \$900,000 Sewer Revenue Bonds to finance the City's share of the cost of primary/secondary treatment modifications to the existing city owned and operated treatment plant.

The City has entered into a lease agreement with the Riverside Airport Lease Company, a separate public entity, which has issued revenue lease bonds to construct facilities for the City. These bonds are collateralized by a lease of the facilities to the City with the facilities becoming the City's property upon the retirement of the bonds. The lease payments approximately equal the total debt service requirements of the bonds. Because of the nature of the lease and related bond transactions, these transactions are being accounted for as though the City owned and financed the facilities directly. Accordingly the lease obligation has been recorded in the City's Airport Fund statement. The total of the related bond debt; and the amount expended to date for construction of the facilities have been reflected in the City's Airport Fund statements.

The following tabulation reflects pertinent information reflecting the sale of bonds and annual lease payment.

	Riverside Airport Lease Company Airport Terminal
	(Amounts in thousands)
Date of issue.....	12-1-66
Amount of issued.....	\$530
Interest rate.....	4.5%
Years of redemption.....	1967-92
Redemption range.....	\$12 to \$36
Lease expires.....	1992
Annual lease payment.....	\$36.5
Current long term obligation.....	\$397

G. Changes in General Fixed Assets.

	Balance July 1, 1978	Additions	Retire- ment	Balance June 30, 1979
Cost:				
General government.....	\$14,072,581	\$ 453,994	\$ 443,513	\$14,083,062
Public safety.....	5,966,046	340,887	(97,520)	6,404,453
Highways and streets.....	8,539,359	205,233	53,582	8,691,010
Culture and recreation.....	22,116,063	416,261	(26,079)	22,558,403
Total cost.....	<u>\$50,694,049</u>	<u>\$1,416,375</u>	<u>\$ 373,496</u>	<u>\$51,736,928</u>

Investments for general fixed assets from:

Lease agreements.....	\$27,371,245
Gifts.....	425,854
Operating revenues.....	17,207,302
General obligation bonds.....	3,394,494
County contracts and grants.....	332,605
State grants.....	1,951,095
Housing and community development.....	249,216
Revenue sharing.....	381,109
Other federal grants.....	424,008
Total investments in general fixed assets.....	<u>\$51,736,928</u>

H. City of Riverside Deferred Compensation Plan.

During the fiscal year 1976-77 the City of Riverside established an employee deferred compensation plan. Glendale Federal Savings and Loan Association was appointed to accept funds for investment and accounts for such funds on a regular basis. The City has the same rights and obligations in connection with any such invested funds as any other investor having the same type of savings account with Glendale Federal. The plan was approved by the Internal Revenue Service on December 9, 1976. Each participant's account is insured up to \$40,000 and the City up to \$100,000 by the Federal Savings and Loan Insurance Corporation. At June 30, 1979 Glendale Federal had on deposit in the name of the City of Riverside, assigned to participants the sum of \$539,272. The aforementioned amount is not included in the accompanying financial statements.

I. Contingencies.

As of June 30, 1979, the City was involved in a number of damage suits in which claims range from minor to substantial amounts, are being asserted against the City. In the opinion of the City administration, these actions should not have a significant effect on the financial position of the funds of the City.

J. Special Assessment District Improvement Bonds.

The City has special assessment bonds issued under the 1911 and 1913 Special Improvement Act and the 1943 Vehicle Parking Improvement Act. The City has no liability to the bond holders until assessments represented by that particular bond has been collected.

K. Transportation Development Act Funds.

The Transportation Development Act Funds have been accounted for as an enterprise fund as required.

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PROPOSED FORM OF LEGAL OPINION – 1980 BONDS
October 30, 1980

City of Riverside
 Electric Revenue Bonds,
 Issue of 1980
 (Managing Underwriters) and Associates
 Gentlemen:

We have examined certified copies of proceedings taken for the issuance and sale to you of \$80,000,000 City of Riverside, California, Electric Revenue Bonds, Issue of 1980. Said bonds are issued under and pursuant to Section 1306 of the Charter of said City and Resolution No. 14134 of the City Council of said City, as amended by Resolution No. 14147 and Resolution No. 14167 of said City Council, each adopted pursuant to said Section 1306 (Resolution No. 14134, as so amended, herein referred to as the "Resolution"), and consist of 16000 bonds, numbered 1 to 16000, of the denomination of \$5,000 each, dated October 1, 1980, bear interest payable semiannually, and mature in consecutive numerical order on October 1 in the amounts and at the rates for each of the several years as follows:

Year	Amount	Interest Rate	Year	Amount	Interest Rate
1984	\$ 525,000	10.00%	1995	1,500,000	8.50%
1985	575,000	10.00%	1996	1,650,000	8.70%
1986	650,000	10.00%	1997	1,800,000	8.80%
1987	700,000	10.00%	1998	1,950,000	9.00%
1988	775,000	10.00%	1999	2,125,000	9.10%
1989	850,000	10.60%	2000	2,325,000	9.10%
1990	925,000	10.00%	2001	2,525,000	9.20%
1991	1,025,000	10.00%	2002	2,750,000	9.25%
1992	1,125,000	8.10%	2003	3,000,000	9.25%
1993	1,250,000	8.25%	2013	50,600,000	9.70%
1994	1,375,000	8.40%			

The bonds maturing after October 1, 1992, are subject to call and redemption prior to maturity on the dates, upon the notice and in the manner set forth in the Resolution.

From this examination we are of the opinion that the proceedings have been taken in accordance with the laws and Constitution of the State of California and the Charter of said City, and that said bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by you, constitute the legal and binding obligations of said City, payable only out of the Electric Revenue Fund as set forth in the Resolution. We are further of the opinion that: (1) the City has power and is obligated to levy and collect charges for electric service at least sufficient to pay the operating and maintenance expenses of the Electric System, the interest on and principal of the bonds as the same become due and payable, and all payments required for compliance with the Resolution, including payments into the Reserve Account; (2) no additional revenue bonds of the City payable out of said Electric Revenue Fund will have any priority over the bonds of this issue with respect to payment of principal or interest out of said Electric Revenue Fund; (3) the agreements and covenants contained in the Resolution are authorized by the Charter of said City and the laws of the State of California and are legal and binding in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights; and (4) interest on said bonds is exempt from income taxes of the United States of America under present federal income tax laws and such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

Respectfully submitted,

PROPOSED FORM OF LEGAL OPINION – REFUNDING BONDS
October 30, 1980

City of Riverside
 Electric Refunding Revenue Bonds,
 Issue of 1980
 (Managing Underwriters) and Associates
 Gentlemen:

We have examined certified copies of proceedings taken for the issuance and sale to you of \$9,070,000 City of Riverside, California, Electric Refunding Revenue Bonds, Issue of 1980. Said bonds are issued under and pursuant to Section 1306 of the Charter of said City and Resolution No. 14135 of the City Council of said City, as amended by Resolution No. 14168 of said City Council, each adopted pursuant to said Section 1306 (Resolution No. 14135, as so amended, herein referred to as the "Resolution"), and consist of 1814 bonds, numbered 1 to 1814, of the denomination of \$5,000 each, dated October 1, 1980, bear interest payable semiannually, and mature in consecutive numerical order on October 1 in the amounts and at the rates for each of the several years as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>
1981.....	\$ 450,000	10.00%	1993.....	\$ 470,000	8.25%
1982.....	450,000	10.00%	1994.....	470,000	8.40%
1983.....	450,000	10.00%	1995.....	470,000	8.50%
1984.....	455,000	10.00%	1996.....	470,000	8.70%
1985.....	455,000	10.00%	1997.....	300,000	8.80%
1986.....	455,000	10.00%	1998.....	300,000	9.00%
1987.....	455,000	10.00%	1999.....	300,000	9.10%
1988.....	465,000	10.00%	2000.....	300,000	9.10%
1989.....	470,000	10.00%	2001.....	220,000	9.20%
1990.....	470,000	10.00%	2002.....	130,000	9.25%
1991.....	470,000	10.00%	2003.....	125,000	9.25%
1992.....	470,000	8.10%			

The bonds maturing on or after October 1, 1992 are subject to call and redemption prior to maturity on the dates, at the prices, upon the notice and in the manner set forth in the Resolution.

From this examination we are of the opinion that the proceedings have been taken in accordance with the laws and Constitution of the State of California and the Charter of said City, and that said bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by you, constitute the legal and binding obligations of said City, payable only out of the Electric Revenue Fund as set forth in the Resolution. We are further of the opinion that: (1) the City has power and is obligated to levy and collect charges for electric service at least sufficient to pay the operating and maintenance expenses of the Electric System, the interest on and principal of the bonds as the same become due and payable and all payments required for compliance with the Resolution, including payments into the Refunding Bond Reserve Account; (2) no additional revenue bonds of the City payable out of said Electric Revenue Fund will have any priority over the bonds of this issue with respect to payment of principal or interest out of said Electric Revenue Fund; (3) the agreements and covenants contained in the Resolution are authorized by the Charter of said City and the laws of the State of California and are legal and binding in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights; and (4) interest on said bonds is exempt from income taxes of the United States of America under present federal income tax laws and such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

Respectfully submitted,