NEW ISSUE – BOOK-ENTRY ONLY

RATINGS:
S&P: AA+
Fitch: AA+
See the caption "RATINGS."

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest on the 2022A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2022A Bonds is exempt from State of California personal income tax. See the caption "TAX EXEMPTION" with respect to tax consequences relating to the 2022A Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

$58,025,000
CITY OF RIVERSIDE, CALIFORNIA
Water Revenue Bonds, Issue of 2022A

Dated: Date of Delivery **Due: October 1, as shown on inside front cover page**

Description of the 2022A Bonds. The 2022A Bonds will be issued by the City of Riverside in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository for the 2022A Bonds. Purchasers of the 2022A Bonds will not receive physical certificates representing their interests in 2022A Bonds purchased. Principal of, premium, if any, and interest on the 2022A Bonds are payable directly to DTC by U.S. Bank Trust Company, National Association, as Fiscal Agent. Upon receipt of payments of such principal, premium, if any, and interest, DTC is obligated to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the 2022A Bonds.

The 2022A Bonds will bear interest at the rates per annum shown on the inside cover of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months). Each 2022A Bond will bear interest from the interest payment date before its date of authentication: (i) unless it is authenticated: (a) during the period after a Record Date but on or before the next interest payment date, in which event it will bear interest from that interest payment date; or (b) prior to the first Record Date, in which event it will bear interest from the dated date of the 2022A Bonds; or (ii) unless at the time of authentication interest is in default, in which event it will bear interest from the interest payment date to which interest has been paid or provided for. "Record Date" means the close of business on the 15th day of each month preceding an interest payment date.

Interest will be payable semiannually on April 1 and October 1, commencing April 1, 2023.

Security for the 2022A Bonds. The 2022A Bonds are special limited obligations of the City and are secured by a pledge of and lien upon, and are payable solely from, the Net Operating Revenues (as such term is defined under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Net Operating Revenues") of the Water System and other funds, assets and security described in the Resolution. The 2022A Bonds do not constitute a general obligation or indebtedness of the City. The City is not funding a debt service reserve account for the 2022A Bonds.

Purpose of the 2022A Bonds. The 2022A Bonds are being issued: (i) to finance capital projects for the City's water utility system; and (ii) to pay certain costs of issuance of the 2022A Bonds. See the caption "PLAN OF FINANCE."

Redemption Prior to Maturity. Certain of the 2022A Bonds are subject to redemption prior to maturity. See the caption "DESCRIPTION OF THE 2022A BONDS—Redemption Provisions."

Existing Parity Debt. The 2022A Bonds are secured by and payable from Net Operating Revenues on parity with certain outstanding bonds, which are referred to in this Official Statement as the "Prior Parity Bonds." See the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt."

Future Parity Debt. The City is authorized to issue additional bonded indebtedness and to incur additional obligations that are secured by a lien upon and payable from Net Operating Revenues on parity with the Prior Parity Bonds and the 2022A Bonds, as described in this Official Statement.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the issuance. Investors are advised to read the entire Official Statement to obtain information that is essential to making an informed investment decision. Capitalized terms which are used but not defined on this cover page have the meanings set forth in this Official Statement.

MATURITY SCHEDULE
(See inside front cover page)

The 2022A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the valid, legal and binding nature of the 2022A Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the City by the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California, and for the Fiscal Agent by its counsel. It is anticipated that the 2022A Bonds will be available for delivery through the facilities of The Depository Trust Company on or about December 1, 2022.

Morgan Stanley **Ramirez & Co., Inc.**

Dated: November 16, 2022

$58,025,000
CITY OF RIVERSIDE, CALIFORNIA
Water Revenue Bonds, Issue of 2022A

MATURITY SCHEDULE
BASE CUSIP† 769076

$28,805,000 Serial 2022A Bonds

Maturity (October 1)	***Principal Amount***	***Interest Rate***	***Yield***	***Price***	***CUSIP†***
2023	$ 735,000	5.000%	2.750%	101.837	VG2
2024	920,000	5.000	2.780	103.937	VH0
2025	965,000	5.000	2.810	105.920	VJ6
2026	1,015,000	5.000	2.840	107.789	VK3
2027	1,065,000	5.000	2.860	109.592	VL1
2028	1,115,000	5.000	2.870	111.361	VM9
2029	1,175,000	5.000	2.890	112.995	VN7
2030	1,230,000	5.000	2.910	114.541	VP2
2031	1,295,000	5.000	2.920	116.088	VQ0
2032	1,360,000	5.000	2.960	117.290	VR8
2033	1,425,000	5.000	3.050	116.455[C]	VS6
2034	1,500,000	5.000	3.210	114.987[C]	VT4
2035	1,570,000	5.000	3.330	113.901[C]	VU1
2036	1,650,000	5.000	3.420	113.095[C]	VV9
2037	1,735,000	5.000	3.510	112.295[C]	VW7
2038	1,820,000	5.000	3.600	111.502[C]	VX5
2039	1,910,000	5.000	3.670	110.890[C]	VY3
2040	2,005,000	5.000	3.750	110.196[C]	VZ0
2041	2,105,000	5.000	3.810	109.678[C]	WA4
2042	2,210,000	5.000	3.830	109.506[C]	WB2

$12,840,000 5.000% Term 2022A Bonds Due October 1, 2047, Yield: 3.980%, Price: 108.227[C], CUSIP† WC0

$16,380,000 5.000% Term 2022A Bonds Due October 1, 2052, Yield: 4.100%, Price: 107.217[C], CUSIP† WD8

---

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.*

[C] *Priced to first optional redemption date of October 1, 2032 at par.*

CITY OF RIVERSIDE, CALIFORNIA

CITY COUNCIL

Patricia Lock Dawson, Mayor

Erin Edwards, 1st Ward
Clarissa Cervantes, 2nd Ward
Ronaldo Fierro, 3rd Ward
Chuck Conder, 4th Ward
Gaby Plascencia, 5th Ward
Jim Perry, 6th Ward
Steve Hemenway, 7th Ward

BOARD OF PUBLIC UTILITIES*

David M. Crohn, Chair
Rebeccah A. Goldware, Vice Chair

Nipunjeet Gujral
Rosemary Heru
Gary Montgomery
Nancy E. Melendrez
Gildardo Oceguera
Peter Wolgemuth

CITY OFFICIALS

Michael Moore, *Interim City Manager*

Edward Enriquez
Chief Financial Officer/Treasurer

Todd Corbin
Utilities General Manager

Phaedra Norton
City Attorney

Daniel E. Garcia
Utilities Assistant General Manager, Resources

Susan D. Wilson, Esq.
Assistant City Attorney

Carlie Myers
Assistant General Manager/Business Systems and Customer Service

Donesia Gause
City Clerk

David A. Garcia
Assistant General Manager/Water

Daniel Honeyfield
Assistant General Manager/Energy Delivery

BOND COUNSEL AND DISCLOSURE COUNSEL
Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

MUNICIPAL ADVISOR
PFM Financial Advisors LLC
Los Angeles, California

FISCAL AGENT
U.S. Bank Trust Company, National Association
Los Angeles, California

* *There is currently one vacancy on the Board of Public Utilities. See the caption "THE PUBLIC UTILITIES DEPARTMENT—Board of Public Utilities" for a discussion of the plan to fill this vacancy.*

Neither the City nor the Underwriters have authorized any dealer, broker, salesman or other person to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2022A Bonds in any jurisdiction in which such offer to sell or solicitation of an offer to buy is unlawful.

This Official Statement is not to be construed as a contract with the purchasers of the 2022A Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made of the 2022A Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Water System since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2022A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2022A BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "**Securities Act**"), and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as specifically set forth herein, the City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur.

The 2022A Bonds have not been registered under the Securities Act in reliance upon an exception from the registration requirements contained therein. The 2022A Bonds have not been registered or qualified under the securities law of any state.

The City maintains a website; however, the information it contains is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2022A Bonds.

TABLE OF CONTENTS

$58,025,000
CITY OF RIVERSIDE, CALIFORNIA
Water Revenue Bonds, Issue of 2022A

INTRODUCTION

This Official Statement, including its appendices, is provided to furnish information in connection with the issuance and sale by the City of Riverside, California (the "**City**"), of the bonds captioned above (the "**2022A Bonds**").

Authority for the 2022A Bonds

The 2022A Bonds were authorized and issued pursuant to the following, which are referred to collectively in this Official Statement as the "**Law**":

(i) the City Charter;

(ii) Ordinance No. 5001 adopted by the City Council on April 20, 1982, as amended by Ordinance No. 5071 adopted by the City Council on March 22, 1983, and by Ordinance No. 6815 adopted by the City Council on July 26, 2005; and

(iii) Resolution No. 17664 adopted by the City Council on January 8, 1991 (the "**Master Resolution**"), as previously amended and supplemented, and as amended and supplemented by Resolution No. 23924, the eleventh supplemental resolution, which provides for the issuance of the 2022A Bonds (the "**Eleventh Supplemental Resolution**"), which was adopted by the City Council on November 8, 2022. The Master Resolution, as previously amended and supplemented, and as further amended and supplemented by the Eleventh Supplemental Resolution, is referred to collectively in this Official Statement as the "**Resolution**."

Purpose of the 2022A Bonds

The 2022A Bonds are being issued: (i) to finance capital projects for the City's water utility system; and (ii) to pay certain costs of issuance of the 2022A Bonds. See the caption "PLAN OF FINANCE."

The Water System

The City's water utility system (the "**Water System**") serves an area of approximately 74.2 square miles, of which approximately 70.5 square miles are within the boundaries of the City. The City typically obtains 100% of its potable and non-potable water from local groundwater basins. The Water System provided service to approximately 66,372 metered customer accounts in the service area during fiscal year 2021-22, which represents a population served of approximately 317,000. See the caption "THE WATER SYSTEM."

Security for the 2022A Bonds; Rate Covenant

Nature of Pledge. Pursuant to the Law, the 2022A Bonds are special limited obligations of the City and are secured by a pledge of and lien upon, and are payable solely from, Net Operating Revenues of the Water System and other funds, assets and security described under the Resolution. The term "Net Operating Revenues" is defined under the caption "SECURITY AND SOURCES OF PAYMENTS FOR THE 2022A BONDS—Net Operating Revenues."

Rate Covenant. The City is obligated by the Resolution to prescribe, revise and collect rates and charges for the services, facilities and water of the Water System during each Fiscal Year in an amount that is at least sufficient to pay from Net Operating Revenues: (i) the Operating and Maintenance Expenses of the

Water System; (ii) together with amounts on deposit in Surplus Account, at least 1.25 times the debt service on all Bonds and any Parity Debt; and (iii) all other obligations that are charges, liens or encumbrances upon or payable from Net Operating Revenues. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant."

Water rates are established by the City of Riverside Board of Public Utilities (the "**Board**"), subject to approval by the City Council, and are not subject to regulation by the California Public Utilities Commission or any other State agency.

Limited Obligation. The City's General Fund is not liable for the payment of the principal of or interest and redemption premium (if any) on the 2022A Bonds, nor is the credit or the taxing power of the City pledged to the payment of the principal of or interest and redemption premium (if any) on the 2022A Bonds. No Bondowner may compel the exercise of the taxing power of the City or the forfeiture of any of its property. The principal of and interest and redemption premium (if any) on the 2022A Bonds are neither 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 Water System and other funds, security or assets that are, under the terms of the Resolution, pledged to the payment of the principal of and interest and redemption premium (if any) on the 2022A Bonds.

Outstanding Prior Debt

The 2022A Bonds are secured by and payable from Net Operating Revenues on parity with Prior Parity Bonds (as such term is defined under the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt") which were outstanding in the aggregate principal amount of $185,275,000 as of October 1, 2022.

Additional Bonds and Parity Debt

The City is authorized under the Resolution to issue additional bonds (the "**Additional Bonds**") that are secured by a pledge of and lien upon, and payable from, Net Operating Revenues and other funds, assets and security described under the Resolution on parity with the 2022A Bonds and the Prior Parity Bonds. The 2022A Bonds, together with the Prior Parity Bonds and any Additional Bonds, are referred to in this Official Statement as the "**Bonds**." See the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt" for a description of outstanding Prior Parity Bonds.

The City is authorized to issue and incur additional obligations that do not constitute Bonds which are secured by and payable from Net Operating Revenues on parity with the Bonds. Any such obligations are referred to in this Official Statement as "**Parity Debt**." The City currently has no outstanding Parity Debt. See the caption "THE WATER SYSTEM—Capital Improvement Program—Possible Additional Parity Debt Obligation" for a discussion of the City's possible execution of a Parity Debt obligation.

See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Additional Bonds and Parity Debt" for a discussion of the conditions under which the City may issue Additional Bonds and Parity Debt.

2022A Reserve Account Not Funded

The City has established a debt service reserve account for the 2022A Bonds, but the 2022A Bond Reserve Requirement is $0. Consequently, no amounts will be deposited into such debt service reserve account.

Subordinate Obligations

The City has incurred certain obligations and has the right to issue additional obligations that are secured by and payable from Net Operating Revenues on a subordinate basis to the Bonds and any Parity Debt. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations."

Redemption of the 2022A Bonds

Certain of the 2022A Bonds are subject to optional and mandatory sinking account redemption as described under the caption "DESCRIPTION OF THE 2022A BONDS—Redemption Provisions."

Continuing Disclosure

The City will covenant for the benefit of the owners and beneficial owners of the 2022A Bonds to provide certain financial information and operating data relating to the Water System and notices of the occurrence of certain enumerated events. See the caption "CONTINUING DISCLOSURE" and Appendix D.

Summaries and References to Documents

Brief descriptions of the 2022A Bonds, the security and sources of payment for the 2022A Bonds and the Water System and summaries of the Resolution and certain other documents are included in this Official Statement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references in this Official Statement to the 2022A Bonds, the Resolution and any other documents are qualified in their entirety by reference to such documents, copies of which are available for inspection at the office of the City Clerk located at Riverside City Hall, 3900 Main Street, Riverside, California 92522, telephone: (951) 826-5557.

A copy of the most recent annual report of the Water System may be obtained from the Utilities Assistant General Manager, Finance and Administration of the City of Riverside Public Utilities Department, at the same address. Financial and statistical information set forth in this Official Statement, except for the audited financial statements included in Appendix B or as otherwise indicated, is unaudited.

All capitalized terms which are used in this Official Statement and not otherwise defined have the meanings set forth in the Resolution.

PLAN OF FINANCE

Financing of Capital Projects for the Water System

A portion of the proceeds of the 2022A Bonds will be deposited into the 2022 Construction Fund and used to finance a portion of the Water System's Capital Improvement Program, as described below. See the caption "THE WATER SYSTEM—Capital Improvement Program" for a detailed discussion of the Water System's current Capital Improvement Program.

1. Well projects, including facility rehabilitations and potable/irrigation well replacements;

2. Transmission pipeline projects;

3. Distribution pipeline projects, including system expansions, water stock, facilities replacements, service lateral replacements, hydrant check valves and main replacements;

4. Distribution facility projects, including facility rehabilitations and meters;

5. Treatment plant projects, including facility rehabilitations;

6. Reservoir projects, including facility rehabilitations;

7. System automation projects, including technology governance (cyber), work, asset and inventory management, mobile applications, network communication systems (SCADA Phase 1), advanced metering infrastructure, SCADA Upgrades (SCADA Phase 2) and distributed automation/reliability (SCADA Phase 3); and

8. Other Water System capital projects within the City's Capital Improvement Plan.

Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the 2022A Bonds:

Sources(1)	
Principal Amount of 2022A Bonds	$ 58,025,000
Plus Original Issue Premium	5,570,749
Total Sources	**$ 63,595,749**
Uses(1)	
Deposit to 2022 Construction Fund	$ 63,000,000
Costs of Issuance(2)	595,749
Total Uses	**$ 63,595,749**

(1) Amounts rounded to the nearest dollar. Totals may not add due to rounding.
(2) Includes certain legal, municipal advisory, financing, rating agency and Fiscal Agent fees, Underwriters' discount and printing costs.

PRIOR DEBT AND DEBT SERVICE

Outstanding Prior Debt

The 2022A Bonds are secured by and payable from Net Operating Revenues on parity with the following outstanding bonds (collectively, the "**Prior Parity Bonds**"):

TABLE 1
OUTSTANDING PARITY DEBT

Name of Issue	***Outstanding Principal Amount***[1]
Water Revenue/Refunding Bonds, Issue of 2009B (Federally Taxable-Build America Bonds)[2] (the "**2009B Bonds**")	$ 62,760,000
Variable Rate Refunding Water Revenue Bonds, Issue of 2011A (Index Interest Rate Period)[3] (the "**2011A Bonds**")	24,050,000
Water Revenue/Refunding Bonds, Issue of 2019A[4] (the "**2019A Bonds**")	98,465,000
Total	$185,275,000

(1) As of October 1, 2022.
(2) Issued pursuant to the Master Resolution and Resolution No. 21935 adopted on November 17, 2009.
(3) Issued pursuant to the Master Resolution and Resolution No. 22203, adopted on April 26, 2011 (the "**Eighth Supplemental Resolution**"). See the caption "—2011A Bonds Remarketing" below.
(4) Issued pursuant to the Master Resolution and Resolution No. 23410, adopted on January 22, 2019.
Source: City.

2011A Bonds Remarketing

The 2011A Bonds currently bear interest in an Index Rate Interest Period at a SIFMA Index Interest Rate (as such terms are defined in the Eighth Supplemental Resolution). The 2011A Bonds are subject to an Index Rate Scheduled Purchase Date (as such term is defined in the Eighth Supplemental Resolution) of January 18, 2023. Prior to such date, on or about December 1, 2022, the City expects to effect an unscheduled mandatory tender and remarketing of the 2011A Bonds, at which time the 2011A Bonds will be converted to bear interest in a Daily Interest Rate Period.

There can be no assurance that the City will be able to effect a mandatory tender and remarketing of the 2011A Bonds as currently contemplated. In the event that the City is unable to convert the 2011A Bonds to another interest rate mode, or to refund the 2011A Bonds from the proceeds of an Additional Bond issuance, on or before January 18, 2023, the Index Rate Interest Period would terminate and the 2011A Bonds would bear interest at a rate of 10% per annum in a Purchase Default Period (as such terms are defined in the Eighth Supplemental Resolution). See the captions "CERTAIN FINANCIAL INFORMATION—Unrestricted Cash Reserves" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations—Existing Subordinate Obligations—Revolving Credit Facility."

The projected debt service set forth under the captions "—Debt Service Requirements" and "CERTAIN FINANCIAL INFORMATION—Summary of Operations" assume that the 2011A Bonds will bear interest at the 2005 Swap Rate of 3.20% per annum. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations—Existing Subordinate Obligations—2005 Swap Agreement" for a discussion of the 2005 Swap Agreement.

Debt Service Requirements

The following table sets forth the estimated debt service on the Prior Parity Bonds and the 2022A Bonds, assuming no optional redemptions.

TABLE 2
DEBT SERVICE REQUIREMENTS[1]

Fiscal Year Ending June 30	*Prior Parity Bonds Principal*	*Prior Parity Bonds Interest[2]*	*2022A Bonds Principal*	*2022A Bonds Interest*	*Total Bonds Debt Service[2]*	*Less Treasury Credits[3][4]*	*Total Bonds Debt Service Net of Treasury Credits[3][4]*
2023	$ 6,915,000	$ 9,786,639	$ -	$ 967,083	$ 17,668,723	$ (1,315,180)	$ 16,353,543
2024	7,215,000	9,413,440	735,000	2,882,875	20,246,315	(1,265,689)	18,980,626
2025	7,540,000	9,014,218	920,000	2,841,500	20,315,718	(1,211,157)	19,104,560
2026	7,875,000	8,597,286	965,000	2,794,375	20,231,661	(1,154,453)	19,077,209
2027	8,230,000	8,161,840	1,015,000	2,744,875	20,151,715	(1,095,474)	19,056,241
2028	8,600,000	7,706,974	1,065,000	2,692,875	20,064,849	(1,034,170)	19,030,679
2029	8,980,000	7,231,980	1,115,000	2,638,375	19,965,355	(970,390)	18,994,965
2030	9,580,000	6,743,060	1,175,000	2,581,125	20,079,185	(904,032)	19,175,153
2031	9,510,000	6,285,553	1,230,000	2,521,000	19,546,553	(834,667)	18,711,886
2032	9,890,000	5,819,671	1,295,000	2,457,875	19,462,546	(762,126)	18,700,421
2033	10,295,000	5,330,000	1,360,000	2,391,500	19,376,500	(686,617)	18,689,883
2034	10,725,000	4,806,028	1,425,000	2,321,875	19,277,903	(608,038)	18,669,865
2035	11,155,000	4,275,144	1,500,000	2,248,750	19,178,894	(525,339)	18,653,556
2036	11,610,000	3,719,277	1,570,000	2,172,000	19,071,277	(438,271)	18,633,005
2037	12,085,000	3,125,107	1,650,000	2,091,500	18,951,607	(347,537)	18,604,070
2038	12,645,000	2,446,017	1,735,000	2,006,875	18,832,892	(253,030)	18,579,862
2039	13,245,000	1,735,431	1,820,000	1,918,000	18,718,431	(154,647)	18,563,784
2040	6,665,000	1,171,749	1,910,000	1,824,750	11,571,499	(52,230)	11,519,269
2041	1,760,000	927,500	2,005,000	1,726,875	6,419,375	-	6,419,375
2042	1,850,000	837,250	2,105,000	1,624,125	6,416,375	-	6,416,375
2043	1,945,000	742,375	2,210,000	1,516,250	6,413,625	-	6,413,625
2044	2,040,000	642,750	2,325,000	1,402,875	6,410,625	-	6,410,625
2045	2,140,000	538,250	2,440,000	1,283,750	6,402,000	-	6,402,000
2046	2,250,000	428,500	2,560,000	1,158,750	6,397,250	-	6,397,250
2047	2,360,000	313,250	2,690,000	1,027,500	6,390,750	-	6,390,750
2048	2,480,000	192,250	2,825,000	889,625	6,386,875	-	6,386,875
2049	2,605,000	65,125	2,965,000	744,875	6,380,000	-	6,380,000
2050	-	-	3,110,000	593,000	3,703,000	-	3,703,000
2051	-	-	3,270,000	433,500	3,703,500	-	3,703,500
2052	-	-	3,430,000	266,000	3,696,000	-	3,696,000
2053	-	-	3,605,000	90,125	3,695,125	-	3,695,125
Total	$192,190,000	$110,056,664	$58,025,000	$54,854,548	$415,126,122	$(13,613,046)	$401,513,076

(1) Totals may not add due to rounding. Excludes projected debt service on Additional Obligation. See the caption "THE WATER SYSTEM—Capital Improvement Program—Possible Additional Parity Debt Obligation."

(2) Assumes an annual interest rate of 3.20% on the 2011A Bonds, reflecting the effect of the 2005 Swap Agreement. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations—Existing Subordinate Obligations—2005 Swap Agreement."

(3) Reflects amounts payable by the federal government under Section 6431 of the Internal Revenue Code of 1986 (the "**Code**"), which the City will elect to receive under Section 54AA(g)(1) of the Code. These amounts are currently included in Gross Operating Revenues for purposes of the rate covenant under the Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant—Future Change in Rate Covenant."

(4) On March 1, 2013, automatic spending cuts within the federal government known as the "sequester" took effect. The sequester includes a reduction in amounts payable by the federal government to issuers of Build America Bonds (and other direct pay bonds) under Section 6431 of the Code, as determined by the Office of Management and Budget. Because the 2009B Bonds were issued as Build America Bonds and will be affected by the reduction in credits (absent future Congressional action), more Net Operating Revenues will be needed to pay debt service on the 2009B Bonds than was previously anticipated in order to offset the impact of the sequester. Under a federal budget bill enacted in 2019, the reduction of sequester was expected to continue through September 30, 2029. However, in light of the federal deficit increase resulting from the American Rescue Plan Act of 2021 (which is discussed in detail under the caption "COVID-19 OUTBREAK"), the Congressional Budget Office has estimated that Build America Bond credits may be subject to elimination entirely starting January 1, 2023 through September 30, 2026 without action by Congress to waive or postpone such elimination. The above numbers reflect the City's assumption that the amounts payable to issuers of Build America Bonds will be reduced by 5.7% for the period from October 1, 2022 through and including the final maturity of the 2009B Bonds on October 1, 2039, and do not reflect the potential elimination of such credits.

Source: PFM Financial Advisors LLC.

DESCRIPTION OF THE 2022A BONDS

The following is a summary of certain provisions of the 2022A Bonds. Reference is made to the 2022A Bonds for the complete text thereof and to the Resolution for a more detailed description of such provisions. The discussion in this Official Statement is qualified by such reference. See Appendix C.

General

The 2022A Bonds will be dated their date of delivery and mature on the dates and in the respective amounts, and bear interest at the respective rates per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months), shown on the inside front cover page of this Official Statement. The 2022A Bonds may be purchased in book-entry form only, in principal amounts of $5,000 or any integral multiple thereof. Interest on the 2022A Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2023 (each, an "**Interest Payment Date**"), to the owners of record at the close of business on the 15th day of the preceding calendar month (a "**Record Date**") by check mailed by first-class mail to the persons whose names appear on the registration books of the Fiscal Agent as the registered Owners of such 2022A Bonds as of the close of business on the Record Date at such persons' addresses as they appear on such registration books, except that an Owner of $1,000,000 or more in principal amount of 2022A Bonds may be paid interest by wire transfer to an account in the United States if such Owner makes a written request of the Fiscal Agent at least 30 days preceding any interest payment date specifying the wire transfer instructions for such Owner. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Payments of defaulted interest will be paid by check to the Owners as of a special record date to be fixed by the Fiscal Agent, notice of which special record date will be given to the Owners by the Fiscal Agent not less than 10 days prior to that date. See Appendix F.

Each 2022A Bond will bear interest from the Interest Payment Date before its date of authentication: (a) unless it is authenticated: (i) during the period after a Record Date but on or before the next Interest Payment Date, in which event it will bear interest from that Interest Payment Date; or (ii) prior to the first Record Date, in which event it will bear interest from the dated date of the 2022A Bonds; or (b) unless at the time of authentication interest is in default, in which event it will bear interest from the Interest Payment Date to which interest has been paid or provided for.

So long as any 2022A Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), procedures with respect to the transfer of ownership, redemption and payment of principal, redemption price, premium, if any, and interest on such 2022A Bond will be in accordance with arrangements among the City, the Fiscal Agent and DTC. See Appendix F.

Redemption Provisions

Optional Redemption. The 2022A Bonds maturing on or before October 1, 2032 are not subject to optional redemption prior to maturity. The 2022A Bonds maturing on or after October 1, 2033 are subject to optional redemption by the City on October 1, 2032 or any date thereafter, as a whole or in part in an Authorized Denomination, at a Redemption Price of 100% of the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

Mandatory Sinking Account Redemption. The 2022A Bonds maturing on October 1, 2047 are subject to mandatory sinking account redemption, in part, on October 1, 2043, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount of such 2022A Bonds to be redeemed, from Mandatory Sinking Account Payments required to be deposited in the Principal Account in the Bond Service Account of the Water Revenue Fund, plus accrued interest thereon to the date of redemption, in the principal amounts set forth in the following table, without premium:

Redemption Date (October 1)	*Principal Amount*
2043	$2,325,000
2044	2,440,000
2045	2,560,000
2046	2,690,000
2047†	2,825,000

† Maturity

The 2022A Bonds maturing on October 1, 2052 are subject to mandatory sinking account redemption, in part, on October 1, 2048, and on each October 1 thereafter, at a redemption price equal to 100% of the principal amount of such 2022A Bonds to be redeemed, from Mandatory Sinking Account Payments required to be deposited in the Principal Account in the Bond Service Account of the Water Revenue Fund, plus accrued interest thereon to the date of redemption, in the principal amounts set forth in the following table, without premium:

Redemption Date (October 1)	*Principal Amount*
2048	$2,965,000
2049	3,110,000
2050	3,270,000
2051	3,430,000
2052†	3,605,000

† Final Maturity

Mandatory Sinking Account Payments for 2022A Bonds will be reduced to the extent that the City has purchased 2022A Bonds and surrendered such 2022A Bonds to the Fiscal Agent for cancellation. If 2022A Bonds have been redeemed as provided for under the subcaption "—Optional Redemption" above, then the amount of the 2022A Bonds so redeemed will be credited to such future Mandatory Sinking Account Payments for such 2022A Bonds as determined by the City. A reduction of Mandatory Sinking Account Payments in any 12-month period ending on October 1 will reduce the principal amount of 2022A Bonds redeemed on that October 1.

Selection of 2022A Bonds for Redemption. If less than all the 2022A Bonds are to be redeemed, the maturities of the 2022A Bonds to be redeemed will be selected by the City. The City will give written notice of its selection not later than 15 Business Days (or such shorter period as may be agreed to by the Fiscal Agent) before the last day on which the Fiscal Agent may give notice of redemption to the Owners of the 2022A Bonds. If less than all of the 2022A Bonds of any maturity are to be redeemed prior to maturity, then the particular 2022A Bonds will be selected at random by the Fiscal Agent in such manner as the Fiscal Agent in its discretion may deem fair and appropriate.

Notice of Redemption. The Fiscal Agent will give notice of the redemption of 2022A Bonds to: (i) the Owners of the 2022A Bonds called for redemption; (ii) the Securities Depository; and (iii) the Information Services. Notice of such redemption will be given by first class mail to the Owners of the 2022A Bonds designated for redemption at their addresses appearing on the bond registration books not less than 30 days nor more than 60 days prior to the redemption date. The failure by the Fiscal Agent to give notice to any one or more of the Information Services or the Securities Depository or failure of any Owner to receive notice of redemption or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of 2022A Bonds. Each notice of redemption will state the date of such notice, the distinguishing designation of the Series of Bonds to which such notice relates, the date of issue of such Series of Bonds, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Fiscal Agent), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the 2022A Bonds of such maturity to redeemed and, in the case of 2022A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

In the event of an optional redemption of 2022A Bonds, if the City has not deposited or otherwise made available to the Fiscal Agent or other applicable party the money required for the payment of the redemption price of the 2022A Bonds to be redeemed at the time of such mailing, such notice of redemption will state that the redemption is expressly conditioned upon the timely deposit of sufficient funds therefor with the Fiscal Agent or other applicable party.

Each such notice will also state that on said date there will become due and payable on each of said 2022A Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a 2022A Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue, and will require that such 2022A Bonds be then surrendered at the address or addresses of the Fiscal Agent specified in the redemption notice. Neither the City nor the Fiscal Agent have any responsibility for any defect in the CUSIP number that appears on any 2022A Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the City nor the Fiscal Agent will be liable for any inaccuracy in such numbers.

When notice of redemption has been given as provided in the Resolution, the 2022A Bonds or portions thereof so called for redemption will become due and payable on the redemption date, and upon presentation and surrender of such 2022A Bonds at the place specified in such notice of redemption, such 2022A Bonds will be redeemed and paid at said redemption price. If on the redemption date, moneys for the redemption of the 2022A Bonds to be redeemed will be available therefor, then from and after the redemption date, interest on the 2022A Bonds to be redeemed will cease to accrue.

Payment of Redeemed Bonds. Notice having been given in the manner provided above under the subcaption "—Notice of Redemption," the 2022A Bonds or portions thereof so called for redemption will become due and payable on the redemption date, and upon presentation and surrender thereof at the office specified in such notice, such 2022A Bonds, or portions thereof, will be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there is drawn for redemption a portion of a 2022A Bond, the City will execute and the Fiscal Agent will authenticate and deliver, upon surrender of such 2022A Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the 2022A Bond so surrendered, a 2022A Bond of like Series and maturity in any authorized denomination. If, on the redemption date, moneys for the redemption of all of the 2022A Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, will be available therefor on said date and if notice of redemption has been given as aforesaid, then from and after the redemption date, interest on the 2022A Bonds or portion thereof of such Series and maturity so called for redemption will cease to accrue and become payable. If said moneys are not so available on the redemption date, such 2022A Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS

Net Operating Revenues

Pursuant to the Law, the 2022A Bonds are special limited obligations of the City, secured by a pledge of and lien upon, and are payable solely from, "Net Operating Revenues" (as such term is defined below) and other funds, assets and security described in the Resolution, on parity with the Prior Parity Bonds and any Additional Bonds or Parity Debt issued in the future.

The Resolution defines "**Net Operating Revenues**" as Gross Operating Revenues less Operating and Maintenance Expenses.

"**Gross Operating Revenues**" consist of: (i) all revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction; and (ii) all amounts periodically required to be paid by all Subordinate Swap Providers to the City under all Subordinate Swaps (the "**Subordinate Swap Receipts**"), including the 2005 Swap Agreement.

"**Operating and Maintenance Expenses**" are the expenses of operating and maintenance of the Water System, including any necessary contribution to the retirement system of the Water System employees.

Future Change in Definition of Net Operating Revenues. Pursuant to the Seventh Supplemental Resolution, the definition of "Net Operating Revenues" will be amended and restated as follows, *and holders of the 2022A Bonds, by purchasing the 2022A Bonds, agree that the 2022A Bonds shall be subject to such amendment and restatement*; provided that such amendment and restatement will not take effect while the 2005 Swap Agreement and all other Subordinate Swaps and the Subordinate Swap Policy are in effect without the consent of the Subordinate Swap Providers (to the extent required by the Subordinate Swaps) or the Subordinate Swap Policy Providers (to the extent required by the Subordinate Swaps):

> "Net Operating Revenues" means Gross Operating Revenues, less Operating and Maintenance Expenses, plus, for the purposes of determining compliance with the City's rate covenant only, the amounts on deposit as of the date of determination in any unrestricted funds of the Water System designated by the City Council by resolution and available for the purpose of paying Operating and Maintenance Expenses and/or debt service on the Bonds.

Limited Obligation

The City's General Fund is not liable for the payment of the principal of or interest and redemption premium on the 2022A Bonds, nor is the credit or the taxing power of the City pledged for the payment of the principal of or interest and redemption premium (if any) on the 2022A Bonds. No Owner may compel the exercise of the taxing power of the City or the forfeiture of any of its property. None of the principal of or interest or redemption premium on the 2022A Bonds constitutes a debt of the City or 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 Water System and other funds, security or assets that are, under the terms of the Resolution, pledged to the payment of the principal of or interest and redemption premium (if any) on the 2022A Bonds.

Resolution Flow of Funds

The City has created the Water Revenue Fund pursuant to the Law to secure the payment of the Bonds and Parity Debt. The Water Revenue Fund includes several accounts, namely, the Bond Service Account, the Renewal and Replacement Account and the Surplus Account. The Resolution provides that the Interest Account and the Principal Account shall be created as subaccounts within the Bond Service Account. The Water Revenue Fund and all of the accounts and subaccounts therein are held and administered by the City Treasurer.

Water Revenue Fund. The Resolution specifies that Gross Operating Revenues will be deposited in the Water Revenue Fund, and that payments from said fund will be made only as provided by the Law and the Resolution.

Operating and Maintenance Expenses. As soon as practicable in each month, the Treasurer will provide for the payment of the Operating and Maintenance Expenses of the Water System for that month, prior to the payment or provision for payment of: (i) the interest on and the principal of the Bonds and any Parity Debt and prior to the establishment and maintenance of any reserves therefor; and (ii) amounts becoming due under Subordinate Obligations.

Bond Service Account. Following the required transfers for the payment of the Operating and Maintenance Expenses of the Water System for that month, the City will set aside and transfer within the Water Revenue Fund to the Bond Service Account for transfer to the Interest Account and to the Principal Account, as applicable, the following amounts at the following times:

Interest Account. As soon as practicable in each month, an amount equal to: (a) with respect to the Outstanding Current Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness), such amount as will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment date for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of such Series of Bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds constituting Variable Rate Indebtedness) is on deposit in such account; (b) 110% of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness; provided, however, that the amount of the deposit into the Interest Account for any month may be reduced (but only to the extent the amount payable by the City was or will be reduced) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of the deposit into the Interest Account for any month will be increased (but only to the extent the amount payable by the City was or will be increased) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness was less than the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness; and (c) only after all deposits have been made for such month in the Principal Account as provided in the immediately following paragraph and the Reserve Accounts as provided below, all Subordinate Payments becoming due and payable under all Subordinate Obligations for that month (or if the amount of the Subordinate Payments is not then known, the amount, estimated by the Treasurer in his or her reasonable judgment, to become due and payable under all Subordinate Obligations during that month). No deposit need be made into the Interest Account if the amount contained therein is at least equal to: (i) the interest to become due and payable on the interest payment dates falling within the next six months upon all of the Bonds issued under the Resolution and then Outstanding (but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates); and (ii) the payments becoming due and payable under all Subordinate Obligations during that month as described in clause (c) above. Payments of interest for Parity Debt that are required to be placed in any debt service fund to pay interest on such Parity Debt will rank and be made *pari passu* with the payments required to be placed in the Interest Account.

Principal Account. As soon as practicable in each month, the Treasurer will deposit an amount equal to at least: (a) one-sixth of the aggregate semiannual amount of Bond Obligation becoming due and payable on the Outstanding Bonds having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next six months; plus (b) one-twelfth of the aggregate yearly Bond Obligation becoming due and payable on the Outstanding Bonds having annual maturity dates or annual Mandatory Sinking Account Payments due within the next 12 months, provided that if the City Council irrevocably determines by resolution that any principal payments on the Bonds of any Series shall be refunded on or prior to their due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside toward such principal to be so refunded or paid. No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the Bond Obligations of all Bonds issued under the Resolution and then Outstanding and maturing by their terms or subject to mandatory redemption within the next twelve months. Payments of principal on Parity Debt that are required to be placed in any debt service fund or sinking fund to pay the principal of, or mandatory sinking fund payments with respect to, such Parity Debt will rank and be made *pari passu* with the payments required to be placed in the Principal Account.

Reserve Accounts; Supplemental Deposit. Following the transfers described above as required by the Resolution, the Treasurer will deposit as soon as practicable in each month any reserve account for Bonds established pursuant to a Supplemental Resolution for a Series of Bonds and in any reserve account established for Parity Debt upon the occurrence of any deficiency therein: (i) one-twelfth of the aggregate amount of any unreplenished prior withdrawal from such reserve account; and (ii) the full amount of any deficiency due to any required valuation of the investments in such reserve account until the balance in such reserve account is at least equal to the amount required to restore such reserve account to the amount required to be maintained therein.

Following the transfers to the Reserve Accounts as described above, the Treasurer will, without duplication, deposit into the Interest Account as soon as practicable in each month, the amount described in clause (c) under the subcaption "—Bond Service Account—Interest Account" above.

Excess Earnings Account. Following the transfers described above as required by the Resolution, the Treasurer will deposit in the excess earnings or rebate account or yield reduction sinking fund or account (established for the purpose of reducing the yield on certain proceeds of Bonds on deposit in a refunding escrow fund in order to satisfy the rules relating to the yield restriction of such proceeds under Section 148 of the Code and applicable regulations of the United States Treasury) for the Prior Parity Bonds, the 2022A Bonds, and any Additional Bonds or Parity Debt, the amount, if any, at such times as shall be required pursuant to the Supplemental Resolution or other document creating such account.

Renewal and Replacement Account. Following the transfers described above as required by the Resolution, the Treasurer will set aside the amount, if any, required by prior action of the City Council. To date, the City Council has not required the Renewal and Replacement Account to be funded and does not anticipate taking any such action. All amounts in the Renewal and Replacement Account shall be applied to acquisition and construction of renewals and replacements to the Water System to the extent provision therefor has not been made from other sources.

Surplus Account. On the first day of each calendar month, after transfers to the aforementioned accounts as required by the Resolution and all other covenants of the City contained in the Resolution have been duly performed, any amounts remaining in the Water Revenue Fund after the above transfers and uses have been made, will be transferred to the Surplus Account and may be: (i) invested in any Authorized Investments; (ii) used for the redemption of any Outstanding Bonds which are subject to call and redemption prior to maturity or for the purchase from time to time in the open market of any of the Outstanding Bonds whether or not subject to call (irrespective of the maturity or number of such Bonds) at such prices and in such manner, either at public or private sale, or otherwise as the City in its discretion may determine, but if the Bonds are subject to call and redemption prior to maturity, the purchase price (including brokerage or other charges, but excluding accrued interest) will not exceed the redemption price on the next interest payment date of such Bonds so purchased; or (iii) used in any lawful manner.

Application of Funds in the Bond Service Account.

Interest Account. Amounts in the Interest Account will be used and withdrawn by the Treasurer solely for the purpose of: (i) paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity); (ii) making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of interest payments on any Bonds made by such providers; and (iii) paying amounts due under Subordinate Obligations.

Principal Account. All amounts in the Principal Account will be used and withdrawn by the Treasurer solely for the purposes of paying the Bond Obligation of the Bonds when due and payable at maturity or upon redemption and making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of payments of principal of Bonds made by such providers.

Rate Covenant

Existing Covenant. The City has covenanted under the Resolution to prescribe, revise and collect such rates and charges for the services, facilities and water of the Water System during each Fiscal Year which, after making allowances for contingencies and error in estimates, will be at least sufficient to pay the following amounts in the order set forth:

(a) Operating and Maintenance Expenses;

(b) the interest on and Bond Obligation (or Mandatory Sinking Account Payment) of the Outstanding Bonds as they become due and payable;

(c) all other payments required for compliance with the Resolution or any Supplemental Resolutions; and

(d) all other payments required to meet any other obligations of the City which are charges, liens or encumbrances upon or payable from Net Operating Revenues (including, but not limited to, payments due under the Subordinate Obligations).

The charges will be so fixed that the Net Operating Revenues, plus any amounts on deposit in the Surplus Account pledged by resolution of the City Council to the payment of the Bonds, will be at least 1.25 times the amounts payable under clause (b) above plus 1.0 times the amounts payable under clauses (c) and (d) above.

The term "Mandatory Sinking Account Payment" (as used in clause (b) above) includes any Special Mandatory Redemption Payment during a Purchase Default Period. When setting Water System rates and charges, the City is not required to take into account the amount of any Purchase Price of any tendered 2022A Bonds on an Index Rate Purchase Date.

Future Change in Rate Covenant. Pursuant to the Seventh Supplemental Resolution, the following paragraph will be added to the Rate Covenant, *and holders of the 2022A Bonds, by purchasing the 2022A Bonds, agree that the 2022A Bonds shall be subject to such addition*; provided that such amendment will not take effect while the 2005 Swap Agreement and all other Subordinate Swaps and the Subordinate Swap Policy are in effect without the consent of the Subordinate Swap Providers (to the extent required by the Subordinate Swaps) or the Subordinate Swap Policy Providers (to the extent required by the Subordinate Swaps):

> For purposes of calculating the interest due under [clause] (b) above, if interest on such Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Bonds or Parity Debt shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

2022A Reserve Account Moneys

Under the Resolution, the City may, but is not required to, establish a separate reserve account for a Series of Bonds. The City has established a debt service reserve account for the 2022A Bonds, but the 2022A Bond Reserve Requirement is $0. Consequently, no amounts have been deposited into such debt service reserve account. The owners of the 2022A Bonds will not be entitled to amounts on deposit in the Reserve Accounts established for other series of Bonds.

Additional Bonds and Parity Debt

The City may incur additional obligations payable from Net Operating Revenues as described below. See the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt."

No Senior Debt. Under the Resolution, the City covenants that no additional bonds, notes or other evidences of indebtedness payable out of Net Operating Revenues will be issued having any priority in payment of principal or interest from the Water Revenue Fund or out of any Net Operating Revenues payable into such fund over the Outstanding Bonds.

Issuance of Additional Bonds and Parity Debt. The Resolution provides that, except Refunding Bonds or Parity Debt to the extent incurred to pay or discharge Outstanding Bonds or Parity Debt and which result in a present value savings to the City computed based on the rate of interest on such Refunding Bonds or Parity Debt, no Additional Bonds or any Parity Debt may be issued or incurred unless the following conditions are met:

(i) the City is not in default under the terms of the Resolution;

(ii) either: (a) the Net Operating Revenues of the Water System, calculated in accordance with generally accepted accounting principles, as shown by the books of the City for the latest fiscal year or any 12 consecutive month period within the last completed 18-month period ended not more than one month before the issuance or incurrence of such additional Bonds or Parity Debt set forth in a Certificate of the City; or (b) the estimated Net Operating Revenues for the first complete fiscal year when the improvements to the Water System financed with the proceeds of the additional Bonds or Parity Debt are in operation as estimated by and set forth in an opinion of an independent consulting engineer or firm of independent consulting engineers employed by the City, plus, at the option of the City, either or all of the items designated under clauses (a), (b) and (c) below, amount to at least 1.25 times the Maximum Annual Debt Service (as such term is defined in Appendix C) in any fiscal year thereafter on all Bonds and Parity Debt to be outstanding immediately subsequent to the incurring of such additional Bonds or Parity Debt; and

(iii) on the date of delivery of and payment for such additional Bonds or Parity Debt, the amount in any reserve fund for any Bonds or Parity Debt established is not less than an amount required to be maintained in such fund pursuant to the Supplemental Resolution or other document creating such fund.

Any of the following items may be added to such Net Operating Revenues for the purpose of meeting the requirement described in clause (ii) in the preceding paragraph:

(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 Water System to be made or acquired with the proceeds of such additional Bonds or Parity Debt 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 such 12 consecutive month period within the last completed 18-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;

(b) An allowance for earnings arising from any increase in the charges made for the use of the Water 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 such 12 consecutive month period within the last completed 18-month period, was not in effect, in an amount equal to the amount by which the Net Operating Revenues would have been increased if such increase in charges had been in effect during the whole of such fiscal year or such 12 consecutive month period within the last completed 18-month period, as shown by the certificate or opinion of a qualified independent engineer employed by the City; and

(c) Any amounts on deposit in the Surplus Account pledged by resolution of the City Council to the payment of such Bonds or Parity Debt.

For definitions of "Maximum Annual Debt Service" and other capitalized terms used herein, see Appendix C.

Subordinate Obligations

Under the Resolution, the City reserves the right to issue and incur obligations that are payable from Net Operating Revenues on a basis that is junior and subordinate to the payment of the Bonds or Parity Debt.

Existing Subordinate Obligations.

2005 Swap Agreement. In connection with issuance of the City's Water Refunding/Revenue Bonds, Issue of 2005 (the "**2005 Bonds**"), the City entered into a variable-to-fixed interest rate swap agreement in an initial notional amount of $61,125,000 (the "**2005 Swap Agreement**") with Bear Stearns Capital Markets Inc. for the purpose of converting the floating rate interest payments that the City was obligated to make on the 2005 Bonds into substantially fixed-rate payments. Pursuant to an assignment agreement, dated as of May 2, 2011 (the "**JPMorgan Assignment Agreement**"), by and among Bear Stearns Capital Markets Inc., the City and JPMorgan Chase Bank, N.A. (the "**2005 Swap Provider**"), the parties agreed to the assignment to, and assumption by, the 2005 Swap Provider of the rights and obligations of Bear Stearns Capital Markets Inc. under the 2005 Swap Agreement. A portion of the proceeds of the City's Variable Rate Refunding Water Revenue Bonds, Issue of 2008A (the "**2008A Bonds**") was used to refund the 2005 Bonds and the 2005 Swap Agreement was integrated to the 2008A Bonds. Subsequently, a portion of the proceeds of the 2011A Bonds was used to refund the 2008A Bonds and the 2005 Swap Agreement was integrated to the 2011A Bonds on their delivery date. The City also applied a portion of the proceeds of the 2019A Bonds to terminate an amount of the 2005 Swap Agreement corresponding to the principal amount of 2011A Bonds redeemed from 2019A Bond proceeds ($26,900,000). The obligations of the City under the 2005 Swap Agreement constitute Subordinate Obligations pursuant to the Resolution.

Under the 2005 Swap Agreement, the City pays a fixed rate of interest (3.20%) on the outstanding notional amount. In return, the 2005 Swap Provider pays a variable rate of interest equal to a percentage of the London Interbank Offered Rate ("**LIBOR**") one-month index plus 12 basis points on a like notional amount. The periodic amounts payable by a party under the 2005 Swap Agreement are netted against the payments to be received by such party thereunder. See the subcaption "—LIBOR Termination" below for a discussion of the upcoming termination of LIBOR.

Amounts received by the City from the 2005 Swap Provider under the 2005 Swap Agreement constitute Gross Operating Revenues under the Resolution. There is no guarantee that the floating rate payable to the City pursuant to the 2005 Swap Agreement will match the variable interest rate on the 2011A Bonds at all times or at any time. Under certain circumstances, the 2005 Swap Provider may be obligated to make a payment to the City under the 2005 Swap Agreement that is less than the interest due on the 2011A Bonds. In such event, the City would be obligated to pay such insufficiency from Net Operating Revenues. This has occurred on certain occasions.

Any amounts due from the City under the 2005 Swap Agreement, including regularly scheduled payments and any amount due upon an early termination of the 2005 Swap Agreement, are payable by the City from Net Operating Revenues on a basis that is junior and subordinate to the Prior Parity Bonds, the 2022A Bonds, any Additional Bonds and any Parity Debt.

The 2005 Swap Agreement has a stated termination date of October 1, 2035. Both the City and the 2005 Swap Provider have the right to terminate the 2005 Swap Agreement prior to its stated termination date under certain circumstances, including a default or the occurrence of certain termination events, and the City may be required to make a substantial termination payment to the 2005 Swap Provider. In the event of early termination of the 2005 Swap Agreement, there can be no assurance that the City will: (i) receive any termination payment payable to the City by the 2005 Swap Provider; (ii) have sufficient amounts to pay any termination payment payable by it to the 2005 Swap Provider; or (iii) be able to obtain replacement Swap Agreements with comparable terms.

The current notional amount of the 2005 Swap Agreement is $24,050,000, reflecting the partial termination from 2019A Bond proceeds as described in the prior paragraph. The 2005 Swap Agreement had a fair market value of approximately negative $1,514,154 as of October 1, 2022, inclusive of accrued interest.

LIBOR Termination. As discussed under the subcaption "—2005 Swap Agreement," pursuant to the 2005 Swap Agreement, the 2005 Swap Provider pays the City a variable rate of interest equal to a percentage of the LIBOR one-month index plus 12 basis points on a like notional amount of 2011A Bonds. LIBOR is currently administered by the Intercontinental Exchange Benchmark Administration (the "**IBA**"), an independent administrator authorized and regulated by the Financial Conduct Authority (the "**FCA**"), the regulatory authority in the United Kingdom that is responsible for the supervision of LIBOR.

Central banks and regulators have been working for a number of years to coordinate the review and reform of certain global interest rate benchmarks and to address their potential discontinuation. On July 27, 2017, the FCA announced that it would no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021 (later extended to June 30, 2023 as discussed below) (the "**FCA Announcement**"). As a result of the FCA Announcement, central banks, regulators and industry working groups have been preparing for a transition from the use of LIBOR to alternative reference rates for floating rate interest calculations in contracts that currently utilize LIBOR-based rates.

In response to the FCA Announcement, on October 23, 2020, the International Swaps and Derivatives Association ("**ISDA**"), a trade organization for derivatives market participants, released amendments to certain definitions which apply to swap agreements (including the 2005 Swap Agreement) that are governed by ISDA standards (the "**Amendments**") as well as a LIBOR Fallback Protocol (the "**Protocol**") and the form of bilateral agreements which, if adhered to or adopted by parties to a swap agreement with an effective date that is prior to the Amendments, would incorporate the Amendments therein. The Amendments took effect on January 25, 2021 and include new provisions for derivative contracts which reference an interbank offered rate (such as LIBOR) in the event that such interbank offered rate is unavailable. *The City has elected to adhere to the Protocol and the Amendments are therefore expected to apply to the 2005 Swap Agreement*.

On March 5, 2021, the FCA announced (the "**Termination Announcement**") that one-month USD LIBOR, and other LIBOR terms, will be discontinued on June 30, 2023 (the "**Index Cessation Effective Date**"). The date of the Termination Announcement will serve as an "Index Cessation Event" under the Amendments.

As discussed under the subcaption "—2005 Swap Agreement," the 2005 Swap Agreement terminates in 2035, which is after the expected discontinuation of LIBOR. Accordingly, after the Index Cessation Effective Date, the 2005 Swap Agreement will be governed by the Protocol and the Amendments.

The following are some of the effects of the Amendments on the 2005 Swap Agreement:

- United States Dollar ("**USD**") LIBOR will be replaced by an alternative rate (the "**Fallback Rate**") after the Index Cessation Effective Date. The Fallback Rate calculation is described in the Amendments and is generally based on the Secured Overnight Financing Rate ("**SOFR**"), for a similar tenor (a measure of the cost of borrowing cash overnight which is secured by United States Treasury securities), plus a spread (the "**Spread**") equal to the median difference between USD LIBOR of the applicable tenor and SOFR of the applicable tenor over the five year period ending on the date of the Termination Announcement. The Spread for each tenor of LIBOR was announced on March 5, 2021 in connection with the Termination Announcement.

- SOFR will change based on market conditions (and could change daily), while the Spread will not change. ISDA has engaged Bloomberg to calculate and publish the Fallback Rate daily. As a result of the foregoing, the rate payable to the City under the 2005 Swap Agreement will not be known until shortly before the conclusion of each payment period for the 2005 Swap Agreement.

- The transition to a SOFR-based rate could change the mark-to-market value of one or more of the 2005 Swap Agreements, which could require the City to post collateral in favor of the 2005 Swap Provider. In addition, because SOFR-based rates will differ from LIBOR-based rates, the economic value of the 2005 Swap Agreement to the City could be affected.

The Governmental Accounting Standards Board has issued guidance which declares SOFR to be a "Benchmark Rate" that is eligible for hedge accounting. In addition, the Internal Revenue Service has issued guidance to the effect that transitioning derivative contracts from LIBOR-based to SOFR-based rates will not result in a reissuance or be treated as a termination of a qualified hedge.

The City is unable to determine at this time the ultimate effects of the discontinuation of LIBOR as a reference rate and transition to an alternate benchmark rate. The Fallback Rate is not expected to match the USD LIBOR rate that it replaces, so changes in the level of the floating rate amounts that will be due to the City from the 2005 Swap Provider and the resulting net amounts that will be payable by the City are likely to occur. The City is also unable to determine at this time whether it will be required to post collateral as a result of the cessation of LIBOR, or the effect of the cessation of LIBOR on the economic value of the swap agreement. There can be no assurance that the City's election to adhere to the Protocol with respect to the 2005 Swap Agreement, and the transition to SOFR, will not have a material financial impact on the City for the reasons discussed in the foregoing sentence or otherwise.

Revolving Credit Facility. On February 1, 2022, the City entered into a revolving credit agreement (the "**Revolving Credit Agreement**") with U.S. Bank National Association ("**USB**"). Under the terms and conditions of the Revolving Credit Agreement, the City may borrow up to $25,000,000 for purposes of the capital or operating financing needs of the Water System (the "**Revolving Credit Facility**"). Each advance under the Revolving Credit Facility that is allocated to the Water System will be secured by a subordinate pledge of Net Operating Revenues and accrue interest at a variable rate calculated by reference to the Bloomberg Short-Term Bank Yield Index on the first calendar day of each month. The Revolving Credit Facility matures on August 1, 2025 (the "**Revolving Credit Maturity Date**"); however, any advance not paid on the Revolving Credit Maturity Date will convert to a term loan that will amortize in equal quarterly payments commencing 90 days after the Revolving Credit Maturity Date, and the term loan will accrue interest at a variable rate and become due and payable in full on the third anniversary of the Revolving Credit Maturity Date. USB, as lender under the Revolving Credit Facility, has the right to terminate the commitments and accelerate amounts due by the City thereunder following certain events of default specified therein, including failure to meet covenants and payment defaults. To date, the City has not drawn on the Revolving Credit Facility.

Future Subordinate Obligations. Nothing in the Resolution limits the ability of the City to issue or incur obligations that are junior and subordinate (including, but not limited to, Subordinate Obligations), to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt and which subordinate obligations are payable as to (but not limited to) principal, premium, interest and reserve fund requirements, if any, only out of Net Operating Revenues after the prior payment of all amounts then due required to be paid or set aside under the Resolution from Net Operating Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required in the Resolution or any Parity Debt documents. Further, nothing in the Resolution limits the ability of the City to issue or incur obligations that are junior and subordinate to the payment of amounts due under the Subordinate Obligations and other obligations payable on parity therewith and which subordinated obligations are payable only out of Net Operating Revenues after the prior payment of all amounts then due required to be paid or set aside under the Resolution from Net Operating Revenues: (i) first, for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Debt, as the same become due and payable and at the times and in the manner as required by this Resolution or any Parity Debt documents; and (ii) thereafter, for payment of amounts due under the Subordinate Obligations and other obligations payable on parity therewith, as the same become due and payable and at the times and in the manner as required in the Resolution.

THE CITY

General information about the City, its location and its demographics is set forth in Appendix A.

COVID-19 OUTBREAK

The spread of the strains of coronavirus which are collectively called SARS-CoV-2, which cause the disease known as COVID-19 ("**COVID-19**"), and local, State and federal actions in response to COVID-19, have impacted the City's operations and finances. In response to the initial outbreak of COVID-19, health officials recommended, and some governments mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities. The World Health Organization declared the COVID-19 outbreak to be a pandemic and, on March 4, 2020, as part of the State of California's (the "**State**") response to the outbreak, the State Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Riverside County also declared a state of emergency in response to the COVID-19 outbreak. A phased re-opening of various sectors began in mid-2020 in accordance with a four-stage re-opening plan that ended with a full reopening of the economy on June 15, 2021. Similar restrictions may be reimposed as the pandemic evolves.

On March 27, 2020, the President signed the $2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the "**CARES Act**") which delivered, among other things, $150 billion in financial aid to states and local governments to provide emergency reimbursement to those most significantly impacted by COVID-19. The City received a total reimbursement of $27,991,888 under the CARES Act, which it applied to local business support, rental assistance, homelessness and other City programs, with effects on the Water System limited to indirect benefits resulting from support to Water System customers.

On March 11, 2021, the President signed the American Rescue Plan Act of 2021 (the "**ARP Act**"), a $1.9 trillion economic stimulus package that was designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. The City received a total of $73,535,189 under the ARP Act and has developed a plan to expend ARP Act funds which addresses the following categories: public health, negative economic impacts, services to disproportionately impacted communities and infrastructure. ARP Act funds are not expected to directly support Water System revenues or operating costs.

The effects of the COVID-19 outbreak and governmental actions responsive to it have altered the behavior of businesses and people in a manner that has had significant negative impacts on global and local economies. In addition, financial markets have experienced significant volatility attributed to COVID-19 concerns, ensuing inflation and threats of a recession. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak continue to occur throughout the United States, including Riverside County.

The Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers through December 31, 2021. The City does not assess late fees or penalties for delinquent Water System accounts and was not significantly affected by this suspension. The City has an allowance for doubtful accounts as of June 30, 2022 of $917,000, and, on August 1, 2022, re-instituted its standard collection procedures which were in place prior to the pandemic. See the caption "THE WATER SYSTEM—Billings and Collections."

The City has made low income assistance programs available to delinquent customers and participated in the California Water and Wastewater Arrearage Payment Program (the "**CWWAPP**"), a State program that provided funds to water service providers to cover delinquencies during the period between March 4, 2020 and June 15, 2021. In early 2022, the City received approximately $1.9 million under the CWWAPP.

In response to the COVID-19 outbreak, the City declared the Water System to be an essential service and staggered employee shifts and enabled certain employees to telecommute. In addition, the City temporarily closed many City facilities to the public, cancelled certain programs and community events and deferred several non-essential capital improvement projects. With improvements in local case rates, the City phased in the resumption of normal operations and activities while complying with public health orders and California Occupational Safety and Health Administration mandates.

The City has not experienced and does not at this time foresee a future negative impact on the Water System or the execution of City services as a result of the COVID-19 outbreak. The City reports that Water System revenues and expenses were not materially affected by the COVID-19 outbreak in any of fiscal years 2019-20 through 2021-22.

The City continues to actively monitor Water System usage, payment delinquencies, revenues and expenditures so that further impacts of the COVID-19 pandemic can be anticipated. The City does not currently expect that the pandemic will have a material adverse effect on the repayment of the 2022A Bonds.

THE PUBLIC UTILITIES DEPARTMENT

Management of the Public Utilities Department

Under the provisions of the California Constitution and Article XII of the City Charter, the City owns and operates both the electric and water utilities for its citizens. The City's Public Utilities Department ("**RPU**") exercises jurisdiction over the electric and water utilities which are owned, controlled and operated by the City. RPU is under the management and control of the City Manager, subject to the powers and duties vested in the Board and in the City Council, and is supervised by the Utilities General Manager, who is responsible for design, construction, maintenance and operation of the electric and water utilities.

Management of RPU is as follows:

Mr. Todd Corbin, Utilities General Manager, holds a Certified Public Accountant license (inactive), a Bachelor of Science in Business Administration/Accounting from Indiana University of Pennsylvania and a

Master of Public Administration from California State University, San Bernardino. He joined the City in November 2018 with 28 years of California utility experience, including serving as General Manager of the Jurupa Community Services District for six years. Prior to that, he served in various management roles including Assistant General Manager of the Cucamonga Valley Water District in Rancho Cucamonga.

Mr. Daniel E. Garcia, Utilities Assistant General Manager/Resources, holds a Bachelor of Science in Business Management from Woodbury University and has over 30 years of multi-utilities experience, including water, electric and gas. He has been with RPU since 2007 and has served in various management roles including Market Operations Manager and Interim Planning Manager-Resources.

Ms. Carlie Myers, Assistant General Manager/Business Systems and Customer Service, holds a Bachelor of Science in Business Administration from the University of Phoenix and has over 20 years of management experience with the City, including as Deputy City Manager, and in various positions within the Community and Economic Development Department and the Fire Department. She has been with the City since 1999.

Mr. David A. Garcia, Assistant General Manager/Water, holds a Bachelor of Science in Environmental Sciences from the University of California, Riverside, and a Master of Science in Environmental Policy and Planning from California State University, Fullerton. He has over 28 years of water utility experience throughout the Santa Ana River Watershed. Prior to coming to the City, he served as the Director of Water Operations for Eastern Municipal Water District and, previously, in various management roles, including Water Operations Manager for Riverside Public Utilities. He is also certified as a Grade 5 Water Treatment and Distribution Operator by the California State Water Resources Control Board.

Mr. Daniel Honeyfield, Assistant General Manager/Energy Delivery, holds a Bachelor of Science in Electrical Engineering from California Polytechnic State University, Pomona, a Master of Business Administration from the University of Phoenix and a professional engineering license through the State of California. He has over 17 years of utility experience, serving five years as Engineering Manager for the Sacramento Municipal Utility District and in various roles for Riverside Public Utilities, including Senior Electric Utilities Engineer.

Board of Public Utilities

The Board, created by Article XII, Section 1201, of the City Charter, currently consists of eight members appointed by the City Council. As set forth in Article XII, the Board, among other things, has the power and obligation to: (1) consider the biennial budget for RPU 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 RPU, authorize and award bids for the purchase of equipment, materials or supplies exceeding the sum of $50,000, 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 may be made without such authorization; (3) within the limits of the budget of RPU, 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 RPU, segregated as to each separate utility, and monthly statements of the general condition of RPU 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 Utilities General Manager, who shall be RPU head; (7) make such reports and recommendations to the City Council regarding RPU as it deems advisable; (8) designate its own secretary; and (9) 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 voters in the City passed Measure MM (the "**Measure**") on November 2, 2004, which became fully effective upon approval of the City Council on May 17, 2005. The Measure amended the City Charter provisions and granted the authority to award bids and authorize procurement contracts to the Board. It streamlines the process for procurement approvals by eliminating the need for City Council approval, assuming funding authority exists in RPU's budget, as adopted or amended by the City Council. Contracts that are subject to the Measure are public works, goods, and non-professional and professional services. Contracts related to property acquisitions/dispositions, power and transmission and other negotiated agreements are not affected by the Measure, and remain subject to prior approval requirements established by the City Council.

The present members of the Board and their respective terms of appointment are:

David M. Crohn – Chair of the Board, appointed to the Board in 2016, current term expires March 1, 2024. Mr. Crohn is an Associate Professor in the Department of Environmental Sciences at a local university.

Rebeccah A. Goldware – Vice Chair of the Board, appointed to the Board in 2021, current term expires March 1, 2024. Ms. Goldware is a Vice Chancellor of a local community college district.

Nipunjeet Gujral – Appointed to the Board in 2022, current term expires March 1, 2026. Mr. Gujral is a data scientist with Global Infotek.

Rosemary Heru – Appointed to the Board in 2021, current term expires March 1, 2025. Ms. Heru has two decades of experience in leading customer service, procurement and administration teams and previously served on the City's Cultural Heritage Board and Human Relations Commission.

Gary Montgomery – Appointed to the Board in 2021, current term expires March 1, 2025. Mr. Montgomery is an attorney and past Board Chair of the Greater Riverside Chambers of Commerce.

Nancy E. Melendez – Appointed to the Board in 2021, current term expires March 1, 2025. Ms. Hernandez is a past member of the Board of Library Trustees and, prior to her retirement, worked as Assistant Director of the Riverside Community College District Foundation and Executive Director of Keep Riverside Clean and Beautiful. In addition, she co-founded the Spanish Town Heritage Foundation.

Gildardo Oceguera – Appointed to the Board in 2017, current term expires March 1, 2025. Mr. Oceguera is a retired high school principal with prior experience as a teacher and high school and community college counselor.

Peter Wohlgemuth – Appointed to the Board in 2020, current term expires March 1, 2024. Mr. Wohlgemuth is a hydrologist with the United States Forest Service.

There is currently one vacancy on the Board of Public Utilities. On August 8, 2022 the City posted a Notice of Vacancy inviting any qualified elector of the City who wishes to be considered for appointment by the Mayor and City Council to the Board of Public Utilities to contact the City Clerk's Office by November 2, 2022. Those expressing an interest in the appointment are expected to interviewed by the Mayor and City Council in early 2023, with an appointment expected in or about February 2023.

RPU's administrative offices are located at 3750 University Avenue, 3rd Floor, Riverside, California 92501.

Employment Matters

Employee Relations. As of June 30, 2022, 145 City employees were assigned specifically to the Water System. Certain functions supporting Water System operations, including meter reading, customer billing and collections, are performed by the staff of the electric division of RPU. Substantially all the non-administrative City personnel assigned to the Electric System are represented by the International Brotherhood of Electrical Workers ("**IBEW**"). The City and IBEW are parties to a Memorandum of Understanding that expires on December 31, 2024. Portions of the administrative staff are represented by the Service Employees International Union ("**SEIU**"). The City and SEIU are parties to a Memorandum of Understanding that expires on June 30, 2025. While not under a memorandum of understanding, all unrepresented employees have compensation and benefit packages approved by the City Council. On September 20, 2022, the City Council approved changes for unrepresented employees through June 2025.

Employee Retirement Systems. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("**GASB**") Statement No. 68 ("**GASB 68**"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City's accounting and reporting requirements, but it does not change the City's pension plan funding obligations.

Retirement benefits to City employees, including those assigned to the Water System, are provided through the City's participation in California Public Employees Retirement System's ("**CalPERS**"), an agency, multiple-employer, public employee retirement system that acts as a common investment and administrative agency for participating public entities within the State. CalPERS issues a separate, publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State.

The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. All of the bargaining units included in the Miscellaneous CalPERS Plan, including Management, SEIU and IBEW employees of the Water System and the City's electric utility, agreed to change the calculation of the CalPERS retirement benefit for new employees from an amount derived from the highest year of salary to an amount derived from the average of the highest three years of salary, which addressed concerns associated with salary increases in the year immediately prior to retirement. This change was effective for employees hired on or after December 9, 2011.

Under the current plan, the City pays the employees' contribution to CalPERS for employees hired on or before specific dates as follows:

- 1st Tier -
    - The retirement formula is 2.7% at age 55 for unrepresented employees hired before October 19, 2011. Effective January 1, 2021, the employees contribute the entire required amount of 8% of their pensionable income.
    - The retirement formula is 2.7% at age 55 for SEIU employees hired before June 7, 2011. Effective January 1, 2020, employees contribute the entire required amount of 8% of their pensionable income.
    - The retirement formula is 2.7% at age 55 for IBEW employees hired before October 19, 2011. Effective November 1, 2020, employees contribute the entire required amount of 8% of their pensionable income.

- 2nd Tier - The retirement formula is 2.7% at age 55, and:
  - SEIU employees hired on or after June 7, 2011 pay their share (8%) of contributions.
  - All other Miscellaneous Plan employees hired on or after October 19, 2011 pay their share (8%) of contributions.
- 3rd Tier - The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the employee share ranging from 7% to 8% based on bargaining group classification. Classic members (employees who were CalPERS members prior to December 31, 2012) hired on or after January 1, 2013 may be placed in a different tier.

Contributions to the City's pension plan consist of: (a) contributions from plan participants (i.e., employees); and (b) contributions by the City. The City's contributions constitute an Operating and Maintenance Expense of the Water System that is payable prior to the 2022A Bonds.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("**AB 340**"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier: the 2% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

PENSIONABLE INCOME CAPS FOR CALENDAR YEAR 2022
(AB 340 AND NON-AB 340 EMPLOYEES)

	Employees Hired Before January 1, 2013 (Non-AB 340 Employees)	***Employees Hired On and After January 1, 2013 (AB 340 Employees)***
Maximum Pensionable Income	$305,000	$161,969
Maximum Pensionable Income if also Participating in Social Security	N/A	134,974

Source: CalPERS.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension lability and potentially reduce City contribution levels in the long term.

CalPERS estimates savings for local agency plans as a result of AB 340 of approximately $1.653 billion to $2.355 billion over the 30-year period after its adoption, primarily due to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. The required employer normal cost rates for fiscal year 2021-22 were 12.73% for each benefit level, and the required employer payment of the unfunded accrued liability was $10,824,787. The required employer normal cost rates for fiscal year 2022-23 are 12.46% for each benefit level, and the required employer payment of the unfunded accrued liability is $11,465,930. The City issued pension obligation bonds in June 2020 (the "**2020 Pension Obligation Bonds**"), reducing the City's unfunded accrued liability significantly compared to years prior to fiscal year 2021-22.

Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan's employer normal cost rate, which funds pension benefits for current employees for the upcoming fiscal year (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount, which funds pension benefits that were previously earned by current and former employees (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming fiscal year of active employees.

The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The City's annual required contribution for the Miscellaneous plan's unfunded accrued liability in fiscal year 2022-23 is $11,860,450. The share of such contributions which is attributable to the Water System is expected to be approximately 10% for fiscal year 2022-23. The funded status of the City's Miscellaneous plan is 104.3% per the June 30, 2021 CalPERS Actuarial Valuation.

The following table summarizes the schedule of funding for the City's CalPERS Miscellaneous plan as of June 30, 2022 (valuation date of June 30, 2021).

CALPERS MISCELLANEOUS PENSION PLAN – SCHEDULE OF FUNDING PROGRESS

Valuation Date (June 30)	***Accrued Liability***	***Market Value of Assets***[(1)]	***Unfunded Liability***	***Funded Ratio***	***Annual Covered Payroll***
2017	$1,317,421,178	$1,029,759,135	$287,662,043	78.2%	$118,644,799
2018	1,401,014,728	1,090,728,598	310,286,130	77.9	119,987,924
2019	1,462,992,745	1,138,310,022	324,682,723	77.8	126,381,375
2020	1,520,527,010	1,368,575,052	151,951,959	90.0	129,401,884
2021	1,570,873,013	1,638,143,404	(67,270,391)	104.3	128,059,046

(1) Excludes funds held in a pension benefits trust fund established under Section 115 of the Internal Revenue Code. To date, the Water Fund has not made any contributions to such fund. Accordingly, amounts held in the fund are not available to reduce the Water Fund's pension obligations.

Source: CalPERS Actuarial Valuation Report as of June 30, 2021, dated July 2022.

For fiscal years 2019-20, 2020-21 and 2021-22, the City incurred Miscellaneous plan pension expenses of $38,832,597, $26,274,890 and $27,329,625, respectively. The reduction in expenses in fiscal year 2020-21 reflects the City's issuance of the 2020 Pension Obligation Bonds in June 2020.

The Water System is also obligated to pay its share of the 2020 Pension Obligation Bonds and pension obligation bonds which the City issued in 2004 and partially refinanced in May 2017 (collectively, the "**Prior Pension Obligation Bonds**" and, together with the 2020 Pension Obligation Bonds, the "**Pension Obligation Bonds**"). The Water System's total proportional share of the outstanding principal amount of the Pension Obligation Bonds was approximately $19.48 million as of June 30, 2022. That share will amortize based on the respective amortization schedules of the Pension Obligation Bonds (which extend to 2045). See also Note 4 to RPU's audited financial statements for the fiscal year ended June 30, 2021, which is set forth in Appendix B, for further information.

A summary of principal assumptions and methods used to determine the total pension liability for fiscal year 2021-22 is shown below.

ACTUARIAL ASSUMPTIONS FOR CALPERS MISCELLANEOUS PENSION PLAN

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Fair Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table(1)	Derived using CalPERS' membership data for all funds

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: GASB 68 Accounting Report for City of Riverside Miscellaneous Plan.

Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The City's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component that is equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations, including, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the unfunded liability reflects certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years. As a result, the unfunded may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the City owes to CalPERS.

The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for fiscal years 2010-11 through 2020-21 report investment gains of approximately 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6%, 6.7%, 4.7% and 21.3%, respectively. The preliminary earnings report for fiscal year 2021-22 reflects investment losses of 6.1%, primarily as a result of declines in equity investments. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City. The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to pay the 2022A Bonds.

The announcement on July 12, 2021 that CalPERS achieved investment returns of 21.3% in fiscal year 2020-21 caused the CalPERS Board of Administration to lower CalPERS' discount rate from 7.00% to 6.80% in fall 2021 in accordance with a risk mitigation policy that was adopted in 2015, which calls for the discount rate to be lowered if returns exceed the then-current discount rate by two or more percentage points. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Changes in the net pension liability for the City's Miscellaneous plan in the most recent Fiscal Year for which information is available were as follows:

CHANGES IN CALPERS MISCELLANEOUS PENSION PLAN NET PENSION LIABILITY
(Dollars in Thousands)

	Increase / (Decrease)		
	Total Pension Liability	***Plan Fiduciary Net Position***	***Net Pension Liability / (Asset)***
Balance at June 30, 2020	$1,492,113,348	$1,372,045,612	$ 120,067,736
Balance at June 30, 2021	1,549,561,496	1,638,244,651	(88,683,155)
Net Changes for period from July 1, 2020 through June 30, 2021	$ 57,448,148	$ 266,199,039	$(208,750,891)

Source: CalPERS GASB 68 Accounting Report prepared for the City of Riverside Miscellaneous Plan as of June 30, 2021.

The table below presents the net pension liability of the City's Miscellaneous plan, calculated using the discount rate applicable to fiscal year 2021-22 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

SENSITIVITY OF CALPERS MISCELLANEOUS PENSION PLAN NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE
(Dollars in Thousands)

	Discount Rate – 1% (6.15%)	***Applicable Discount Rate (7.15%)***	***Discount Rate + 1% (8.15%)***
Plan's Net Pension Liability/(Asset)	$118,862,556	$(88,683,155)	$(259,596,829)

Source: CalPERS GASB 68 Accounting Report prepared for the City of Riverside Miscellaneous Plan as of June 30, 2021.

For additional information relating to the City's CalPERS Miscellaneous pension plan, see Note 6 to RPU's audited financial statements for the fiscal year ended June 30, 2021, which is set forth in Appendix B.

Other Post-Employment Benefits. The Water System contributes to two single-employer defined benefit healthcare plans: the Stipend Plan and the Implied Subsidy Plan. These plans provide other post-employment health care benefits ("**OPEB**") for eligible retirees and beneficiaries.

The Stipend Plan is available to eligible IBEW retirees and beneficiaries pursuant to their collective bargaining agreement. Benefit provisions for the Stipend Plan are established and amended through the memorandum of understanding with IBEW as approved by the City Council, which currently provides for the Water System to make contributions on a pay-as-you-as-go basis. The union establishes the benefits paid to retirees, and the City is not required by law or contractual agreement to provide funding for the plan other than as specified in the memorandum of understanding, which currently provides for a contribution of $100 per month per active IBEW employee.

The Implied Subsidy Plan allows retirees and current employees to be insured together as a group and allows a lower rate for retirees than if they were insured separately. Upon retirement, retirees pay the full amount of applicable premiums; however, they participate in the Water System's healthcare plans and, as such, an implicit subsidy exists. The Water System's contributions to the Implied Subsidy Plan are established by the City Council. The Water System is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefits to eligible retirees and beneficiaries.

Effective for the fiscal year ended June 30, 2018, GASB issued its Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("**GASB 75**"). GASB 75 requires a net OPEB liability to be reported on the balance sheet of the financial statements, similar to the net pension liability. GASB 75 requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For the fiscal years ended June 30, 2020, 2021 and 2022, the OPEB expense recorded for the Water System was approximately $197,000, $73,000 and $210,000, respectively. The Water System's net OPEB liability as of June 30, 2020, 2021 and 2022 was $4,382,000, $4,550,000 and $4,286,000, respectively.

Changes in the net liability for the City's post-employment benefit plan were as follows.

CHANGES IN OPEB PLAN LIABILITY
(Dollars in Thousands)

	Increase / (Decrease)		
	Total Post-Employment Benefit Plan Liability	***Plan Fiduciary Net Position***	***Net Post-Employment Benefit Plan Liability / (Asset)***
Balance at June 30, 2020	$52,275,951	$0	$52,275,951
Balance at June 30, 2021	48,770,385	0	48,770,385
Net Changes for period from July 1, 2020 through June 30, 2021	$ 3,505,566	$0	$ 3,505,566

Source: City of Riverside Actuarial Study of Retiree Health Liabilities Under GASB 74/75 as of June 30, 2021.

The following table presents the net liability of the City's OPEB plan, calculated using the discount rate applicable to fiscal year 2021-22 (2.16%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current rate:

SENSITIVITY OF OPEB PLAN NET LIABILITY TO CHANGES IN THE DISCOUNT RATE
(Dollars in Thousands)

	Discount Rate – 1% (1.16%)	***Current Discount Rate (2.16%)***	***Discount Rate + 1% (3.16%)***
Plan's Net Liability/(Asset)	$52,937,675	$48,770,385	$44,908,302

Source: City of Riverside Actuarial Study of Retiree Health Liabilities Under GASB 74/75 as of June 30, 2021.

The City's projections of Operating and Maintenance Expenses under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" do not assume unusual increases in OPEB funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of OPEB will have a material adverse effect on the ability of the City to pay the 2022A Bonds.

For additional information relating to the City's OPEB plan, see Note 7 to RPU's audited financial statements for the fiscal year ended June 30, 2021, which is set forth in Appendix B.

Investment Policy and Controls

Unexpended revenues from the operation of the Water System, including amounts held in the Water Revenue Fund prior to expenditure as described in this Official Statement, are invested under the direction of the City Treasurer, who is charged to pursue the primary objective of safety, and, thereafter, the objectives of liquidity and yield. The City's investment portfolio is managed to provide the necessary liquidity to fund daily operations. Cash flow is continually reviewed, and the City manages 100% of its own funds.

The management and accounting functions of the City's investment portfolio are separated. The City Treasurer renders a quarterly report of investment activity to the City Manager and City Council.

The City's portfolio is currently comprised of fixed rate United States Government Agency Bonds, federal agency securities, corporate notes that are rated at least "A", certificates of deposit and money market funds, including the State of California Local Agency Investment Fund. The City entered into certain interest rate swap agreements in connection with previously issued Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations."

The City's investment policy requires the investment of City funds to be made in accordance with Section 53600 *et seq*. of the California Government Code and the City's Investment Policy approved by the City Council on December 15, 2015. In the past, in connection with its budget adoption process, the City Council has annually delegated authority to the City's Treasurer for responsibility over investments. See Note 2 to RPU's audited financial statements attached as Appendix B and Note 3 to the City's basic financial statements for the fiscal year ended June 30, 2021, which may be obtained on the City's website at https://www.riversideca.gov/finance/acfr. *This Internet address is included for reference only, and the information on this Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on this Internet site.*

THE WATER SYSTEM

General

The City has owned, operated and maintained the Water System since 1913. The Water System provides potable and non-potable water service to almost all residential, commercial and industrial consumers located within the incorporated area of the City. The Water System is the retail provider of water service to all consumers in the City, except for approximately 10,000 customer accounts in higher elevations of the City, whose service is provided by other water retailers.

The Water System provides service to approximately 66,372 metered customers within a service area of 74.2 square miles, of which 70.5 square miles are within the City limits. The elevation of the service area ranges from less than 700 feet to more than 1,600 feet above sea level. The population served is approximately 317,000. Presently, portions of the Water System service area are fully developed, while other portions are only sparsely developed or completely undeveloped. The City provides water service primarily to residential customers, but also to commercial and industrial customers. The City also provides irrigation water within its service area.

Currently, the City's water supply is provided almost exclusively from its groundwater sources. The City also has the ability to receive State Water Project or Colorado River water from Western Municipal Water District ("**WMWD**"), which provides additional reliability and a source of emergency supply.

The following table sets forth certain general statistical information relating to the Water System for the last five fiscal years.

TABLE 3
WATER SYSTEM GENERAL STATISTICS

	Fiscal Year Ended June 30,				
	2018	***2019***	***2020***	***2021***	***2022***
Service Connections Billed	65,640	65,803	66,031	66,198	66,372
Annual Potable Urban Water Production(1)					
Local Groundwater Wells	24,623	21,948(4)	22,786	24,966	23,775
Purchases from WMWD	0	0	0	0	0
Total	24,623	21,948	22,786	24,966	23,775
Peak Daily Distribution(2)	87.0	90.1	93.8	91.8	82.7
Average Daily Production(2)(3)	66.8	59.7	62.0	67.8	64.6

(1) In millions of gallons at the entry point to the distribution system; includes retail sales, wholesale sales and wheeled water.
(2) In millions of gallons per day at the entry point to the distribution system; includes retail sales, wholesale sales and wheeled water.
(3) Refers to average daily distribution at the entry point to the distribution system.
(4) Decrease from prior year reflects wet hydrological year.
Source: City of Riverside Public Utilities Department.

History of the Water System

The City commenced domestic water operation in 1913 with the purchase of three mutual water companies that then served the City. Thereafter, the City began an extensive program of improving and extending the acquired systems into one common domestic water system. In 1926, the City constructed Linden Reservoir and eight miles of 42-inch diameter transmission pipeline from the City's major water resources in the San Bernardino groundwater basin to the City's distribution system.

Major expansion of the Water System was undertaken beginning in 1960 due to the combination of the following events: (1) increased demand and population growth in the pre-1960 service area; (2) annexation of areas by the City; (3) acquisition of three water companies serving primarily non-irrigation customers; and (4) the acquisition of four private water companies serving primarily irrigation customers.

Existing Facilities

General. Major facilities in the Water System include potable and non-potable supply wells, transmission pipelines, distribution pipelines, storage reservoirs, treatment plants, pumping facilities and pressure reducing facilities. The City maintains 53 wells for supplying domestic and irrigation water to its service area, of which 46 potable water wells are currently active. Distribution and transmission pipelines for the Water System range in diameter from 2 to 72 inches and total approximately 993 miles. There are 16 storage reservoirs with a total capacity of 108.5 million gallons, or 3 days of emergency supply. Six treatment plants remove contaminants from local groundwater before the water is delivered to the distribution system, consisting of 48 granular activated carbon ("**GAC**") vessels to treat trichloroethylene ("**TCE**") and dibromochloropropane ("**DBCP**") and 42 ion exchange ("**IX**") vessels to treat perchlorate. Thirty-eight booster-pumping stations deliver water to higher elevation pressure zones. Twenty-eight pressure-reducing stations deliver water from higher to lower pressure zones.

In order to receive imported water supplies and services, the City maintains three major water system interconnections for emergency and back-up water from the Mills Filtration Plant, which is operated by the Metropolitan Water District of Southern California ("**MWD**"). The first interconnection is located at Alessandro Boulevard, near the Mills Filtration Plant, and provides capacity of approximately 19 million gallons ("**mgd**") per day to the Water System's upper pressure zones. The second interconnection is located along a multi-agency pipeline that traverses through Riverside County from the Mills Filtration Plant to the City of Corona (the "**Mills Highline**"). The City's connection is at Van Buren Boulevard and provides capacity of approximately 19 mgd to the Water System's middle pressure zones. The third interconnection is along the Mills Highline at Green Orchard Place and provides additional capacity of 6.5 mgd to the Water System's upper southern pressure zones. The availability of imported water is dependent on the allocation availability of State Water Project water for each particular year. The City does not receive water from the Colorado River. See the caption "—Water Supply—Drought Conditions—State Orders."

Four smaller interconnections provide emergency and back-up water supply to the higher-pressure zones in case of mechanical failure or electric outage at the booster pumping stations. Because the unit cost of imported water is considerably higher than producing local groundwater, the additional supply is currently used only as an emergency supply. The availability of additional imported water significantly enhances the reliability of the Water System.

The City also maintains 8,019 fire hydrants throughout the distribution system. The Water System currently has a Class 2 rating (the second most favorable of ten classifications) assigned by the Insurance Services Office, a source of information about property/casualty insurance risk.

The following table sets forth statistical information relating to the facilities of the Water System for the last five fiscal years.

TABLE 4
WATER SYSTEM FACILITIES

	Fiscal Year Ended June 30,				
	2018	***2019***	***2020***	***2021***	***2022***
Miles of Pipeline	1,005	1,005	1,004	991[(2)]	993
Number of Active Domestic Wells	56	48[(1)]	46	46	46
Number of Active Reservoirs	16	16	16	16	16

(1) Decrease in number of active domestic wells reflects deactivation of certain wells as a result of declining water levels.
(2) Decrease reflects omission of Riverside Canal.
Source: City of Riverside Public Utilities Department.

For information about planned capital improvements to the Water System, see the caption "—Capital Improvement Program."

John W. North Water Treatment Plant (the "JWNWTP"). The JWNWTP is a 10 mgd submerged membrane ultrafiltration plant which includes a 50 mgd pump station and a high pressure class 48-inch diameter pipeline. The project includes adaptive reuse of existing facilities, coupled with RPU's first Design-Build project. The JWNWTP cost approximately $25.7 million, with approximately 50% funded by Proposition 50 grant moneys from the State of California (authorized by ballot initiative in November 2002 to construct water-related infrastructure that reduces Southern California's consumption of imported water), with the remaining portion funded with the proceeds of bonds issued by the City. The City received a total of $12.8 million in Proposition 50 grant funding from the State of California.

The JWNWTP, which began operations on September 4, 2008, allowed the City to become water independent, except for emergency conditions. Since fiscal year 2007-08, the City has not required either Colorado River water or State Water Project water purchases from WMWD.

Water Supply

General. The City currently obtains 100% of its potable water from water rights in its wells in the Bunker Hill Basin (the "**BHB**"), Riverside North Basin (the "**Riverside North Basin**") and Riverside South Basin (the "**Riverside South Basin**"). The City's water sources are described below.

The City currently estimates that the BHB, Riverside North Basin and Riverside South Basin have a total usable storage capacity of approximately 6,786,000 acre feet (based on infrastructure which is currently in place), and the City believes that it has sufficient rights to accessible water in these basins to serve its customers for the next five years.

Bunker Hill Basin. The largest source of water for the City is the BHB, which is located approximately eight miles northeast of the City. Water is collected from a total of 35 wells in the BHB and conveyed to the City through two separate transmission pipelines, the 60-inch pipeline operated by the Gage Canal Company (the "**Gage Pipeline**," as further described under the caption "—Gage Canal Company" below) and the 42/48-inch Waterman Transmission Main. Nine of these wells are treated through one wellhead and three regional treatment plants for perchlorate and/or TCE.

Riverside North Basin and Riverside South Basin. Groundwater for the City's potable water system is also pumped from a total of 15 wells in the Riverside North Basin and Riverside South Basin. Within the Riverside South Basin, eight wells are located in the North Orange Well Field and conveyed to the distribution system through the 60-inch North Orange transmission pipeline. Four of these wells pump through the Palmyrita Treatment Plant to remove DBCP. In the Riverside North Basin, four wells pump to the JWNWTP (as described under the caption "—Existing Facilities—John W. North Water Treatment Plant") and two wells pump directly into the 60-inch Gage Pipeline.

Groundwater for the City's non-potable system is pumped from a total of five irrigation wells that operate in the Riverside South Basin.

Colton Basin. The City also has water rights in the Rialto-Colton groundwater basin (the "**Colton Basin**"). The City's Johnson 4 well in the Colton Basin was equipped and began production in 2015 as a new non-potable water supply. This non-potable water supply is used for irrigation purposes within the City or sold at wholesale to WMWD.

Western Municipal Water District. Imported water obtained from MWD through WMWD, a member agency of MWD and the wholesale distributor for the Riverside area, is used only for emergency purposes. Since fiscal year 2017-18, no purchases have been made from WMWD.

If imported water is required in the future, the water would be treated and delivered from the Mills Filtration Plant by WMWD for purchase by the City on a wholesale basis. This water was historically used by the City only during peak summer months because of its higher cost and the availability of sufficient groundwater rights to meet the City's annual demand. With the completion of the JWNWTP (as described under the caption "—Existing Facilities—John W. North Water Treatment Plant"), this source is used only for emergency supply purposes.

Water Rights. The City is working toward meeting the anticipated future water demands of its service area for the next 100 years by fully utilizing its existing water rights and developing new sources of supply. See the caption "—New Sources of Supply"). If required, supplemental imported water from WMWD is available to meet peak day demands and emergency conditions.

As a result of a court decision in 1969 (the "**1969 Judgment**"), the City's rights to export water from the BHB were fixed at 49,542 acre feet per year ("**AFY**"). An acre foot of water is the amount of water required to cover one acre of area to a depth of one foot (one acre foot is approximately 325,850 gallons). The administration of the 1969 Judgment and the "safe yield" determination are assigned to a "Watermaster" (as defined in the 1969 Judgment), consisting of a representative from each of WMWD and San Bernardino Valley Municipal Water District ("**SBVMWD**"). The natural safe yield of the BHB was determined by court order in the 1969 Judgment and is 232,100 AFY. The natural safe yield is based on a 40-year hydrologic cycle.

Presently, the City's export rights from the BHB total 55,263 AFY. This amount includes its export rights totaling 49,542 AFY, as described above, its ownership in several mutual water companies with rights in the BHB and new conservation (i.e., an additional annual water right) associated with increased recharge below Seven Oaks Dam. See the caption "—New Sources of Supply—Seven Oaks Dam." The supply from the BHB appears secure over the long-term and currently provides approximately two-thirds of the City's water requirements under normal conditions. The City has not exceeded its pumping rights in the past 5 years.

Rights to water in the Riverside North Basin, Riverside South Basin and Colton Basin are defined in the 1969 Judgement. Base period (1959-63) extractions from these basins for use in Riverside County were determined at a total amount of about 54,100 AFY. The City has the entitlement to a major portion of this base period extraction and can increase its production beyond the base period extraction due to conservation activities (such as Seven Oaks Dam). Under the terms of the 1969 Judgment, SBVMWD and WMWD are obligated to replenish the Colton Basin and Riverside North Basin. The replenishment obligation is triggered if extractions exceed the "adjusted" base year extractions or the average water level in three specified wells falls below 822.04 feet above mean sea level. As of August 2022 (the most recent annual monitoring required under the 1969 Judgment), the average water level measured from the three wells was 5.94 feet below the minimum requirement. Watermaster and SBVMWD are working cooperatively to devise a plan for San Bernardino Valley to achieve compliance in the Colton and Riverside Basin areas, including the construction of necessary facilities and obtaining environmental permits to provide replenishment as well as making arrangements for extractions from the Riverside Basin area in San Bernardino County to be transferred to the San Bernardino area. These basins are considered another reliable long-term source of water to meet the City's needs because of the replenishment obligations identified in the 1969 Judgment, and actions have been taken to increase production of domestic water from the Riverside North Basin and Riverside South Basin. These basins currently supply approximately 35% of the City's water requirements under normal conditions. Over the past five fiscal years, the City has pumped an average of approximately 27,000 AFY from the Riverside North Basin and Riverside South Basin.

Gage Canal Company. The City acquired the Gage Canal Company, which holds water rights in the BHB (described under the subcaption "—General—Bunker Hill Basin"), in 1965 through the eminent domain process. An Operating Agreement corresponding to the 1965 condemnation order governs the relationship between the two agencies, providing assurances to the Gage Canal Company's shareholders while also protecting the City's water right investment. The City currently owns 60% of the shares of the Gage Canal Company and holds 3 of 11 seats on its board of directors. The City has the right to terminate the agreement upon 10-day notice of a breach given to the Gage Canal Company. The City, upon notice, may also cancel the agreement if the Gage Canal Company engages in an activity or enterprise that is detrimental to, contrary to or in conflict with its performance obligations under the agreement.

Drought Conditions.

State Orders. On January 17, 2014, the Governor declared a drought state of emergency (the "**Declaration**") with immediate effect. The Declaration included an order encouraging local urban water suppliers, including the City, to implement their local water shortage contingency plans; the City's plan is discussed under the subcaption "—Water Shortage Contingency Plan." On April 7, 2017, after significant improvement in water supply conditions across the State, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most counties in the State (including Riverside County).

In 2018, the Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the State Water Resources Control Board (the "**SWRCB**") to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day ("**GPCD**") until January 2025; the standard will decrease to 50 GPCD in January 2030. Standards for outdoor residential water use and commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The City is prepared to meet the 55 GPCD standard for indoor water use, and annual State-mandated water use efficiency standards, based on the City's current water demands and ongoing efforts to encourage conservation, as described below under the subcaption "—Water Shortage Contingency Plan." The City continually monitors the ongoing conservation proposals made by the State.

On October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board (the "**SWRCB**") to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall).

In August 2021, the federal government declared a water shortage at Lake Mead, which is a major storage reservoir on the Colorado River. As discussed under the caption "—General—Imported Water," Colorado River supplies are among the water sources for MWD, which provides water to the City's water wholesaler, WMWD. The water shortage declaration triggered mandatory cuts in water allocations for water users in Arizona and Nevada, although not for MWD or other users in California. Notwithstanding the foregoing, in December 2021, water users in California (including MWD), Arizona and Nevada agreed to voluntary cuts of 500,000 acre feet of water from the Colorado River in both 2022 and 2023, and MWD agreed to pay up to $20 million to certain agricultural rights holders that leave their land fallow. There can be no assurance that subsequent declarations with respect to the Colorado River will not require mandatory water cuts to MWD should dry conditions persist in 2022 or future years. As discussed under the subcaption "—General—Western Municipal Water District," the City does not expect to purchase water from WMWD except under emergency conditions, and therefore does not expect to be directly affected by the foregoing matters at this time. In addition, the groundwater underlying the City has lower concentrations of total dissolved solids than concentrations found within the Colorado River Aqueduct system and the City is thus prevented by the State from accessing Colorado River water. If Colorado River water were used within the Riverside North Basin or Riverside South Basin, it would increase salt concentrations and degrade the quality of the groundwater. For this reason, the City can only access imported supplies from the State Water Project.

There can be no assurance that subsequent State declarations will not impose mandatory water use restrictions should dry conditions persist in 2022 or future years. On March 28, 2022, the Governor issued Executive Order N0-27-22, which directed the SWRCB to issue drought regulations, including a recommendation to have urban water suppliers initiate Stage Two of their water shortage contingency plan. Such regulations were released by the SWRCB in May 2022. In order to achieve compliance with these regulations, the RPU Board has recommended implementing Stage Two of the water shortage contingency plan, although the City Council has not yet approved the recommendation. However, the City believes that it has significant water supplies and storage and is well positioned to respond to both drought and regulatory requirements. At this time, the City does not foresee a water supply shortage. See the caption "—Water Shortage Contingency Plan."

The City's customer base is primarily residential and its water rate structure consists of variable and fixed rate components, which partially mitigates the effect of any reduced water usage by non-residential customers. In fiscal year 2021-22, the variable portion of the City's water sales revenues was approximately 64% and the fixed rate component was approximately 36%. The City experienced an increase in water usage in fiscal years 2020-21 and 2021-22 as compared to the prior years, attributed primarily to less precipitation than in typical years. The City believes that its rate structure enhances its ability to generate sufficient Net Operating Revenues to pay the 2022A Bonds when due because fixed charges cover much of the Water System's fixed costs, while the City can pump less groundwater when demand (and, consequently, Gross Operating Revenues) are low, resulting in reduced Operating and Maintenance Expenses.

See also the caption "—New Sources of Supply—Water Use Efficiency."

Water Shortage Contingency Plan. The City's water shortage contingency plan is set forth in Chapter 14.22 of the City's Municipal Code. Under the City's plan, the City responds to a water shortage in stages by City Council declaration as follows:

Stage One – Normal water supply. Under Stage One, non-agricultural irrigation using potable water is limited to the period from 6:00 p.m. to 10:00 a.m. with a total run-time of 15 minutes per station for pop-up sprinklers, and irrigation runoff is prohibited.

Stage Two – Minimum water shortage. Under Stage Two, all restrictions of Stage One are in effect, customers are asked to reduce their monthly water consumption up to 15%, non-agricultural irrigation is limited to four days per week and all plumbing leaks must be corrected within 72 hours of notification.

Stage Three – Moderate water shortage. Under Stage Three, all restrictions of Stages One and Two are in effect, customers are asked to reduce their monthly water consumption by 15-20% and non-agricultural irrigation is limited to three times per week during the months of April through October and two times per week during the months of November through March.

Stage Four – Severe water shortage. Under Stage Four, all restrictions of Stages One through Three are in effect, customers are asked to reduce their monthly water consumption by 20-50%, non-agricultural irrigation is limited to one day per week to support minimal survival of trees and shrubs, washing of vehicles is prohibited except at a commercial car wash, filling, refilling or replenishing swimming pools, spas, ponds, streams and artificial lakes is prohibited and operation of ornamental fountains, ponds or similar structures is prohibited.

Water Shortage Emergency. Upon the City Council's declaration of a Water Shortage Emergency, no new construction meters will be issued, no construction water may be used for earth work such as road construction purposes, dust control, compaction or trench jetting and no new building permit(s) shall be issued, except as necessary for public health or safety or for projects using recycled water for construction.

The City is empowered to issue administrative citations for violations of the above restrictions.

For information on the impact of drought conditions on the recent finances of the Water System, see the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations."

Sustainable Groundwater Management Act. On September 16, 2014, Governor Brown signed Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or "**SGMA**") into law. SGMA constitutes a legislative effort to regulate groundwater on a statewide basis. At its core, SGMA added Part 2.74 to Division 6 of the California Water Code ("**Part 2.74**"), under which DWR was required to designate groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management by January 31, 2015. Part 2.74 also provides that by January 31, 2017, local groundwater producers must establish or designate an entity (referred to as a groundwater sustainability agency, or "**GSA**"), subject to DWR's approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR's approval by January 31, 2020. Alternatively, groundwater producers can submit a groundwater management plan under Part 2.75 of Division 6 of the California Water Code or an analysis for DWR's review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years.

Water Code Section 10720.8(a) ("**Section 10720.8(a)**") specifically provides that Part 2.74 is inapplicable to certain adjudicated areas (the "**Listed Basins**") or a local agency that conforms to the requirements of an adjudication of water rights for one of those areas; provided that if an adjudication action has determined the rights to extract groundwater for only a portion of a Listed Basin, Section 10720.8(a) applies only within the area for which the adjudication action has determined those rights. The Listed Basins include the basins in which the City has water rights: the San Bernardino Basin Area (which includes the BHB), the Riverside Basin (which includes the Riverside North Basin and Riverside South Basin) and the Colton Basin.

As a result of the exemption provided by Section 10720.8(a), the City does not expect that its groundwater extraction rights or its costs to produce groundwater will be affected by the enactment of SGMA.

New Sources of Supply

General. The City is actively developing and securing additional water supplies to meet projected increased demands. Growth in the City is still anticipated, and certain parts of this growth area are served by special districts and other water suppliers. Completion of the JWNWTP in 2008 permitted the City to reactivate four wells and increase water production from the Riverside North Basin.

Recycled Water. Since 2007, the Water System has been developing a recycled water program. Revenues from the sale of recycled water are included within the calculation of Gross Operating Revenues and expenses are included within Operating and Maintenance Expenses.

In May 2007, the City submitted an application to the SWRCB to divert up to 41,000 AFY of recycled water from the Riverside Regional Water Quality Control Plant (the "**RWQCP**"), a wastewater treatment plant. On May 20, 2008, the SWRCB issued its Final Order Conditionally Approving Wastewater Change Petition, which provided for a gross allocation of the requested amount of recycled water, conditioned upon a minimum discharge into the Santa Ana River of 25,000 AFY. Per the City's Urban Water Management Plan (a 5-year plan which is scheduled to be updated in 2025), approximately 5,700 AFY is available for reuse, but that amount is expected to grow over time with additional influent to the RWQCP.

The City developed a Recycled Water Master Plan and supporting programmatic environmental impact report, both of which were adopted by the City Council in June 2007. In February 2008, the Board gave conceptual approval to a facilities plan that outlines specific infrastructure requirements to begin significant expansion of recycled water projects within the City's service territory. Included in the plan are large diameter pipelines to transfer recycled water from the RWQCP to selected areas within the Water System's service area for municipal service. The projects, referred to as the Jackson Street and Arlington Avenue Recycled Water Pipeline Projects, would provide up to an estimated 3,370 AFY and 1,600 AFY, respectively, of recycled water (820 AFY and 1,600 AFY of direct potable offset, respectively) and are described below.

Jackson Street Recycled Water Pipeline Project. In August 2018, the City completed construction of the first phase of a project that will ultimately consist of approximately 3.5 miles of recycled water transmission and distribution pipelines from Van Buren Boulevard to Cleveland Avenue, a recycled water pump station and associated upgrades to the recycled water pumping plant at the City's wastewater treatment plant. The first phase, on which the City expended approximately $8.1 million, extends from the intersection of Van Buren Boulevard and Jackson Street to Don Derr Park on Monroe Avenue. The second phase will continue from Don Derr Park up to the intersection of Cleveland Avenue and Jackson Street. The second phase has an estimated cost of $9.6 million, which is currently unfunded and is not anticipated to be scheduled for construction within the next four years. This project will introduce highly treated recycled water at the Mockingbird Reservoir for direct potable reuse when the regulatory framework is established in the future to permit such usage.

Should the second phase be completed, the Jackson Street Recycled Water Pipeline Project could provide over 820 AFY of direct irrigation use for potential recycled water customers along the pipeline alignment and an additional 2,550 AFY of recycled water to be exchanged with WMWD for a total of 3,370 AFY. The Jackson Street Recycled Water Pipeline Project has a total estimated cost of $21 million, which is anticipated to be financed using a combination of available funding, including a grant of $1 million, cash reserves and future bond funds. There can be no assurance that the project will be completed as currently contemplated, or as to the timeline for completion.

Arlington Avenue Recycled Water Pipeline Project. The City plans to augment recycled water use by constructing an additional 3 miles of recycled water transmission and distribution pipelines within and south of Arlington Avenue just west of Van Buren Boulevard. The additional piping will provide an additional 1,600 AFY of recycled water for direct irrigation use for potential recycled water customers along the pipeline alignment. In 2015, the cost of this project was estimated cost to be $6.4 million, which amount is currently unfunded and expected to be higher at current prices. There can be no assurance that the project will be completed as currently contemplated, or as to the timeline for completion.

2022 Non-Potable and Recycled Water Master Plan Project. The City has retained a consultant to evaluate potential opportunities for expanding the City's use of its recycled water resources in addition to non-potable sources of water to augment the City's water supply portfolio and support the environment. Completion of the study will provide direction for future non-potable and recycled water infrastructure development for both the near- and long-term planning horizons. This project is anticipated to be completed by the fall of 2023.

Seven Oaks Dam. In 1999, the U.S. Army Corps of Engineers ("**USACE**") completed construction of the Seven Oaks Dam east of Mentone, California. Although the primary purpose of the dam is to provide flood protection along the main stem of the Santa Ana River, the City and other water purveyors provided funding during construction for enhancements to the dam's abutments and blanket drain in order to allow the dam to be used for seasonal water storage. The dam is operated by local flood control agencies in accordance with USACE operating instructions. Presently, all of the storage space (148,600 acre feet) behind Seven Oaks Dam is allocated to flood control purposes. The basic plan of operation is to store flood runoff until the reservoir elevation at Prado Dam (35 miles downstream) peaks and begins to decline. At that point, flood control releases at Seven Oaks Dam are increased in accordance with the Water Control Manual (the "**WCM**"). Under the WCM, the maximum scheduled release is 7,000 cubic feet per second and varies in a step-wise fashion depending on the elevation of the flood pools at Prado Dam and Seven Oaks Dam. In its current form, the WCM for Seven Oaks Dam provides some water conservation benefits by capturing floods that would have otherwise flowed out of the San Bernardino Basin Area (the "**SBBA**"). This water is then released at controlled rates that are most often lower than pre-dam natural flood event rates. The slower release of flows also results in longer flow duration than the natural flood event. The net result is an enhanced capability for the diversion of flood runoff that used to flow out of the SBBA. Water districts, including the City, are actively negotiating with USACE for further modifications to the WCM to provide additional conservation benefits by extending the period that captured flood flows are retained behind Seven Oaks Dam.

In April 2010, the SWRCB issued its final Decision Partially Approving Water Right Applications 31165 and 31370 submitted by SBVMWD and WMWD to capture and store storm water behind Seven Oaks Dam. Under the terms of the permit, up to 198,000 AFY can be captured and diverted from behind the dam for groundwater recharge or direct delivery to water purveyors. Rainfall analysis over a 40-year hydrological cycle indicated that the average diversions will be approximately 11,000 AFY. The terms of the 1969 Judgment provide for approximately 24% of any such diversions to be available to the City for recharge and extraction as potable water. The City has prior agreements with WMWD and SBVMWD in place to facilitate this transaction.

The City estimates that its share of water from Seven Oaks Dam will ultimately reach, on average, approximately 2,800 AFY once additional recharge facilities are constructed. In 2015, the court-appointed Watermaster approved 1,719 AFY as the City's share of the new yield from this conjunctive use project as part of the annual monitoring process under the 1969 Judgment; this share was not impacted by the drought that ended in 2017. The Watermaster also approved a storage account of approximately 9,600 acre feet made available to the City from conservation activities that occurred at Seven Oaks Dam from 1998-2012. The full yield from this project is anticipated to be available in future years. The City currently has adequate wells and transmission facilities to extract and deliver the expected annually available water to its service territory.

Riverside North Aquifer Storage and Recovery Project. The City, in conjunction with WMWD and SBVMWD, has proposed the construction of an inflatable rubber dam in the Santa Ana River. The dam will be inflated to capture lower storm flows and recharge the storm water within the riverbed and in off-channel percolation basins on property owned by the City. The dam will also be used to divert up to 100 cubic feet of water per second to the Riverside Canal. The recharge that occurs behind the rubber dam will help sustain groundwater supplies for the City's nearby Flume wells. Peak storm flows will not be captured or reduced. On average, the project is projected to yield approximately 3,250 AFY of additional surface water recharge in the Riverside Basin. The project is being led by SBVMWD. It is currently in the planning phase and is included in the Upper Santa Ana River Habitat Conservation Plan, which is expected to help to secure required environmental approvals. Once the environmental approvals for the Upper Santa Ana River Habitat Conservation Plan are in place, planning efforts for the project are expected to move forward. As shown in Table 5 below, RPU's planning documents assume that the project will be completed by 2030.

Water Use Efficiency. Although California faces long-term water supply challenges, the City believes that it is well positioned to satisfy its water supply requirements. The City is working to meet future challenges by continuing to educate customers on responsible water use practices, obtaining new water resources and participating in future water supply projects.

The City has completed a Water Use Efficiency Master Plan and a Recycled Water Master Facilities Plan. Plumbing codes adopted by the City address retrofit of indoor plumbing fixtures upon issuance of building permits. To promote conservation for new development, the City has implemented a "green-builder program" that provides incentives for ultra-high efficiency landscaping and indoor plumbing fixtures. The City has implemented a Water-Efficient Landscaping Ordinance as well as a new Water Use Efficiency Ordinance in addition to the existing municipal code restrictions on wasting water. In partnership with WMWD, the City's Planning and Utility Department helped develop new water efficient landscape design guidelines to assist new development.

On November 10, 2009, the Governor signed SBX7-7, which required the State to achieve a 20% reduction in urban per capita water use by December 31, 2020. RPU met the CAP's water-related goals and the 20% water savings target of SBX7-7 in 2020. Additionally, on May 31, 2018, the Governor signed long-term water-use efficiency bills Senate Bill 606 and Assembly Bill 1668 into law to provide standards for indoor residential water use of 55 GPCD until 2025, 52.5 GPCD from 2025 to 2030 and 50 GPCD beginning in 2030. See the caption "—Water Supply—Drought Conditions."

The City established its urban water use targets for 2020 in accordance with the above legislation. The 2020 urban water use target for the Water System's service area (213 GPCD) was calculated in the City's 2020 Urban Water Management Plan to reflect the use of the California Department of Water Resources Population Tool. The City intends and expects to meet the conservation requirements of the above legislation through increased use of recycled water and implementation of additional conservation measures.

Education. The City continues to offer customers a wide variety of water conservation programs that help reduce their water usage and utility costs and help the City meet State conservation mandates. These programs provide rebates for residents and businesses to help them save money by conserving water. In an effort to streamline and automate the rebate process, the City formed a partnership with MWD to administer and process MWD-funded rebates for high-efficiency toilets, clothes washers, irrigation controllers and many other water-saving devices.

Another City program, called the Smart Irrigation Program, provides participants with irrigation audits, smart irrigation controllers and high-efficiency sprinkler nozzle retrofit installations at little to no cost.

In addition, the City created the "Less Water, More Color" marketing campaign to promote efficient water use and management for residents and businesses. The "Less Water, More Color" campaign provides resources to explore water rebates, information on water quality, water efficiency tips and resources to assist individuals to create a water-efficient property.

To further provide comprehensive resources and guidance as to how to implement water efficiency practices at residences and businesses, the City created the Street Park Turf Conversion and Demonstration Garden at the Janet Goeske Center. The Demonstration Garden allows residents and businesses to interact with water conservation materials and techniques that conserve water, elevate customer awareness, increase incentive program participation, provide educational opportunities and demonstrate water conservation best practices.

At the Janet Goeske Center, the City has partnered with local assets such as Riverside Corona Resources Conservation District to offer a free series of training classes around the "Less Water, More Color" campaign. The classes teach residents and businesses how to manage their soil, program their irrigation controller properly, troubleshoot their irrigation system, convert traditional irrigation to drip and to remove and replace their lawn with low water use plants.

The City also developed the Riverside Public Utilities School Education Program, which is designed to teach science concepts related to water and conservation. The Water Education Program is offered to fifth-grade classes in the City's Public Utilities service territory. The class content is aligned with the California Next Generation Science Standards to keep current with trends in science education and to increase the emphasis on environmental literacy. The program focuses on water conservation and promotes RPU as a unique community asset.

Projected Additional Water Supply

The following table shows the expected future water supply projects or programs of the Water System through calendar year 2030, as set forth in the City's 2020 Urban Water Management Plan. There can be no assurance that the below-described projects or programs will be completed as currently contemplated, or as to the respective timelines for completion. None of the below-described projects have been approved by the City Council.

TABLE 5
EXPECTED FUTURE ADDITIONAL WATER SUPPLY PROJECTS OR PROGRAMS

Name of Future Projects or Programs	***Planned Implementation (Calendar Year)***	***Expected Increase in Water Supply (AFY)***
Seven Oaks Dam Conservation Project Enhanced Phase II	2025	1,000
Bunker Hill Basin Active Recharge Project	2025	1,500
Riverside Habitat, Parks and Water Project	2026	11,000
Riverside North Aquifer Storage and Recovery	2030	2,000
Box Spring Local Stream Recharge and Direct Use	2035	2,800
Jackson Street and Arlington Avenue Pipelines	2040	2,420
Stormwater Recharge at Columbia, Marlborough, and Kansas Detention Basins	2040	1,500
Total		22,220

Source: City of Riverside Public Utilities Department.

The following table shows the anticipated water supplies available to the City through 2040:

TABLE 6
ACTUAL AND PLANNED SUPPLIES
(IN ACRE FEET)

Water Supply Type	*Water Supply Source*	*2025*	*2030*	*2035*	*2040*	*2045*
Groundwater	Bunker Hill	55,263	55,263	55,263	55,263	55,263
Groundwater	Seven Oaks Dam Phase II (Enhanced)	1,000	1,000	1,000	1,000	1,000
Groundwater	Bunker Hill Active Recharge 2025	750	1,000	1,500	1,500	1,500
Groundwater	Riverside North	10,902	10,902	10,902	10,902	10,902
Groundwater	RNASR(2)	0	2,000	2,000	2,000	2,000
Groundwater	Riverside South	16,880	16,880	16,880	16,880	16,880
Groundwater	Box Springs(3)	0	0	2,800	2,800	2,800
Groundwater	Columbia, Etc. Stormwater(4)	0	0	0	1,500	1,500
Groundwater	Rialto-Colton	2,728	2,728	2,728	2,728	2,728
Recycled water	RWQCP	5,700	13,420	13,420	13,420	13,420
Purchased or Imported Water(1)	From WMWD	21,700	21,700	21,700	21,700	21,700
Total		114,923	124,893	128,193	129,693	129,693

(1) Imported water from WMWD is shown as a supply available to the City. The City intends to use this supply only if needed.
(2) "RNASR" means Riverside North Aquifer Storage and Recovery Project. This project is expected to be completed by 2030. See the caption "—New Sources of Supply-- Riverside North Aquifer Storage and Recovery Project" and Table 5 above.
(3) Expected to come online by 2035.
(4) Expected to come online by 2040.
Source: City of Riverside Public Utilities Department.

Water Quality

General. The City operates its water system under a permit granted by the SWRCB Division of Drinking Water ("**DDW**"). The City complies with all federal and state regulatory requirements and runs its system in accordance with accepted water utility industry practices using a variety of approved treatment techniques to treat its water for public consumption. The City monitors water quality by taking numerous water samples at various locations, including production wells, treatment plants (pre- and post-treatment), transmission pipelines, compliance points and numerous critical locations throughout the distribution system. The City collects an average of 29,000 samples throughout its water system annually. All water samples are tested by an independent, state certified laboratory in accordance with all State and federal guidelines.

The concentration of any detected natural or man-made contaminant above the DDW's detection limits for reporting is conveyed to all the City's customers via U.S. mail annually in a formal Water Quality Annual Report. The report is also posted on the City's website. The results of the City's water quality compliance testing are electronically transmitted to the DDW by the City's independent State-certified laboratory, which is available to county, state, and federal regulatory agencies. The City has consistently surpassed all state and federal public health standards for water quality.

Existing Contamination. Portions of the City's groundwater aquifers are contaminated by anthropogenic chemicals as a result of previous agricultural and defense contractor activities, which include TCE, perchlorate and DBCP. To contain and treat these contaminants, several wells and regional treatment facilities have been constructed. As described under the caption "—Water Quality Settlements" below, Lockheed Martin Corporation ("**Lockheed Martin**") has constructed three regional GAC facilities (Tippecanoe, Sunnyside and Raub) to treat TCE at nine of the City wells. In addition, Lockheed Martin has also constructed two individual IX treatment facilities (Gage 46-1 and Gage 66-1) and three regional facilities (Tippecanoe, Sunnyside and Raub) for removal of perchlorate from ten of the City's wells. The Gage 66-1 wellhead IX treatment facility is no longer in use. The Gage 66-1 well is now treated at the Sunnyside treatment facility along with Gage 51-1.

Dow Chemical Company, Shell Oil Company, Shell Chemical Company, Occidental Chemical Company, Best Fertilizer Company and Occidental Petroleum Corporation (collectively, the "**DBCP Defendants**") funded the construction of two regional GAC plants (Palmyrita and Garner) to treat DBCP at six of the City wells. However, effective April 15, 2009, the Garner regional GAC plant has been decommissioned because one of the two wells no longer contains DBCP and the other well has been abandoned due to decreasing production. See the caption "—Water Quality Settlements" below for discussions of operational costs funded by other parties.

Regulatory Outlook. In 2011, the United States Environmental Protection Agency ("**USEPA**") announced plans to establish a federal drinking water standard for perchlorate. However, USEPA ultimately decided not to regulate perchlorate in drinking water. The State of California Maximum Contaminant Level ("**MCL**") for perchlorate is 6 parts per billion ("**ppb**"). DDW is currently evaluating lowering the perchlorate MCL, taking a phased approach to such evaluation. In 2021, the detection limit for reporting purposes (the "**DLR**") was lowered from 4 ppb to 2 ppb. In 2024, DDW is scheduled to lower the DLR from 2 ppb to 1 ppb. This phased reduction of the DLR enables DDW to collect more occurrence data to see if the MCL necessitates a reduction closer to the public health goal.

In December 2016, USEPA completed its third review of existing National Primary Drinking Water Regulations ("**NPDWR**") (i.e., the Six-Year Review 3). USEPA determined that 68 of the 76 NPDWRs remain appropriate (i.e., do not need to be revised) and that eight NPDWRs are candidates for regulatory revision. These eight NPDWRs are included in the Stage 1 and the Stage 2 Disinfectants and Disinfection Byproducts Rules, the Surface Water Treatment Rule, the Interim Enhanced Surface Water Treatment Rule and the Long Term 1 Enhanced Surface Water Treatment Rule. The eight NPDWRs are chlorite, Cryptosporidium, Giardia lamblia, haloacetic acids (HAA5), heterotrophic bacteria, Legionella, total trihalomethanes and viruses.

On December 14, 2017, the SWRCB adopted an MCL for 1,2,3-Trichloropropane ("**1,2,3-TCP**") of 0.000005 mg/L or (5 parts per trillion). To date, six of the City's potable wells show detection of 1,2,3-TCP and exceed the MCL. These wells extract water from the same aquifers that are contaminated by the anthropogenic chemicals noted under the caption "—Existing Contamination" and are currently being treated by existing GAC treatment facilities. See the caption "—Water System Litigation—1,2,3-TCP Litigation" for a discussion of a lawsuit filed by the City against certain parties that the City asserts are responsible for 1,2,3-TCP contamination in the City's wells.

PFAS. In 2019, the DDW lowered the Notification Levels (the "**NLs**") for Perfluorooctanoic acid ("**PFOA**") and Perfluorooctanesulfonic acid ("**PFOS**") to 5.1 and 6.5 parts per trillion ("**PPT**"), respectively. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the DDW lowered the Response Level (the "**RL**") for PFOA and PFOS from 70 PPT, combined, to 10 and 40 PPT, respectively. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than NLs and represent thresholds at which the DDW recommends that water systems remove a water source from use or treat it. Draft MCLs are anticipated from USEPA and the State in 2022 and 2023, respectively.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances ("**PFAS**"). PFAS are water and lipid resistant substances that were previously used in a variety of manufacturing processes and industrial applications. They are often present in water supplies which are impacted by wastewater treatment plant effluent or active or former military installations. The City understands that recent technological advances have enabled water agencies to detect PFAS compounds at very low concentrations.

In addition to PFOS and PFOA, the DDW tasked the California Office of Environmental Health Hazard Assessment with evaluating and recommending NLs for the following additional PFAS compounds on February 6, 2020: perfluorohexane sulfonic acid (known as PFHxS), perfluorobutane sulfonic acid (known as PFBS), perfluorohexanoic acid (known as PFHxA), perfluoroheptanoic acid (known as PFHpA), perfluorononanoic acid (known as PFNA), perfluorodecanoic acid (known as PFDA) 4,8-dioxia-3H-perfluorononanoic acid (known as ADONA). There can be no assurance as to the timing of the release of such recommendations.

The City's goal is to remain below the NLs, which are lower than the RLs. PFAS has been detected in varying amounts in 38 of the City's 46 potable water wells. RPU blends all of its well water in a 32 million-gallon reservoir complex prior to such supplies entering the distribution system. Although PFAS levels in water drawn from certain of the wells exceed the NLs on occasion, PFOA and PFOS levels in the water delivered to customers are below the applicable NLs as a result of the blending process. In fall 2019, the Board approved the expenditure of approximately $850,000 to develop a long-term PFAS treatment strategy. Such funds were expended to prepare a technical memorandum proposing three options for future treatment if needed to comply with future State and federal MCLs. RPU also utilized a portion of the funding to compare the efficacy of coconut shell-based GAC filters and bituminous coal-based GAC filters in removing current contaminants and PFAS compounds. This study will allow the City to utilize the best performing GAC material to reduce PFAS in its current water treatment facilities. The study is expected to be completed by early 2023. The City would need to select a treatment option and undertake a design process prior to purchasing any filters or constructing any treatment facilities.

The City does not anticipate that implementation of the lower RL will have a material adverse effect on the operation of the Water System or the costs thereof. The projected operating results which are set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" do not assume significant increases in water treatment costs to meet State regulations relating to PFAS.

See the caption "Water System Litigation—PFAS Litigation" for a discussion of the City's participation in a lawsuit against PFAS manufacturers to recover the costs of treating PFAS in the City's groundwater supplies.

Water Quality Settlements

The City has reached agreement with several parties relating to groundwater basin contamination. The scope of the various agreements is summarized below.

Lockheed Martin Corporation Settlement. On November 10, 1998, the City entered into an agreement with Lockheed Martin to address contamination of certain City wells with TCE. This contamination was caused by the Crafton-Redlands plume, a plume of TCE that is situated in the groundwater in the BHB. Pursuant to the agreement, Lockheed Martin agreed to design and construct certain new components for the Water System to address the contamination problem. Specifically, Lockheed Martin designed, purchased, constructed and installed water treatment systems in the City's Gage and Raub well fields to maintain water quality. The Gage and Raub well fields consist of approximately 24 groundwater extraction wells and associated equipment owned by the City in the BHB, of which nine wells currently are being treated. Lockheed Martin funded the design and construction of pipelines to transport water from supply wells in the North Orange area to the Linden-Evans reservoirs, as well as other costs associated with these projects. Construction of the majority of the treatment facilities was completed in fiscal year 2003-04. Lockheed Martin has funded approximately $16.5 million of the costs to construct various treatment facilities.

The City has also detected perchlorate in the Gage and Raub well fields. While Lockheed Martin has not admitted liability for the presence of perchlorate in the City's wells, Lockheed Martin has agreed to pay for the design, construction, installation, rental and permitting, and to reimburse the City for its operation and maintenance costs associated with, perchlorate treatment facilities for the Gage and Raub well fields, under an agreement between the City and Lockheed Martin dated October 29, 2002 (the "**Interim Perchlorate Agreement**"). The Interim Perchlorate Agreement was amended on November 25, 2003, February 22, 2005, and May 31, 2007, with each amendment increasing the number of wells from an original four wells to nine wells now being treated for perchlorate at Lockheed Martin's expense.

In addition, the City has detected perchlorate in the Garner and Cooley Well Tracts and Stiles and Scheuer Wells in north San Bernardino and is treating them via blending with other sources. The possibility of a treatment plant at this location is being explored given the possibility that the perchlorate MCL may be lowered and the City could not meet the new perchlorate standard utilizing its blending capacity.

The majority of the operating costs for the TCE and perchlorate treatment facilities is paid directly by Lockheed Martin, including the GAC and IX media (i.e., filtration) removal and replacement costs and major maintenance costs. However, certain operating costs are reimbursed by Lockheed Martin directly to the City. For fiscal year 2021-22, the amount of operating costs (City labor, power, lab analyses, and associated expenses) reimbursed by Lockheed Martin was approximately $1.6 million.

DBCP Settlement. In May 2001, the City settled a lawsuit it had brought against certain manufacturers and distributors of DBCP, a pesticide that was banned in California in the mid-1970s which has been detected in certain City-owned potable water wells. The forty-year settlement agreement with the DBCP Defendants provides for the DBCP Defendants to compensate the City for the costs of constructing, installing, maintaining, testing and operating GAC treatment facilities to remove DBCP from certain City wells. The settlement agreement is expected to cover the majority of such treatment costs and will help the City maintain a potable water supply that does not exceed federal and state limits for DBCP.

Construction of the existing treatment facilities was completed in fiscal year 2002-03. The construction cost funded by the DBCP Defendants was approximately $4 million. In fiscal year 2021-22, approximately $629,909 of operating costs was reimbursed to the City by the DBCP Defendants relating to the existing treatment facilities.

MTBE Settlement. In March 2008, the City settled a lawsuit that it brought against certain manufacturers and distributors of methyl tertiary butyl ether ("**MTBE**") and tertiary butyl alcohol ("**TBA**"), which were used as either octane enhancers and/or additives to gasoline by certain manufacturers and refiners of gasoline. The thirty-year settlement agreement, reached with such parties and related entities as BP America, Chevron, ConocoPhillips, Texaco, Shell, Marathon, Valero, CITGO, Sunoco, Hess, Flint Hills and Tesoro (the "**MTBE Defendants**"), provides for the MTBE Defendants to compensate the City for the costs of constructing, installing, maintaining, testing and operating treatment facilities to remove MTBE from certain City wells, with such treatment obligation triggered by detections of levels of MTBE in City water that exceed federal and state limits for MTBE. To date, MTBE levels have not been detected exceeding federal and state limits. The settlement agreement is expected to cover the majority of any future costs to remove MTBE and will help the City maintain a potable water supply that does not exceed federal and state limits for MTBE.

Drinking Water Principles. In February 2022, the City Council adopted drinking water quality policy principles. These principals are intended to memorialize the City's approach when discussing and negotiating contamination clean-up efforts with potential responsible and responsible parties. The policy principles can be used to guide staff's discussions with parties about expectations surrounding treatment and removal of contaminants from the City's water supply sources.

Environmental Matters

In operating the Water System, the City is subject to environmental regulation by various governmental authorities. Compliance with federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had any material effect on the City's capital expenditures or earnings. Except as disclosed under the caption "—Water Quality—Regulatory Outlook," the City is unaware of any pending environmental matters that will have a material effect on the operations or financial condition of the Water System.

Drinking Water. The applicable drinking water standards for the Water System are provided in the California Domestic Water Quality and Monitoring Regulations, Title 22 of the California Administrative Code. These regulations incorporate USEPA requirements in conformance with the Safe Drinking Water Act (PL 93-523). The standards specify water quality sampling frequencies and location as well as maximum concentrations of chemical constituents and are continuously revised and amended.

Recycled Water. The City's recycled water operations are subject to regulation under Section 402 of the federal Clean Water Act, implementing regulations adopted by USEPA, the California Water Code and regulations promulgated by the SWRCB.

The City operates its recycled water system pursuant to RWQCB Order No. R8-2013-0016 (amending Order No. R8-2009-0052, NPDES No. CA0105350), a permit that prescribes Waste Discharge and Producer/User Reclamation Requirements for the RWQCP for the discharge of tertiary treated wastewater to Reach 3 of the Santa Ana River and for the use of recycled water. See the caption "—New Sources of Supply" above for information about plans for an expanded recycled water system. The City also applied for a separate permit that delineates the responsibilities for producing and distributing recycled water between the Public Works Department and RPU. The new recycling permit for RPU (there is a separate one for the Public Works Department) was issued by the RWQCB in May 2013 and has no expiration date.

Endangered Species Act. In December 2010, the United States Fish and Wildlife Service ("**USFWS**") published a final rule (the "**Final Rule**") in the Federal Register (USFWS Docket No. FWS-R8-ES-2009-0072) that designated critical habitat for the Santa Ana sucker (Catostomus santaanae), a freshwater fish species. The Final Rule designates significant portions of the Santa Ana River mainstem from below Seven Oaks Dam into Orange County as critical habitat. Under the Endangered Species Act of 1973, projects with a federal nexus are required to complete a consultation with USFWS prior to being constructed. The critical habitat designation, which has the potential to materially affect planned and proposed water supply and infrastructure projects, has been affirmed in federal court. The City is a member of a collaborative among a number of the agencies – including USFWS, the California Department of Fish and Wildlife ("**CDFW**") and USACE – and is seeking projects to improve habitat and serve as mitigation for planned projects within the Santa Ana River.

In January 2013, USFWS issued a final rule designating portions of the Santa Ana River as critical habitat for the southwestern willow flycatcher (Empidonax traillii extimus), a federally threatened bird species. This ruling is not anticipated to have a significant impact on water supply projects planned within the vicinity of the Santa Ana River, such as the Riverside North Aquifer Storage and Recovery Project. Additional construction time might be required to implement the appropriate environmental mitigation at a nominal cost to any projects that may affect potential habitat.

In February 2022, CDFW listed the San Bernardino kangaroo rat (the "**SBKR**") as endangered under the California Endangered Species Act. The SBKR had already been listed as endangered by the USFWS in 1998, and thus the City had already been undertaking due diligence with respect to this species when working on properties likely inhabited by the SBKR.

In fall 2014, the City partnered in a collaborative effort to begin work on establishing a Habitat Conservation Plan ("**HCP**") within the upper Santa Ana River Watershed. This effort includes 11 other resource agencies within the Santa Ana River Watershed, including USFWS, CDFW and several other governmental agencies and stakeholders. The Upper Santa Ana River HCP is focused primarily on aquatic species within the Santa Ana River; however, upland species are also included. A draft Environmental Impact Report and draft HCP were released to the public for comment in 2021. The HCP team being led by

SBVMWD is strengthening the documents based on the feedback received and plans to finalize the documents in late 2022 or 2023. When completed, the HCP is expected to include environmental coverage for future water supply projects and operation and maintenance efforts for the 12 agencies within the watershed. The establishment of an HCP will assist the agencies in obtaining permits for species listed within the plan, including the SBKR, Santa Ana sucker and southwestern willow flycatcher.

Customers and Water Sales

The following table sets forth the number of metered customers and total water sold during the last five fiscal years.

TABLE 7
NUMBER OF METERED CUSTOMERS BILLED

	Fiscal Year Ended June 30,				
	2018	***2019***	***2020***	***2021***	***2022***
Residential	59,601	59,456	59,598	59,782	59,876
Commercial / Industrial	5,705	6,028	6,068	6,080	6,153
Other	334	319	365	336	343
Total - All Classes	65,640	65,803	66,031	66,198	66,372

Source: City of Riverside Public Utilities Department.

The following tables set forth the total water sold by customer class, average daily production, maximum day distribution and average daily sales per capita during the last five fiscal years.

TABLE 8
WATER SOLD BY CUSTOMER CLASS
(IN MILLIONS OF GALLONS)

	Fiscal Year Ended June 30,				
	2018	***2019***(2)	***2020***	***2021***	***2022***
Residential	11,643	10,590	10,929	12,081	11,492
Commercial/Industrial	7,161	6,875	6,827	7,532	7,664
Other	674	602	589	625	652
Subtotal Retail Sales	19,478	18,067	18,345	20,238	19,808
Wholesale Sales	1,104	1,252	750	1,175	274
Total	20,582	19,319	19,095	21,413	20,082
Estimated Water Loss(1)	8.8%	8.0%	8.2%	8.6%	9.1%

(1) Water loss is the difference between potable urban water produced and the sum of water sold through customer meters, wholesale sales and wheeled water. See the caption "—Water Loss/Unaccounted for Water" below.
(2) Decreases in fiscal year 2018-19 reflect wet hydrological year.
Source: City of Riverside Public Utilities Department.

TABLE 9
WATER SALES AND DISTRIBUTION

	Fiscal Year Ended June 30,				
	2018	***2019***	***2020***	***2021***	***2022***
Retail Water Sales(1)(2)	19,478	18,067	18,345	20,238	19,808
Average Daily Production(2)(3)	66.8	59.7	62.0	67.8	64.6
Peak Daily Distribution(1)(2)	87.0	90.1	93.8	91.8	82.7
Average Daily Sales per Meter(4)	813	752	759	838	818

(1) Retail water sales to Water System customers only. Excludes wholesale sales and wheeled water.
(2) In millions of gallons.
(3) Includes retail sales, wholesale sales and wheeled water.
(4) In gallons.
Source: City of Riverside Public Utilities Department.

Water Loss/Unaccounted for Water. Water loss (the difference between potable urban water production and the sum of water sold through customer meters, wholesale sales and wheeled water) is impacted by timing differences, as production meters are for a specific time interval while consumption related to retail water sales is based upon meter reading and billing cycles. As shown in the table above entitled "Water Sold by Customer Class," water losses have averaged slightly above 8% in the last five years, in line with historical levels.

The City remains committed to its customer meter replacement program, main replacement program and investments in new well meters and telemetry. The City continues to make an effort to replace customer meters greater than 20 years old. In addition, authorized unmetered uses, such as firefighting (training and suppression), system flushing and other utility uses would further reduce unaccounted for water by approximately 0.25%, and are not included in the tables above. The City is committed to further reducing unaccounted for water. As the new water conservation measures under Senate Bill 606 and Assembly Bill 1668 are implemented as an outcome of Executive Order B-37-16 "Making Water Conservation a California Way of Life", the City will follow the recommendations of its water loss audits in accordance with the American Water Works Association and follow the instituted performance measures rather than the traditional percentage goal.

Customer Concentration

The following table identifies the category of the top ten retail customers of the Water System and their respective contributions to the Water System's annual revenues.

TABLE 10
TOP TEN RETAIL WATER CUSTOMERS
FISCAL YEAR ENDED JUNE 30, 2022[(1)]

Water Customer Identified by Category	*Water Revenues*	*Percent of Total Retail Water Revenues*
Local Government	$2,672,550	3.67%
Local School District	880,932	1.21
Local School District	609,438	0.84
Local Government	518,859	0.71
Corporation	331,513	0.45
Local University	320,638	0.44
Local Hospital	214,119	0.29
Local University	208,322	0.29
Local University	201,578	0.28
Corporation	196,613	0.27
Total	**$6,154,562**	**8.45%**

(1) Based on unaudited actual revenues.
Source: City of Riverside Public Utilities Department.

The Water System has a diverse customer base with little exposure to customer concentration. The Water System's top ten retail customers were responsible for a combined 8.45% of total retail revenues in fiscal year 2021-22 (based on unaudited actual revenues). The Water System's five largest retail customers were responsible for approximately 6.88% of revenues in fiscal year 2021-22 (based on unaudited actual revenues).

Conveyance Agreements

WMWD Agreement. On May 16, 2017, the City and WMWD executed a "2017 Cooperative Agreement For Long-Term Wheeling and Surplus Water Sales Agreement" (the "**WMWD Agreement**"), which amended and restated the terms of a "Cooperative Agreement for Water Production and Conveyance" between the City and WMWD dated April 21, 2009. Under the terms of the WMWD Agreement, the City provides to WMWD potable production and conveyance for BHB water rights controlled by WMWD to the extent that the City has capacity available. The WMWD Agreement also allows for production and conveyance of non-potable water from the Riverside South Basin through the Riverside Canal for delivery to WMWD at its Jefferson Street pump station located at the terminus of the Riverside Canal. Production and conveyance for the potable and non-potable water is coordinated on a month-ahead basis, and is interruptible by the City without notice.

Amending and restating the WMWD Agreement in 2017 provided: (1) assurances to the City that deliveries to WMWD are secondary to the City's retail customers and any other existing obligation or commitment; (2) a new long-term commitment by the City to produce, treat and convey a firm annual volume of 5,408 AFY of WMWD-acquired water for 20 years in accordance with the agreed-upon pricing structure; and (3) a new long-term commitment by the City to produce, treat and convey a firm annual volume of 2,000 AFY of the City's export right to WMWD for 10 years in accordance with the agreed-upon pricing structure. Under the terms of the WMWD Agreement, the City expects to monetize unused and potentially expiring local water production and export rights through pre-planned and pre-executed water sales agreements. The City estimates revenues from wheeled water over the 20-year term of up to $83 million, and from surplus water sales over the 10-year term of up to $17 million.

The City received approximately $4.0 million from WMWD under the WMWD Agreement in fiscal year 2021-22 (based on unaudited actual revenues).

UCR Conveyance Agreement. In November 2015, the City entered into a "Water Production, Conveyance and Reciprocal Sales Agreement" (the "**UCR Conveyance Agreement**") with the Regents of the University of California for water service at the University of California, Riverside ("**UCR**") campus. Under the terms of the UCR Conveyance Agreement, the City produces and conveys the Regents-owned water to the UCR campus at the City's cost, including energy, operation and maintenance, facility capital replacement and assessments. Any water deliveries in excess of UCR's annual water rights are billed to UCR at the standard commercial/industrial water rates. The estimated annual revenue from the UCR Conveyance Agreement is $250,000 per year.

A reciprocal sales clause is included in the UCR Conveyance Agreement such that in the event that UCR uses less than its full annual production or export right of water, the City would then have the right to lease those rights on an annual basis for $225 per acre foot for each acre foot actually used by the City for delivery to other customers. It is not anticipated that this water would be available until UCR completes construction and commissions a new agricultural well on the campus. The City is not obligated to exercise this right to lease, but may find it more economical than constructing new capital improvements.

Projected Demand

The following table shows the historical (in calendar year 2020) and projected (calendar years 2025-2045) water demand in the Water System's service area, as set forth in the Water System's 2020 Urban Water Management Plan.

TABLE 11
HISTORICAL AND PROJECTED WATER DEMAND
(IN ACRE FEET)

	Calendar Year					
Demand	***2020***	***2025***	***2030***	***2035***	***2040***	***2045***
Potable and Raw Water	81,197	85,012	87,383	89,840	92,387	95,027
Recycled Water Demand	141	5,700	13,420	13,420	13,420	13,420
Total Water Demand	81,338	90,712	100,803	103,260	105,807	108,447

Source: City of Riverside Public Utilities Department.

The City prepared projections of future demand by using the year 2020 as a starting point and escalating retail demands by an annual growth percentage. The annual growth percentage incorporated two factors: (i) the expected increase in service area population; and (ii) the expected change in per-capita consumption. Because of the drought prior to 2020 and ongoing conservation efforts, the City's per-capita consumption fell five years in a row and currently stands at approximately 180 GPCD. While some conservation achievements are due to relatively permanent changes, such as fixture replacements, some of the reduction is due to behavioral changes that could be reversed. While the City will continue to emphasize the importance of water conservation, prudent planning requires considering the possibility that consumption will experience some rebound from its currently low level.

Water Rates and Charges

General. The City is obligated by the Law (including the Resolution) to establish rates and collect charges in an amount that is sufficient to meet all Water System Operating and Maintenance Expenses and debt service on the Water System's indebtedness, with specified requirements as to priority and coverage. The City funds Water System operations and maintenance entirely from water service charges. Water rates are established by the Board and are subject to approval by the City Council. Such rates are examined each year and adjusted as needed to meet budgetary requirements. Water rates are not subject to regulation by the California Public Utilities Commission or any other State agency. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution" in this Remarketing Statement for additional information.

At present, the Water System has 11 rate schedules in effect. The City provides no free water service.

On May 22, 2018, the City Council approved a new five-year Water Rate Plan, which provided for rate increases effective on July 1, 2018, 2019, 2020, 2021 and 2022 with annual reviews of the adopted rates by City Council. Under the five-year Water Rate Plan, the system average rate increase effective on July 1, 2018 was 4.50%, followed by system average rate increases of 5.75% effective on July 1, 2019 through 2021, and a system average rate increase of 6.50% effective on July 1, 2022 for the final year of the rate plan. Actual increases vary by customer class and usage level. The Water Rate Plan includes a redesign of the Water System's rates over a five-year period to better align with its cost of serving customers and its revenue requirement. The water rate restructuring is designed to provide financial stability and correct the imbalance of costs versus revenue recovery by increasing fixed cost recovery through monthly service charges to reflect the nature of underlying costs.

On March 14, 2022, the Board approved a professional consulting service agreement with a consultant to complete a water utility cost of service adjustment and rate design project for financial planning purposes and to prepare for the next water utility rate plan. The project is underway and is expected to result in a recommended water utility rate plan as of July 1, 2023. The projected Water System operating results that are set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" assume rate increases averaging 6.30% per annum beginning July 1, 2023 through June 30, 2026, and 5.50% per annum thereafter.

Rate Structures. For customers of the Water System, water rates are composed of a: (i) monthly service charge designed to cover a portion of the fixed costs of the Water System; and (ii) monthly quantity charge for potable water usage designed to cover a portion of the variable costs. These charges are described below.

TABLE 12
WATER RATES FOR RESIDENTIAL CUSTOMERS

Rate Type	***Rate Effective July 1, 2019***	***Rate Effective July 1, 2020***	***Rate Effective July 1, 2021***	***Rate Effective July 1, 2022***
Quantity Rates				
First 9 ccf[1]	$1.19[2] / 1.19[3]	$1.22[2] / 1.22[3]	$1.26[2] / 1.26[3]	$1.30[2] / 1.30[3]
10 - 35 ccf[1]	1.50[2] / 1.50[3]	1.54[2] / 1.54[3]	1.58[2] / 1.58[3]	1.64[2] / 1.64[3]
Over 35 ccf[1]	3.37[2] / 2.76[3]	3.46[2] / 2.84[3]	3.55[2] / 2.91[3]	3.66[2] / 3.01[3]
Service Charges				
5/8" and 3/4" meter	$18.07	$20.53	$ 23.08	$ 26.00
1" meter	28.69	32.58	36.63	41.26
1.5" meter	55.00	62.45	70.22	79.08
2" meter	86.70	98.45	110.68	124.64

(1) "**ccf**" = 100 cubic feet.
(2) Monthly summer rate per ccf. Summer months are June through October.
(3) Monthly winter rate per ccf. Summer months are November through May.
Source: City of Riverside Public Utilities Department.

There is a surcharge for customers outside the City limits. At the present time, the surcharge rates are in effect for 3,954 customers outside the City. Revenues received from the surcharge were approximately $1.7 million for fiscal year 2021-22.

Water Conservation Surcharge. In June 2004, the City began collecting a surcharge for Water Conservation programs. This surcharge was approved by the City Council and phased in over a three-year period with a 0.5% surcharge effective as of June 1, 2004, a 1.0% surcharge effective as of June 1, 2005 and a 1.5% surcharge effective as of June 1, 2006. The surcharge, which generated approximately $1.1 million in fiscal year 2021-22, is used to fund programs: (a) to promote conservation, education and water-use efficiency; and (b) for research, development and demonstration programs to advance science and technology with respect to water conservation. The surcharge was originally scheduled to be in effect for services rendered on or after June 1, 2004 through May 31, 2014. On April 22, 2014, City Council approved the renewal of the 1.5% water conservation surcharge for an additional ten-year period, and staff currently expects that the City Council will consider a further renewal of the surcharge in connection with the next water utility rate plan commencing as of July 1, 2023. See the subcaption "—General" above. Proceeds of the Water Conservation surcharge constitute Gross Operating Revenues. However, such proceeds are not reflected in the City's historic and projected operating results set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" because the surcharge is devoted to specific purposes.

Average Billing Price. The following table sets forth the average billing price per ccf for the various customer classes during the five Fiscal Years shown.

TABLE 13
AVERAGE BILLING PRICE (DOLLARS) PER HUNDRED CUBIC FEET[(1)]
(RETAIL SALES)

	Fiscal Year Ended June 30,				
	2018	***2019***	***2020***	***2021***	***2022[(2)]***
Residential	$2.39	$2.50	$2.67	$2.77	$2.98
Commercial	1.94	2.25	2.33	2.35	2.41
Other	2.09	2.16	2.39	2.82	2.81

(1) Figures above do not include water conservation surcharge of 1.5%.
(2) Based on preliminary unaudited results. Subject to change.
Source: City of Riverside Public Utilities Department.

Rate Comparison. Due to the City's valuable water rights in local groundwater, its rates have historically been lower than surrounding communities. The table below sets forth a comparison of the City's current water rates and charges for a single family residential user to those of similarly sized nearby water purveyors. All amounts reflect average usage of 21 ccf of water per month:

WATER SERVICE CHARGE COMPARISON

Water Purveyor	***Monthly Bill***
Eastern Municipal Water District	$118
WMWD	106
City of Riverside	**58**

Source: City of Riverside Public Utilities Department.

Connection and Capacity Fees

Connection and capacity fees, which were last adjusted over a decade ago and do not include automatic adjustments to account for inflation or other factors, are one-time fees which are collected by the City to pay for capital improvements attributable to new development within the Water System service area. The City relies on a portion of the revenues from capacity fees to pay debt service on its outstanding obligations. Connection and capacity fee revenues received in any fiscal year will increase to the extent that there is increased development in the Water System service area.

The water utility rate plan that is scheduled to be presented to the City Council for approval in 2023 (as discussed under the caption "—Water Rates and Charges—General") is not expected to include any changes to Water System capacity fees. A review of most of the City's connection fees (including but not limited to Water System connection fees) was commenced in early 2022 but is currently on hold. There is no assurance as to when this review will be completed or as to whether the review will result in any recommended changes to current Water System connection fees, nor is there any assurance to the timeframe for City Council consideration of any changes to such fees. The projected Water System operating results which are set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" do not reflect any adjustments to the Water System's current connection or capacity fees.

The current connection and capacity fees are summarized below:

TABLE 14
CONNECTION AND CAPACITY FEES

Connection Fees	***Fee Amount***
3/4” meter	$ 1,305
1” meter	1,320
1.5” meter	2,254
2” meter	2,294
3” meter and larger	Est. cost of installation
Fire service connection	Est. cost of installation
Distribution System Fees	***Fee Amount***
Per foot of parcel or lot frontage	$ 49
Elevation Fees	***Fee Amount***
Based on Gravity Zone	$0 to $3,090
Backup Facility Capacity Fees	***Fee Amount***
3/4” meter	$ 2,250
1” meter	5,060
1.5” meter	9,560
2” meter	14,400
3” meter	25,300
4” meter	39,380
6” meter	73,130
8” meter	108,000
10” meter	135,000

Source: City of Riverside Public Utilities Department.

Set forth in the following table is a history of connection fee revenue received by the City in the last five fiscal years.

TABLE 15
CONNECTION AND CAPACITY FEE REVENUE
(DOLLARS IN THOUSANDS)

Fiscal Year	***Connection and Capacity Fee Revenue***[(1)]	***Number of New Connections***
2017-18	$3,017	279
2018-19	2,453	214
2019-20	3,129	219
2020-21	1,949	167
2021-22[(2)]	3,606	215

(1) Includes Connection Fees, Distribution System Fees, Elevation Fees, Backup Facility Capacity Fees and non-cash contribution in aid from developers.
(2) Based on unaudited actual revenues.
Source: City of Riverside Public Utilities Department.

Billings and Collections

Water System service charges are billed and collected on a monthly Statement of Municipal Services and combined with the charges of the City's electric, sewer and refuse utilities. The customer service, billing and collection operations are provided for all utilities by designated functions of the City's Public Utilities, Public Works, Finance and Information Technology Departments, coordinated through RPU.

Bills are due and payable on presentation, and become delinquent after 21 days. Although the City is not subject to the jurisdiction of the California Public Utilities Commission or other agencies, collection activities for the City substantially conform to the requirements of the California Public Utilities Code Section 10010 and California Health and Safety Code Section 116908. Accounts that have not paid their bills by the delinquency date receive an urgent notice providing an additional 10 days to pay. If no payment is received, a notice is delivered by Utility Field Service staff 10 days prior to proposed discontinuance of service, and the customer is charged a $20 notification fee. If payment is not received after a total of 60 days, metered service (water and/or electric) may be turned off approximately 1 to 5 working days later. Before service is reinstated, the customer must pay the delinquent amount and a reconnection fee ranging between $40 and $75, and may be required to pay a customer deposit.

RPU manages delinquencies of amounts billed for the City's Water System and electric, sewer and refuse utilities. Delinquencies from inactive accounts are turned over to a collection agency 90 days after account closure/no activity.

Uncollectible Accounts

See the caption "COVID-19 OUTBREAK" for a discussion of the suspension of water shutoffs for delinquent accounts during the height of the COVID-19 pandemic. The City has recorded a total of approximately $867,052 in bad debt expenses (for fiscal years 2019-20 through 2021-22 combined, including uncollected late fees, representing approximately 1% of total Water System revenues in fiscal year 2021-22. The City resumed its shutoff procedure (as described under the caption "—Billings and Collections") for delinquent accounts on August 1, 2022.

The following table shows the historical results of the Water System's accounts receivable and collection efforts.

TABLE 16
HISTORY OF BILLINGS AND COLLECTIONS
AS OF JUNE 30,
(DOLLARS IN THOUSANDS)

Fiscal Year	*Billings*	*Payments*	*Write-Off as % of Billing*[(1)]	*Write-Off*	*Ending Accounts Receivable Balance*[(2)]
2017-18	$58,905	$58,988	0.083%	$49	$ 6,858
2018-19	58,240	58,173	0.115	67	6,445
2019-20	62,583	62,528	0.089	56	8,016
2020-21	70,485	70,445	0.056	39	10,097
2021-22[(3)]	73,381	73,372	0.011	8	10,640

(1) Represents the amount shown under the column entitled "Write-Off" divided by the amount shown under the column entitled "Billings" for the corresponding fiscal year.
(2) The ending accounts receivable balance of any fiscal year is equal to the beginning balance of that fiscal year plus billings, minus the sum of payments and write-offs for that fiscal year.
(3) Based on unaudited actual revenues.
Source: City of Riverside Public Utilities Department.

Capital Improvement Program

General. As part of its biennial budget and planning process, the City prepared a five-year Water System Capital Improvement Program ("**CIP**") for the fiscal years ending June 30, 2023, through June 30, 2027, totaling approximately $148.1 million, as shown in the following table. The improvements are needed to maintain system reliability, secure new water resources, serve new residential and commercial developments, and refurbish the Water System.

Capital Project	***Five-Year CIP ($000) (Fiscal Years 2022-23 – 2026-27)***
Distribution Pipelines	$ 68,570
Transmission Pipelines	29,426
System Automation Projects	20,547
Well Projects	19,280
Distribution Facilities	7,649
Reservoir Projects	1,880
Treatment Plants	752
Total*	$148,104

* Total may not add due to rounding.
Source: City of Riverside Public Utilities Department.

The five-year plan incorporates portions of the Water Master, Water Supply, Urban Water Management, Integrated Water Master and Asset Management Plans. The first two years are included in the biennial operating budget that was adopted by the City Council on June 21, 2022. The Water System's Capital Improvement Program is categorized into seven main sections: Distribution Facilities, Distribution Pipelines, Reservoir Projects, System Automation, Transmission Pipelines, Water Supply, and Well Projects.

Distribution Facilities – Water distribution and distribution network edge equipment to deliver and meter water throughout the system.

Distribution Pipelines – Neighborhood pipelines 6" to 12" diameter for water service and firefighting.

Reservoir Projects – System storage for emergency, operational, and system efficiency improvements.

System Automation – Technology, security and system automation tools and applications to improve cyber security and overall efficiency.

Transmission Pipelines – Arterial pipelines 16" to 72" diameter for water supply from San Bernardino and Riverside basins and in system transmission.

Treatment Plants – Treatment plant membrane filters.

Well Projects – Water supply wells in Riverside and San Bernardino groundwater basins.

The majority of the five-year CIP, approximately $117 million, is expected to be funded through bond financing, including the 2022A Bonds, with the balance funded by a combination of rates, reserves and other resources. The projected operating results and debt service coverage set forth in Table 18 under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" reflect debt service on the 2022A Bonds. Currently, the City expects to issue Additional Bonds in 2026 (the "**2026 Bonds**") in the initial aggregate principal amount of $69 million in order to fund the five-year CIP. The projected Water System debt service that is set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" reflect the assumed debt service on the 2026 Bonds.

Possible Additional Parity Debt Obligation. Certain local agencies in the Water System service area have formed a joint exercise of powers authority known as the Upper Santa Ana River Joint Powers Authority (the "**USARJPA**"). In or about 2023, the USARJPA is expected to enter into a Water Infrastructure Finance and Innovation Act agreement (the "**WIFIA Loan**") with USEPA to finance certain water supply projects on behalf of USARJPA members. The total principal amount, interest rate and repayment schedule for the WIFIA Loan have not yet been determined. Although the City is not currently a USARJPA member, the City has identified a USARJPA water supply project in which the City may be interested in participating. The City's participation in the project has not yet been approved by the City Council and the City has not yet determined how it would fund its proportionate share of the project costs.

If the City were to participate in the project and seek to finance its contribution, the City Council would need to include the project in the Water System Capital Improvement Program, consider whether to become a member of the USARJPA and approve a financing agreement with the USARJPA or another entity or issue Additional Bonds on its own to fund the City's portion of the project costs (the "**Additional Obligation**"). Currently, the City estimates that its share of the project costs would be approximately $28 million, or 26% of the total anticipated project costs. None of: (i) the City's participation in the project; (ii) the City's membership in the USARJPA; or (iii) the City's pursuit of financing for the project are currently slated to be considered by the City Council at this time. The City can make no assurances that it will pursue the project or the Additional Obligation to finance the project.

If the City enters into the Additional Obligation, it would expect to repay the Additional Obligation from Net Operating Revenues of the Water System on parity with the 2022A Bonds. The projected Water System debt service that is set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" does *not* reflect the City's entry into the Additional Obligation.

Insurance

The City, including the City's Water System, is insured by commercial insurance policies designed to help mitigate the costs of high severity losses, catastrophes and high frequency losses.

The City carries multiple General Liability policies: a primary liability policy and three excess liability policies. The primary General Liability policy provides the City with $4,000,000 in total aggregate limits and the excess General Liability policies provide the City with $21,000,000 in coverage, for a total of $25,000,000 in combined General Liability coverage. Both the primary and excess General Liability policies cover general and automobile liability claims, including but not limited to Law Enforcement Liability and Public Officials Errors and Omissions coverage. The City also purchases an excess Workers Compensation policy with an aggregate limit of $25,000,000. Both the General Liability and Worker's Compensation programs have self-insured retentions of $3,000,000. A self-insured retention is the dollar amount that the City must pay before an insurance policy responds to a loss.

The City also participates in an "All Risk" property insurance program which includes equipment breakdown protection and affords an aggregate limit of $1 billion. The City's property deductibles range from between $100,000 to $250,000 depending on the peril at the time of loss. At the time of loss, valuation will be on a replacement cost basis with actual loss sustained for time element coverages and an actual cash value for all City-owned equipment.

The City does not currently maintain earthquake insurance on the Water System's facilities.

Water System Litigation

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

Perchlorate Litigation. The City has detected perchlorate in the Flume Well tract in the North Riverside Basin. The levels of contamination are below the applicable MCL, and the City has been analyzing the impacts of these detections on its water operations. The City believes that this contamination comes from releases at the Rockets, Flares, and Fireworks SuperFund Site (also informally referred to as the "Goodrich Site"), and is pursuing litigation against the responsible parties to recover all costs and damages resulting from this contamination. The lawsuit was filed on March 31, 2009. On May 24, 2018, the State trial court dismissed the action, with prejudice, for failure to join the federal Department of Defense, with instructions to refile the lawsuit in federal court and include the Department of Defense as a party. The City appealed such dismissal, and on May 6, 2020, the appellate court overturned the trial court's dismissal. The appellate court remanded the case back to the trial court and the parties are now waiting for the trial court to set a trial date. The City has settled with three of the responsible parties but the trial will continue against the remaining defendants once a trial date is set.

Agricultural Rate Litigation. On December 16, 2019, a lawsuit entitled *Pongs v. City of Riverside* was filed against the City challenging the City's Water Rate WA-12, "Agricultural Water," alleging that the City is overcharging customers for agricultural water service under this rate in violation of Article XIIID, Section 6 of the California Constitution. The plaintiff is seeking invalidation of Water Rate WA-12 and a refund to all WA-12 customers of moneys collected under this rate. No trial date has been set for this action, and the lawsuit has been stayed pending resolution of a related case (*Simpson v. City of Riverside*) challenging the City's transfer of Water System revenues to the City's General Fund. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution—Water Utility Revenue Transfer Under the City Charter." Revenues from agricultural customers represent less than 10% of the Water System's revenues.

1,2,3-TCP Litigation. On December 4, 2020, the City filed a lawsuit against Shell Oil Company, The Dow Chemical Company and other defendants regarding 1,2,3-TCP contamination in some of the City's wells located within the BHB, Riverside North Basin and Riverside South Basin. See the caption "—Water Quality—Regulatory Outlook." Many of these wells were also impacted by DBCP (as discussed under the caption "—Existing Facilities—General" and as such, are already receiving treatment. Discovery is continuing in this lawsuit, and a trial date has not yet been set.

PFAS Litigation. The City has joined a lawsuit against 3M Company (f/k/a Minnesota Mining and Manufacturing, Co.), E.I. DuPont De Nemours and Company and other PFAS manufacturers (the "**PFAS Lawsuit**") seeking to recover the costs of designing, constructing and operating and maintaining treatment facilities to address PFAS contamination in many of the City's wells located within the BHB, Riverside North Basin and Riverside South Basin. See the caption "—Water Quality—PFAS." The PFAS Lawsuit is being litigated in the United States District Court for the District of South Carolina, Charleston Division, in the Multi-District Litigation (MDL No. 2:18-mn-2873-RMG) titled *In Re: Aqueous Film-Forming Foams Products Liability Litigation*. As of late October 2022, the status of the Multi-District Litigation is as follows: motions for summary judgement will be filed in the first "bellwether" case, which is a test case representative of similarly situated cases, in December 2022, and the first bellwether case is on track for trial scheduled to begin on June 5, 2023. The result of the bellwether trials will influence, but not establish, the value of the City's PFAS Lawsuit. Any monetary award under the PFAS Lawsuit could reimburse the City for its costs to design, construct, operate and maintain PFAS treatment facilities for its groundwater supplies and other associated costs. The City will not incur any monetary loss if it does not prevail in the PFAS Lawsuit.

General Fund Transfer. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution—Water Utility Revenue Transfer Under the City Charter" for a discussion of ongoing litigation relating to a transfer of Water System revenues to the City's General Fund.

See the caption "—Environmental Matters" for a discussion of ongoing litigation relating to a final rule of the USFWS.

Industry Recognition

2018 Environmental Steward Award. Keep Riverside Clean & Beautiful recognized the Janet Goeske Foundation & Senior Center's Streeter Park Turf Conversion and Demonstration Garden, which is expected to save 1.5 million gallons of water on an annual basis, as an outstanding example of environmental stewardship.

2018 Good Steward for Graffiti Award. Keep Riverside Clean & Beautiful recognized the City's 311 for City Services program for the commitment to provide access to local business owners and residents to take action against graffiti vandalism in the City of Riverside.

2017 Diamond Level Utility. The American Public Power Association recognized RPU as an RP3 designated Diamond Level Utility. This is awarded to utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement.

2017 Legislative Recognition. The California State Senate and State Assembly recognized RPU for collaborative work on a 3-year Fuel Cell Facility/Micro-synchrophasors project. This project had goals of developing a network of high-precision phasor measurement units and a high-speed database to improve operations, increase reliability and enable integration of renewables and other distributed resources.

2016 American Advertising Federation, Inland Empire ADDY Awards. RPU's drought and water conservation awareness customer education and communications programs and reports received the following recognition from the Inland Empire Chapter of the American Advertising Federation's ADDY Awards: Gold Award—Riverside Public Utilities "Less Water, More Color" Water Conservation & Drought Awareness Campaign; Silver Award—Riverside Public Utilities 2015 Financial Report; Bronze Award—Riverside Public Utilities—Podcast, The Green Power Report, "Shocking the Drought"; Bronze Award—Riverside Public Utilities—Public Drought Infographic.

Public Relations Society of America – Inland Empire, Polaris Awards. In 2017, the Inland Empire Chapter of the Public Relations Society of America recognized RPU's drought headquarters web site, and social media billboard campaigns with top honors including: Polaris Award—Riverside Public Utilities—BlueRiverside.com Water Conservation & Drought Awareness Website; Cappella Award—Riverside Public Utilities—H2O Billboard Advertisements.

Public Relations Society of America – Anvil Awards. In 2018, the Public Relations Society of America presented RPU with its highest award, the Silver Anvil Award, for RPU's ongoing Community Relations "Drought & Water Conservation Awareness Campaign."

CERTAIN FINANCIAL INFORMATION

Transfers to the City's General Fund

Contributions to the City's General Fund of surplus funds of the Water System (after payment of Operating and Maintenance Expenses and debt service on the Bonds and Parity Debt) are limited by the City Charter, the amendment of which requires voter approval. Such transfers were approved by the voters and adopted by the City Council on November 15, 1977. On June 4, 2013, the voters approved a further amendment to the City Charter approving the transfer as a general tax pursuant to Article XIIIC of the California Constitution. The transfers are limited to twelve equal monthly installments during each fiscal year, comprising a total amount not to exceed 11.5% of the Water System's Gross Operating Revenues, exclusive of any surcharges, for the last fiscal year ended and reported by an independent public auditor. The transfer to the City's General Fund for the fiscal year ended June 30, 2022, was $7.7 million. The budgeted transfer for the fiscal year ending June 30, 2023, is $8.0 million. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution—Water Utility Revenue Transfer Under the City Charter" for additional details on the General Fund transfer, including certain ongoing litigation relating thereto.

Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Water System is accounted for as an enterprise fund. Enterprise funds are used to account for operations: (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Investments are stated at fair value. Utility plant assets are valued at historic cost or, if actual historical cost is not available, estimated historical cost. Costs include labor; materials; interest during construction; allocated indirect charges such as engineering, supervision, construction and transportation equipment; retirement plan contributions and other fringe benefits; and administrative expenses. Contributed plant assets are valued at their estimated fair market value on the date of contribution. For accounting policies specifically relating to the Water System, see the notes to the financial statements in Appendix B. See also the caption "FINANCIAL STATEMENTS."

Summary of Operations

The following table shows the Net Operating Revenues of the Water System available for debt service as calculated in accordance with the flow of funds in the Resolution. It has been prepared by the City based on audited financial statements for the Water System for fiscal years 2017-18 through 2020-21 and preliminary unaudited actual results for the Water System for fiscal year 2021-22, excluding certain receipts which are not included as Gross Operating Revenues under the Resolution and certain non-cash items and including certain other adjustments.

TABLE 17
SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE
(DOLLARS IN THOUSANDS)

	Fiscal Year Ended June 30,				
	2018	*2019*	*2020*	*2021*	*2022*[11]
Operating Revenues[1]					
Water Sales					
Residential	$ 37,148	$ 35,408	$ 39,001	$ 44,781	$ 45,784
Commercial	19,317	20,539	21,244	23,704	24,635
Other Sales	1,880	1,743	1,885	2,357	2,446
Water Conveyance	3,162	1,785	3,255	2,964	3,572
Other Operating Revenues[2]	4,306[10]	4,672	3,312	5,384	2,685
Total Water Revenues	$ 65,813	$ 64,147	$ 68,697	$ 79,190	$ 79,122
Other Revenues					
Investment Income (Loss)[3]	$ 756	$ 1,169	$ 1,498	$ 533	$ 497
Contributions in Aid[4]	3,249	2,489	2,530	3,062	3,590
Non-Operating Revenues	1,742	1,286	1,043	1,259	3,553
Total Other Revenues	$ 5,747	$ 4,944	$ 5,071	$ 4,854	$ 7,640
Total Revenues	$ 71,560	$ 69,091	$ 73,768	$ 84,044	$ 86,762
Operating and Maintenance Expenses					
Operations and Maintenance	$ 34,647	$ 38,831	$ 40,242	$ 39,372	$ 40,324
Pension Expense[5]	818	841	708	1,358	1,767
Purchased Energy	5,827	5,748	5,583	6,523	6,864
Total Operating and Maintenance Expenses[6][7]	$ 41,292	$ 45,420	$ 46,533	$ 47,253	$ 48,955
Net Operating Revenues	$ 30,268	$ 23,671	$ 27,235	$ 36,791	$ 37,807
Debt Service net of BAB Subsidy[8]	$ 13,329	$ 14,301	$ 15,103	$ 15,334	$ 15,302
Debt Service w/o BAB Subsidy	$ 14,694	$ 15,672	$ 16,476	$ 16,717	$ 16,679
Debt Service (net of BAB Subsidy) Coverage Ratio[8][9]	2.27x	1.66x	1.80x	2.40x	2.47x
Debt Service (w/o BAB Subsidy) Coverage Ratio[8][9]	2.15x	1.60x	1.74x	2.28x	2.35x

(1) The City's water conservation programs are limited to specific purposes. Therefore, the related Water Conservation surcharge that the City collects, the proceeds of which constitute Gross Operating Revenues, is excluded from this table. The Water Conservation generated approximately $1.1 million in fiscal year 2021-22. See the caption "THE WATER SYSTEM—Water Rates and Charges—Water Conservation Surcharge."

(2) Other Operating Revenues include revenues from wholesale water sales. Decrease in fiscal year 2021-22 reflects reductions in wholesale water sales to WMWD.

(3) Differs from audited financial statements because the above numbers exclude unrealized losses (and gains), consisting of market value adjustments to Water System investments in accordance with GASB Statement No. 31, of $506, $(875), $(575), $534 and $1,922 in fiscal years 2017-18 through 2021-22, respectively.

(4) Contributions in Aid reflect cash collections from a combination of connection fees by developers and grant funded projects.

(5) Includes debt service on Pension Obligation Bonds which is allocated to the Water System. See the caption "THE PUBLIC UTILITIES DEPARTMENT—Employment Matters—Employee Retirement Systems."

(6) Excludes contributions to the City's General Fund of $6,173, $6,584 $6,518, $6,972 and $7,708 for fiscal years 2017-18 through 2021-22, respectively. These contributions do not constitute Operating and Maintenance Expenses and are subordinated to debt service on the Bonds. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution—Water Utility Revenue Transfer Under the City Charter" for additional details on the General Fund transfer.

(7) Excludes GASB 68 non-cash adjustment of $3,119, $(482), $1,046, $(1,107) and $(4,891) for fiscal years 2017-18 through 2021-22, respectively. GASB 68 became effective July 1, 2014. Includes GASB 75 adjustments. GASB 75 became effective on July 1, 2017.

(8) Build America Bond ("**BAB**") Subsidy is effective with respect to the 2009B Bonds for the semi-annual interest payment dates beginning on April 1, 2010 and ending on October 1, 2039; however, see footnote 4 to the table entitled "Debt Service Requirements" under the caption "PRIOR DEBT AND DEBT SERVICE—Debt Service Requirements" regarding the effect of the federal government's sequester, which became effective on March 1, 2013.

(9) Debt Service (net of BAB Subsidy) Coverage Ratio is calculated treating the BAB Subsidy as an offset to Debt Service, while Debt Service (w/o BAB Subsidy) Coverage Ratio is calculated treating the BAB Subsidy as part of Gross Operating Revenues.

(10) Differs from audited financial statements for fiscal year 2017-18 because the above number reflects reclassification of approximately $1.9 million from Water Conveyance to Other Operating Revenues due to the classification of water sales to WMWD in fiscal year 2017-18.

(11) Reflects preliminary unaudited results. Subject to change.

Source: City of Riverside Public Utilities Department.

The following table shows the estimated projected Net Operating Revenues of the Water System available for debt service as calculated in accordance with the flow of funds in the Resolution. The below projections reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events, including that the City will operate under Stage Two of its water shortage contingency plan (as described under the caption "THE WATER SYSTEM—Water Supply—Drought Conditions—Water Shortage Contingency Plan") and assumptions set forth in the footnotes to the table set forth below. All of such assumptions are material to the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

TABLE 18
PROJECTED OPERATIONS AND DEBT SERVICE COVERAGE
(DOLLARS IN THOUSANDS)

	Fiscal Year Ending June 30,				
	2023[15]	***2024***[15]	***2025***	***2026***	***2027***
Operating Revenues[1]					
Water Sales[2]					
Residential	$ 46,052	$ 49,094	$ 52,531	$ 56,214	$ 59,596
Commercial	22,944	24,450	26,304	28,301	30,164
Other Sales	2,337	2,492	2,614	2,743	2,860
Water Conveyance[3]	3,384	3,509	3,639	3,773	3,917
Other Operating Revenues[4]	5,437	5,212	6,085	6,262	6,516
Total Water Revenues	$ 80,154	$ 84,757	$ 91,173	$ 97,293	$ 103,053
Other Revenues					
Investment Income (Loss)[5]	$ 1,037	$ 1,771	$ 1,632	$ 2,061	$ 2,484
Contributions in Aid[6]	2,000	2,000	2,000	2,000	2,000
Non-Operating Revenues[7]	1,410	1,453	1,497	1,541	1,588
Total Other Revenues	$ 4,447	$ 5,224	$ 5,129	$ 5,602	$ 6,072
Total Revenues	$ 84,601	$ 89,981	$ 96,302	$ 102,895	$ 109,125
Operating and Maintenance Expenses					
Operations and Maintenance[8]	$ 44,770	$ 44,536	$ 46,944	$ 47,880	$ 48,711
Pension Expense[9]	2,033	2,282	2,420	2,429	2,307
Purchased Energy[10]	7,676	7,808	7,964	8,123	8,286
Total Operating and Maintenance Expenses[11]	$ 54,479	$ 54,626	$ 57,328	$ 58,432	$ 59,304
Net Operating Revenues	$ 30,122	$ 35,355	$ 38,974	$ 44,463	$ 49,821
Debt Service net of BAB Subsidy[12][13]	$ 16,354	$ 18,981	$ 19,105	$ 20,487	$ 24,226
Debt Service w/o BAB Subsidy[13]	$ 17,669	$ 20,246	$ 20,316	$ 21,642	$ 25,322
Debt Service (net of BAB Subsidy) Coverage Ratio[12][14]	1.84x	1.86x	2.04x	2.17x	2.06x
Debt Service (w/o BAB Subsidy) Coverage Ratio[12][14]	1.78x	1.81x	1.98x	2.11x	2.01x

(1) The City's water conservation programs are limited to specific purposes. Therefore, the related Water Conservation surcharge that the City collects, the proceeds of which constitute Gross Operating Revenues, is excluded from this table. The Water Conservation generated approximately $1.1 million in fiscal year 2021-22. See the caption "THE WATER SYSTEM—Water Rates and Charges—Water Conservation Surcharge."

(2) Reflects: (i) expectation of 1% growth in connections per annum; (ii) expectation of 10% reduction in water use from 3-year average because of customer conservation in light of Statewide drought; such reductions are expected to reduce revenues from commercial and other water customers in fiscal year 2022-23 because such customers' billings include more variable components (tied to water use) than residential billings; (iii) rate increases approved by the City Council through June 30, 2023; and (iv) projected rate increases averaging 6.30% per annum beginning July 1, 2023 through June 30, 2026, and 5.50% per annum thereafter, none of which have been adopted. See the caption "THE WATER SYSTEM—Water Rates and Charges." All rate increases are subject to City Council approval and the notice, hearing and protest provisions of Proposition 218, and there can be no assurance that rate increases which are projected to take effect in fiscal year 2023-24 and thereafter will be approved. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution."

(3) Projected to increase at approximately 4% per annum.

(4) Other Operating Revenues include revenues from wholesale water sales. Increase in fiscal year 2022-23 from fiscal year 2021-22 amount reflects expectation of greater wholesale sales to WMWD.

(5) Reflects projected earnings at approximately 1.3% on Water System reserves in fiscal year 2022-23, 2.0% in fiscal year 2023-24 and 2.5% per annum thereafter.

(6) Contributions in Aid reflect cash collections from a combination of connection fees by developers and grant-funded projects. Projected to remain at fiscal year 2022-23 budgeted amount.

(7) Projected to increase at approximately 3% per annum.

(8) Increase in fiscal year 2022-23 from fiscal year 2021-22 amount reflects: (i) one-time grant-funded stipend to employees; (ii) additional expenditures for laboratory testing resulting from new testing regulations; and (iii) increases in the costs of chemicals, communications (including the City's annual water quality report), underground location services, active leak detection services and legal services. Projected to decrease slightly in fiscal year 2023-24 and to increase approximately 5.4% in fiscal year 2024-25, 2.0% in fiscal year 2025-26 and 1.7% in fiscal year 2026-27.

(9) Includes debt service on Pension Obligation Bonds which is allocated to the Water System. See the caption "THE PUBLIC UTILITIES DEPARTMENT—Employment Matters—Employee Retirement Systems."

(10) Projected to increase at approximately 2% per annum.

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

(11) Excludes projected contributions to the City's General Fund. These contributions do not constitute Operating and Maintenance Expenses and are subordinated to debt service on the Bonds. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution—Water Utility Revenue Transfer Under the City Charter" for additional details on the General Fund transfer.

(12) BAB Subsidy is effective with respect to the 2009B Bonds for the semi-annual interest payment dates beginning on April 1, 2010, and ending on October 1, 2039; however, see footnote 4 to the table entitled "Debt Service Requirements" under the caption "PRIOR DEBT AND DEBT SERVICE—Debt Service Requirements" regarding the effect of the federal government's sequester, which became effective on March 1, 2013.

(13) E*xcludes* projected debt service on Additional Obligation. See the caption "THE WATER SYSTEM—Capital Improvement Program—Possible Additional Parity Debt Obligation." Assumes an annual interest rate of 3.20% on the 2011A Bonds, reflecting the effect of the 2005 Swap Agreement. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations—Existing Subordinate Obligations—2005 Swap Agreement." Reflects debt service on 2022A Bonds beginning in late 2022 and 2026 Bonds beginning in early 2026. See the caption "THE WATER SYSTEM—Capital Improvement Program—General" for a description of the 2026 Bonds.

(14) Debt Service (net of BAB Subsidy) Coverage Ratio is calculated treating the BAB Subsidy as an offset to Debt Service, while Debt Service (w/o BAB Subsidy) Coverage Ratio is calculated treating the BAB Subsidy as part of Gross Operating Revenues.

(15) Reflects fiscal year 2022-23 and 2023-24 budgeted amounts with certain adjustments.

Source: City of Riverside Public Utilities Department.

Unrestricted Cash Reserves

On March 22, 2016, the City Council adopted the Riverside Public Utilities Cash Reserve Policy, which provided a defined level of unrestricted, undesignated and designated cash reserves in the Water System for strategic purposes. On July 24, 2018, the Cash Reserve Policy was updated and approved by City Council reflecting the establishment of an additional designated reserve, the use of the line of credit as available reserves and other minor revisions to bring it current. On September 7, 2021, the Cash Reserve Policy was updated and approved by City Council to reflect impacts to the Water System resulting from the definition of reserves and updates to the operating (working capital) target minimum and maximum levels, which are calculated after the end of each fiscal year once the City's audited financial statements are completed. This policy sets target minimum and maximum levels for the undesignated reserve to mitigate risk in the following categories: operations and maintenance, rate stabilization, capital expenditures and debt service. The undesignated reserve can be used for any lawful purpose and has not been designated for specific capital and operating purposes. As of June 30, 2022, the balance was at $38,918,243 for the unrestricted undesignated reserve. On February 1, 2022, the City entered into the Revolving Credit Facility, which will provide additional flexibility and operating liquidity for the Water System. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Subordinate Obligations—Existing Subordinate Obligations—Revolving Credit Facility" for additional information on the Revolving Credit Facility.

Designated reserves are considered unrestricted assets and represent the portion of unrestricted reserves set aside for specific purposes determined by the Board and City Council. Designated reserves may be held for capital or operating purposes. Unrestricted designated cash reserve balances as of June 30, 2022, are as follows (dollars in thousands):

Customers' Deposits	$ 832
Capital Repair and Replacement Reserve	2,363
Property Reserve	5,804
Recycled Water Reserve	1,158
Total	$10,157[1]

(1) Reflects preliminary unaudited results. Subject to change.

Source: City of Riverside Public Utilities Department.

Outstanding Obligations of the Water System

The outstanding obligations of the City with respect to the Water System are described under the caption "PRIOR DEBT AND DEBT SERVICE—Outstanding Prior Debt."

WATER SYSTEM STRATEGIC PLAN

The Board and City Council have had a formal strategic plan in place with respect to the Water System since 2001, including the adoption of the following mission statement: "The City of Riverside Public Utilities Department is committed to the highest quality water and electric services at the lowest possible rates to benefit the community."

Through strategic planning process and workshops, long-term goals and objectives have been established by the Board to provide the framework to implement RPU's Mission Statement. The current Ten Year Goals adopted by the Board are (not in priority order):

- Employ state-of-the-art technology to maximize reliability and customer service;
- Foster economic development and job growth in the City;
- Communicate effectively the accomplishments, challenges and opportunities for the full utilization of electric and water resources;
- Develop fully low-cost, sustainable, reliable electric and water resources; and
- Enhance the effective and efficient operation of all areas of RPU.

Three Year Goals and Strategic Plan Objectives are also established to ensure the achievement of these long-term goals, and these are (not in priority order):

- Contribute to the City's economic development while preserving RPU's financial strength;
- Maximize the use of technology to improve utility operations;
- Impact positively legislation and regulations at all levels of government;
- Develop and implement electric and water resource plans; and
- Create and implement a workforce development plan.

In 2015, management engaged the community, the Board and City Council through a series meetings and workshops to create a Utility 2.0 Strategic Plan that provides the vision, changes and actions required to thrive as a Utility of the future. The Utility 2.0 Strategic Plan has been designed to facilitate and advance the strategic goals adopted by the City Council in the Riverside 2.0 Strategic Plan as well as the strategic goals of the Board. Areas of focus for Utility 2.0 include infrastructure improvement, workforce development, utilizing advanced technology and thriving financially which have been developed through a number of roadmaps. In October 2015, conceptual approval was given by the Board and City Council to implement the Utility 2.0 Strategic Plan.

The Thriving Financially Roadmap reviewed the areas of rates, reserves, debt and other related policies to ensure the financial balance of Riverside Public Utilities. Rates, cash reserves, debt and other revenue sources were evaluated together with the development of a 10-year pro-forma (financial plan). Several dependent projects were completed during the development of the 10-year pro-forma and rate plan. These projects include the update and approval of the reserve policy, development and approval of an overall fiscal policy, and development and approval of electric and water cost of service studies.

An overall fiscal policy, including a comprehensive section on cash reserves, was completed and adopted by the City Council in July 2016 and subsequently updated and approved by City Council in July 2018. The electric and water 10-year pro-forma, cost of service and rate design studies were completed and presented to the City Council in September 2017. RPU recommended a redesign of its rates over a five-year period to better align with its cost of serving customers and its revenue requirement. The water rate restructuring is designed to provide financial stability to support the Water System's efforts to sustainably improve infrastructure reliability, follow legal and regulatory requirements, and correct the imbalance of costs versus revenue recovery by transitioning to reflect the nature of underlying costs. As described under the caption "THE WATER SYSTEM—Water Rates and Charges," on May 22, 2018, the City Council approved the 5-year Water Rate Plan, with rate increases effective starting July 1, 2018, 2019, 2020, 2021 and 2022 with annual review of adopted rates by City Council.

On March 14, 2022, the Board approved a professional consulting service agreement with a consultant to complete a water utility cost of service adjustment and rate design project for financial planning purposes and to prepare for the next water utility rate plan. The project is underway and is expected to result in a recommended water utility rate plan as of July 1, 2023. The projected Water System operating results that are set forth under the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations" assume rate increases averaging 6.30% per annum beginning July 1, 2023 through June 30, 2026, and 5.50% per annum thereafter.

RISK FACTORS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2022A Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2022A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the 2022A Bonds.

The 2022A Bonds Are Limited Obligations

The City's General Fund is not liable for the payment of debt service on the 2022A Bonds, nor is the credit or taxing power of the City pledged for the payment of debt service on the 2022A Bonds. No owner of any 2022A Bond may 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 2022A Bonds are neither 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 and other funds, security and assets that are pledged to the payment of the 2022A Bonds under the Resolution.

Factors that can adversely affect the availability of Net Operating Revenues include, among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth). The realization of future Net Operating Revenues is also subject to, among other things, the capabilities of management of the City, the ability of the City to provide water service to its customers, the ability of the City to establish, maintain and collect charges for the water service to its customers and the ability of the City to establish, maintain and collect rates and charges sufficient to pay debt service on the 2022A Bonds.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the 2022A Bonds and the Fiscal Agent, and the obligations incurred by the City, may be subject to the following: the limitations on legal remedies against cities in California; the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; principles of equity which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution of the United States; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2022A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

Accuracy of Assumptions

To estimate the Net Operating Revenues available to pay the principal of and interest on the 2022A Bonds, the City has made certain assumptions with regard to future development within the City and increases in revenues resulting therefrom, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Operating Revenues available to pay the principal of and interest on the 2022A Bonds will, in all likelihood, be less than those projected herein. See the caption "CERTAIN FINANCIAL INFORMATION—Summary of Operations." The City may choose, however, to maintain compliance with the rate covenant set forth in the Resolution in part by means of contributions from other available reserves or resources. In such event, Net Operating Revenues may generate amounts which are less than 1.25 times Debt Service in any given Fiscal Year. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant."

Debt Service Reserve Account Not Funded

Under the Resolution, the City may, but is not required to, establish a separate reserve account for a Series of Bonds. The City has established a debt service reserve account for the 2022A Bonds, but the 2022A Bond Reserve Requirement is $0. Consequently, no amounts have been deposited into such debt service reserve account. The owners of the 2022A Bonds have no rights to moneys in the reserve accounts established for other series of outstanding Bonds.

Demand and Usage; Drought

There can be no assurance that the local demand for services provided by the Water System will continue according to historical levels. Demand for water services could be reduced as a result of reduced levels of development in the Water System service area, hydrological conditions, an economic downturn, conservation efforts or mandatory State conservation orders and other factors. In addition, drought conditions and voluntary or mandatory conservation measures could decrease usage of the services of the Water System or increase the cost of water supply (an Operating and Maintenance Expense) if more reliance on imported water is necessary. See the caption "THE WATER SYSTEM—Water Supply—Drought Conditions."

Reductions in the level of demand or usage could require an increase in rates or charges in order to produce Net Operating Revenues in amounts that are sufficient to comply with the City's rate covenants. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant." Such rate increases could increase the frequency of customer nonpayments.

Water System Expenses and Collections

There can be no assurance that the City's expenses for the Water System will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses, more stringent regulatory requirements and increased treatment costs could reduce the City's Net Operating Revenues and could require substantial increases in rates or charges. Such rate increases could increase the likelihood of nonpayment or decrease demand. However, as described under the caption "THE WATER SYSTEM—Water Rates and Charges—Rate Comparison," the City believes its water rates are significantly less than many other local water suppliers and, accordingly, the City believes that it will have financial flexibility to raise rates if required to do so.

Although the City has covenanted to prescribe, revise and collect rates and charges for the Water System at certain levels, there can be no assurance that such amounts will be collected in the amounts and at the times necessary to make timely payments with respect to the 2022A Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant."

The ability of the City to comply with its covenants under the Resolution and to generate Net Operating Revenues sufficient to pay principal of and interest on the Bonds, including the 2022A Bonds, may be adversely affected by actions and events outside the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See the caption "CONSTITUTIONAL LIMITATIONS." The remedies available to the owners of the Bonds, including the 2022A Bonds, upon the occurrence of an event of default under the Resolution are in many respects dependent upon judicial actions that are typically subject to discretion and delay and could prove both expensive and time consuming to obtain.

Rate Regulation

The authority of the City to impose and collect rates and charges for water sold and delivered is not currently subject to the regulatory jurisdiction of the California Public Utilities Commission, and presently no other regulatory authority of the State limits or restricts such rates and charges. It is possible that future legislative changes could subject the rates or service areas of the City to the jurisdiction of regulatory bodies or to other limitations or requirements.

Limited Recourse on Default

If the City defaults on its obligation to pay the 2022A Bonds, Bondholders have the right to declare the total unpaid principal amount of the 2022A Bonds, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient funds to pay such accelerated amounts from Net Operating Revenues.

Drinking Water Regulation

Drinking water standards are regulated, to a large extent, by the federal government and the State. Depending on the level at which future regulations are set and the extent to which responsible parties can be identified, future regulations could increase the operating costs of the Water System and place upward pressure on water rates. It is not possible to predict the direction that federal or State regulation will take. See the caption "THE WATER SYSTEM—Water Quality."

Casualty Risk

Any natural disaster or other physical calamity, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, may have the effect of reducing Net Operating Revenues by causing damage to the Water System or adversely affecting the economy of the surrounding area. The Resolution requires the City to maintain insurance or self-insurance as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties, but only if and to the extent available from responsible insurers at reasonable rates. In the event of material damage to Water System facilities, there can be no assurance that insurance proceeds will be adequate to repair or replace such facilities or that specific losses will be covered by insurance. Certain portions of the Water System, such as underground pipelines, are not insured. The City does not currently maintain and it has not committed to maintain earthquake or flood insurance on the Water System's facilities.

Earthquake. The City is located in a seismically active region of Southern California. Three major active earthquake faults are located within 20 miles of Water System facilities, including the San Andreas and

San Joaquin faults. Earthquakes pose potential significant risks to the Water System, and could potentially result in water supply shortages and disruptions to the transmission/distribution systems. Groundwater produced from wells in the San Bernardino area is conveyed using two major transmission lines that cross several earthquake faults. In addition, harmful microorganisms could migrate into the distribution system because of pipe breaks or damage to water disinfection facilities.

Another potential hazard related to earthquakes is soil liquefaction, which occurs when solids take on properties of a liquid. A number of wells and some major water transmission mains are located in potential liquefaction zones. In the event of a liquefaction event, the affected wells could fail or become contaminated with sediment.

The seismic vulnerability of the Water System is mitigated by a geographically diverse water supply system and a number of interconnections that allow the City to purchase water from other agencies in the event of a local disaster.

Flood. According to the City's Urban Water Management Plan, some of the Water System's wells are located within the flood plains of the Santa Ana River and are therefore subject to flooding. The Seven Oaks Dam is expected to reduce the magnitude, frequency and vulnerability of wells to flooding, while increasing available water rights. See the caption "THE WATER SYSTEM—New Sources of Supply—Seven Oaks Dam." Floods may lead to physical damage and/or loss of water infrastructure, as well as water contamination. The City has implemented measures to minimize the risk of groundwater contamination as a result of flooding.

Groundwater Contamination. The Water System can be impacted by groundwater contamination as a result of a variety of hazards, including contaminant plumes, chemical spills, agricultural return flows, leaky underground storage tanks and septic systems. See the captions "THE WATER SYSTEM—Water Quality" and "THE WATER SYSTEM—Water Quality Settlements" for a discussion of existing contamination impacting the Water System's groundwater.

Rate Covenant Not a Guarantee

The City's ability to pay the 2022A Bonds depends on its ability to generate Net Operating Revenues at the levels required by the Resolution. Although the City has covenanted in the Resolution to impose rates and charges as more particularly described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant," and although the City expects that sufficient Gross Operating Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Operating Revenues in amounts that are sufficient to pay the 2022A Bonds.

Certain Other Limitations on Fees and Charges

On July 6, 2005, the California First District Court of Appeal certified for publication a decision in the matter of *The Regents of the University of California v. East Bay Municipal Utility District*, 31 Cal.Rptr.3d 278 (July 7, 2005), concluding that the capital component of a public utility's periodic water service charges constituted a capital facilities fee within the meaning of California Government Code Section 54999 *et seq*. (often referred as the "**San Marcos Legislation**").

The San Marcos Legislation authorizes any public agency providing public utility service (which is defined to include, among other things, water and electric service) to continue to charge, increase or impose capital facilities fees, including on public agencies. However, the imposition of such fees on certain educational entities, such as the University of California, or state agencies is subject to certain limitations. These limitations include the following, among others: (i) for capital facilities fees imposed prior to July 21, 1986: (a) the fee must be necessary to defray the actual construction costs of that portion of a public utility facility actually serving the educational entity or state agency; and (b) any increase in the fee is limited to the percentage increase in the Implicit Price Deflator for State and Local Government Purchases; (ii) for new capital facilities fees imposed after July 21, 1986, or any increase in a capital facilities fee in excess of the amount set forth in clause (i)(b), an agreement must be reached through negotiations entered into by both parties; and (iii) capital facilities fees imposed for electric utility service are subject to certain additional procedural requirements including certain prior notice, hearing and disclosure requirements.

The impact of the *East Bay Municipal Utility District* decision has been to extend the requirements of the San Marcos Legislation to the capital component of a public utility's periodic service charges (i.e., rates) (but see the caption "CERTAIN FINANCIAL INFORMATION—Transfers to the City's General Fund" regarding the City voters' approval of contributions of Water System surplus funds to the City's General Fund as a general tax under Article XIIIC of the California Constitution). The University of California's Riverside campus is the City's second largest water user. The City entered into a Potable Water Transportation Agreement, dated April 6, 1993, under which the Regents of the University of California have agreed to a unique schedule of customized rates with the City, including capital facilities fees payable to the City. On November 3, 2015, the City renewed this agreement, which is now known as the 2015 Water Production, Conveyance, and Reciprocal Sales Agreement. See the caption "THE WATER SYSTEM—Conveyance Agreements—UCR Conveyance Agreement" above for additional details on this agreement.

Articles XIIIC and XIIID of the California Constitution

Proposition 218, which added Articles XIIIC and XIIID to the California Constitution, affects the City's ability to maintain existing Water System rates and impose rate increases, and no assurance can be given that future proposals to increase Water System rates will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed Water System rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Operating Revenues in the amounts required by the rate covenant. The City believes that its current Water System rates approved by the City Council were effected in accordance with the public hearing and majority protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS—Articles XIIIC and XIIID of the California Constitution."

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2022A Bonds, the City must comply with the applicable requirements of the Code, and may not take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the 2022A Bonds thereunder. Interest on the 2022A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2022A Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Resolution. The 2022A Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Resolution.

Parity Obligations

The Resolution permits the City to enter into Additional Bonds and Parity Debt payable from Net Operating Revenues on parity with the 2022A Bonds, subject to the terms and conditions set forth therein. The issuance of Additional Bonds or the incurrence of Parity Debt could result in reduced Net Operating Revenues available to pay the 2022A Bonds. The City has covenanted to maintain coverage of debt service on the 2022A Bonds, Additional Bonds and Parity Debt as further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Additional Bonds and Parity Debt."

Secondary Market

There can be no guarantee that there will be a secondary market for the 2022A Bonds or, if a secondary market exists, that the 2022A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history, incomplete or deficient continuing disclosure or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Climate Change

California has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the Water System is difficult to predict, but it could be significant and it could have a material adverse effect on the City's finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water System customers.

The City's existing Economic Prosperity Plan and Climate Action Plan (the "**CAP**"), which was adopted in 2016, evaluated the impact of climate change through 2020 and established a roadmap by which the City could measure greenhouse gas emissions, assist City residents in adapting to the effects of climate change and increase the City's resilience to the effects of climate change. The CAP also sought to ensure that the City's climate change response supported economic development in the City, including by encouraging investments in green technology. With respect to Water System, the CAP established goals of conserving potable water and reducing water demand in the community and municipal operations by providing incentives to use water-efficient technology. The CAP's water-related goals were developed in concert with SBX7-7, which called for a Statewide 20% reduction in urban per capita water use by December 31, 2020. See the caption "THE WATER SYSTEM—New Sources of Supply—Water Use Efficiency." RPU met the CAP's water-related goals and the 20% water savings target of SBX7-7 in 2020.

The City is currently in the process of evaluating and updating the CAP. The updated CAP is expected to implement actions to reduce greenhouse gas emissions and measure progress with respect thereto, with one goal expected to be achieving carbon neutrality by 2040. Water conservation is expected to be an element of the updated CAP. There is currently no timeline for the finalization of a new CAP can be no assurance as to when the updated CAP will be adopted, or as to the ultimate content thereof.

Security of the Water System

The physical security of the Water System is maintained through a combination of regular inspections by Water System personnel, intrusion and motion alarm systems, video surveillance systems, continuous water treatment process monitoring and analysis of incident reports. Water system facilities are secured by controlled entry access systems, fencing, gates, closed circuit television, and 24-hour alarm monitoring. In 2016, a physical security assessment was completed of all critical water facilities. The assessment identified physical water system vulnerabilities and recommended specific security improvements. Most security improvements have been made where feasible.

Military conflicts and terrorist activities may adversely impact the operations and finances of the Water System. The City continually plans and prepares for emergency situations and immediately responds to ensure that water services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that terrorist activities are directed against the Water System or that costs of security measures will not be greater than presently anticipated. Further, damage to certain components of the Water System could require the City to increase expenditures for repairs to the

Water System significantly enough to adversely impact the City's ability to pay debt service on the 2022A Bonds.

Cyber Security

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. In recent years, there have been significant cyber security incidents affecting municipal agencies, including a ransomware attack targeting Los Angeles Unified School District, a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers, an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal and an attack on a water treatment facility in Oldsmar, Florida.

The City's Information Technology Department provides advisory support for the Water System's electronic system cyber security. This includes audits and recommended improvements to facility hardware and software to keep up to date with the latest cyber security best practices. The City uses multiple layers of security systems to safeguard against cyber-attacks. These systems are deployed at the perimeter as well as at end points of the City's network. The City's multi-level cyber protection scheme includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection, intrusion detection, log monitoring and other security measures. One of the systems is artificial-intelligence based, which analyzes the behavior of users/devices on the network and takes corrective action if any anomaly is detected. The City's network is scanned by third party consultants on a regular basis. The City's Information Technology Department also conducts security awareness training for employees and maintains cloud-based backup storage for its digital files.

To date, the City has not experienced a successful attack against its network and servers. However, there can be no assurance that a future attack or attempted attack would not result in disruption of City operations. The City expects that any such disruptions would be temporary in nature due to its backup/restore procedures and disaster recovery planning.

CONSTITUTIONAL LIMITATIONS

Article XIIIB

Article XIIIB of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIIIB generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its service charges do not exceed the costs that the City reasonably bears in providing such services and therefore are not subject to the limits of Article XIIIB.

Articles XIIIC and XIIID of the California Constitution

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by California at the November 5, 1996 general election. The Initiative added Articles XIIIC and XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIIID. Article XIIID defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIID requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service and wastewater service are a "fee" or "charge" as defined in Article XIIID, the local government's ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIIID includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIIID did not apply to charges for water and wastewater services that are "primarily based on the amount consumed" (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the "***Bighorn* Case**"), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City complied with the notice, hearing and protest procedures in Article XIIID, as further explained by the State Supreme Court in the *Bighorn* Case, with respect to the water rate increases which were approved in 2018 and are currently in effect. See the caption "THE WATER SYSTEM—Water Rates and Charges—General."

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the "***SJC* Case**"), upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion included a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City's residential water rates, which are described under the captions "THE WATER SYSTEM—Water Rates and Charges—Rate Structures" include tiered rates based on usage. The City believes that its current water rates comply with the requirements of Proposition 218, including the *SJC* Case, and expects that any future water rate increases will comply with Proposition 218's procedural and substantive requirements to the extent applicable thereto.

Article XIIIC. Article XIIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIIC does not define the terms "local tax," "assessment," "fee" or "charge," so it was unclear whether the definitions set forth in Article XIIID referred to above are applicable to Article XIIIC. Moreover, the provisions of Article XIIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the California Supreme Court held in the *Bighorn* Case that the provisions of Article XIIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On November 15, 2018, the California Court of Appeal, Third District, issued an opinion in *Wilde v. City of Dunsmuir* (2018) 29 Cal.App.5th 158 (the "***Wilde* Case**") holding that taxpayers have the right under the Initiative to place a referendum on the ballot and vote on whether to repeal a city's water rates. The *Wilde* Case concerned increases in water rates to fund specific water storage and delivery projects of the city (rather than to fund general operations of a water system) which the court concluded were legislative in nature and therefore subject to referendum. The City has reviewed the *Wilde* Case decision and determined that the decision does not directly impact the City and its water rate structure.

The City does not believe that Article XIIIC grants to the voters within the City the power (whether by initiative under Article XIIIC or otherwise, or by referendum, which is not authorized under Article XIIIC) to repeal or reduce rates and charges for water service in a manner that would interfere with the contractual obligations of the City or the obligation of the City to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the owners of the 2022A Bonds. Remedies that are available to owners of the 2022A Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2022A Bonds are held in book-entry form, DTC (or its nominee or successor) will be the sole registered owner of the 2022A Bonds and the rights and remedies of the 2022A Bond owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the 2022A Bonds, the Resolution is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

Water Utility Revenue Transfer Under the City Charter. As described under the caption "CERTAIN FINANCIAL INFORMATION—Transfers to the City's General Fund," Section 1204 of the City Charter requires the Water System to transfer, in monthly installments, an amount not to exceed 11.5% of the Gross Operating Revenues of the Water System (the "**Revenue Transfer**"). This requirement has been in the City Charter since 1907, when the City Charter was approved and adopted by the electorate. Prior to 1968, the

Water System was obligated to transfer all excess funds after all required expenditures had been made at the end of each fiscal year. In 1968, the electorate approved a change requiring a transfer of 11.5% of the Water System's Gross Operating Revenues. In 1977, the electorate approved a change requiring the transfer to be an amount "not to exceed" 11.5% of such Gross Operating Revenues. On June 4, 2013, the electorate reaffirmed the transfer as a general tax pursuant to Article XIIIC by approving Section 1204.1 of the City Charter (the "**Revenue Transfer Re-Approval**").

The holding in the *Bighorn* case makes clear that the City's water service charges are property-related fees or charges that must comply with Article XIIID. This means that the revenues derived from these charges may not exceed the cost to the City of providing the related services.

In April 2013, prior to the Revenue Transfer Re-Approval, the City settled a lawsuit filed against it in 2012 challenging the Revenue Transfer on Proposition 218 grounds. Under the settlement agreement, the City's General Fund paid $10 million in equal installments to the Water Fund over a three-year period, which began in fiscal year 2013-14 and ended in fiscal year 2015-16. The City ceased the Revenue Transfer after the lawsuit's filing and until the Revenue Transfer Re-Approval.

On December 19, 2019, a class action lawsuit entitled *Simpson v. City of Riverside* was filed against the City alleging that the Revenue Transfer results in the City overcharging customers for water utility service in violation of Article XIIID, Section 6 of the State Constitution. The plaintiff is seeking refunds for all customers for moneys collected in alleged violation of the Constitution in the three years prior to the filing of the lawsuit and an order that the court set aside the Revenue Transfer Re-Approval. No trial date has been set for this action. The City is unable to quantify the refund amount that could be owed in the event that the plaintiff were to prevail in its claims and it is unclear how the court may fashion any remedy against the City if the plaintiff were to prevail. However, the City believes that any refunds ordered by the court would predominantly come from the City's General Fund rather than from the Water Fund. Although water rates could be reduced by the amount of the Revenue Transfer in the event that the plaintiff were to prevail in its claims, the Resolution obligates the City to set such rates in an amount that is sufficient to pay debt service on Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant." For these reasons, the City believes that an adverse ruling in this litigation would not have a material adverse effect on the City's ability to pay debt service the 2022A Bonds or to comply with its obligations under the Resolution.

Proposition 26. On November 2, 2010, California voters approved Proposition 26 and approved revising provisions of Articles XIIIA and XIIIC of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes and specifies approval requirements for those taxes. In its "Findings and Declarations of Purpose" section, Proposition 26 states: "Fees couched as 'regulatory' but which exceed the reasonable costs of actual regulation or are simply imposed to raise revenue for a new program and are not part of any licensing or permitting programs are actually taxes and should be subject to the limitations applicable to the imposition of taxes."

Under Proposition 26, taxes do not include the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Although the City believes that Water System rates and charges are not taxes for purposes of Proposition 26, a court could conclude that, to the extent that the City transfers surplus funds to the General Fund, Water System rates and charges constitute "taxes" for purposes of Proposition 26. This would mean that, so long as the City continued to make transfers of surplus funds to the General Fund, the City could not increase rates and charges without a two-thirds vote of the City's voters. The City is unaware of any pending applicable case law precedent regarding this issue; however, in January 2015, in *Citizens for Fair REU Rates v. City of Redding*, an appellate court ruled against the City of Redding in a lawsuit that challenged a transfer similar to the City's Revenue Transfer, finding that the transfers constituted a tax under Proposition 26 requiring two-thirds voter approval. The City's Revenue Transfer is distinguishable from the transfer described in the Redding case because of the Revenue Transfer Re-Approval.

Proposition 26 amended Article XIIIC to provide that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

Future Initiatives

Articles XIIIB, XIIIC, XIIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2022A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Code, generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest on the 2022A Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations.

In the further opinion of Bond Counsel, interest on the 2022A Bonds is exempt from State personal income tax.

The amount by which a 2022A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2022A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2022A Bond Owner's basis in the applicable 2022A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2022A Bond premium may result in a 2022A Bond Owner realizing a taxable gain when a 2022A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2022A Bond to the Owner. Purchasers of the 2022A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinion as to the exclusion from gross income of interest on the 2022A Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2022A Bonds to assure that interest on the 2022A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2022A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2022A Bonds. The City has covenanted to comply with all such requirements.

The Internal Revenue Service (the "**IRS**") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2022A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2022A Bonds might be affected as a result of such an audit of the 2022A Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2022A Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2022A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2022A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2022A BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2022A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2022A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2022A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2022A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2022A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel's engagement with respect to the 2022A Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. The Resolution and the Tax Certificate relating to the 2022A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the 2022A Bonds for federal income tax purposes with respect to any 2022A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2022A Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the 2022A Bonds and the accrual or receipt of interest on the 2022A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2022A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2022A Bonds.

Should interest on the 2022A Bonds become includable in gross income for federal income tax purposes, the 2022A Bonds are not subject to early redemption or an increase in interest rates and will remain outstanding until maturity or until redeemed in accordance with the Resolution.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

CERTAIN LEGAL MATTERS

The valid, legal and binding nature of the 2022A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached as Appendix E, and such legal opinion will be attached to each 2022A Bond. Certain matters will be passed upon for the City by the City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriters by their counsel, Nixon Peabody LLP, Los Angeles, California, and for the Trustee by its counsel.

The payment of the fees and expenses of the Underwriters, Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent on the successful remarketing of the 2022A Bonds.

LITIGATION

At the time of the issuance of the 2022A Bonds, appropriate officers of the City will certify that there is no litigation pending, or, to the actual knowledge of the City, threatened: (i) 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 2022A Bonds or the power and authority of the City to issue the 2022A Bonds; (ii) seeking to restrain or enjoin the collection of revenues pledged to pay the 2022A Bonds; or (iii) that, if determined adversely to the City, would affect the ability of the City to pay debt service on the 2022A Bonds when due.

For information about lawsuits arising in the normal course of business, see the caption "THE WATER SYSTEM—Water System Litigation." The City's management and its City Attorney are of the opinion that no pending actions are likely to have a material adverse effect on the City's ability to perform its obligations under the Resolution and the 2022A Bonds.

FINANCIAL STATEMENTS

The financial statements of the City's Water System for the fiscal year ended June 30, 2021 (the "**Financial Statements**") included in Appendix B to this Official Statement have been audited by Lance, Soll & Lunghard, LLP, independent accountants (the "**Auditor**"), as stated in its report appearing in Appendix B. The City has not requested, nor has the Auditor given, the Auditor's consent to including its report in Appendix B. The Auditor's review in connection with the Financial Statements included in Appendix B included events only as of June 30, 2021, and no review or investigation with respect to subsequent events has been undertaken by the Auditor in connection with the Financial Statements.

RATINGS

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("**S&P**"), and Fitch Ratings, Inc. ("**Fitch**"), are expected to assign the ratings of "AA+" and "AA+", respectively, to the 2022A Bonds.

A rating is not a recommendation to buy, sell or hold securities. Future events could have an adverse impact on the ratings of the 2022A Bonds, and there is no assurance that any credit rating given to the 2022A Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P or Fitch if, in the judgment of S&P or Fitch, as applicable, circumstances so warrant. Any such qualification, downgrade, lowering or withdrawal of a rating may have an adverse effect on the market price of the 2022A Bonds. Such ratings reflects only the views of S&P and Fitch (which views and criteria could change at any time), and an explanation of the significance of such ratings may be obtained from S&P and Fitch, as applicable. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the 2022A Bonds with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at http://emma.msrb.org/ ("**EMMA**"). See the caption "CONTINUING DISCLOSURE" and Appendix D. Notwithstanding such covenant, information relating to rating changes on the 2022A Bonds may be publicly available from the applicable rating agency prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2022A Bonds are directed to S&P and Fitch and their respective websites and official media outlets for the most current rating with respect to the 2022A Bonds after the initial issuance of the 2022A Bonds.

In providing a rating on the 2022A Bonds, S&P and Fitch may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Resolution. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

UNDERWRITING

The 2022A Bonds are being purchased by Morgan Stanley & Co. LLC (the "**Representative**"), as representative of itself and Samuel A. Ramirez & Co., Inc. (together with the Representative, the "**Underwriters**") pursuant to a purchase contract, dated the date hereof, by and between the City and the Representative. The Underwriters will purchase the 2022A Bonds from the City at an aggregate purchase price of $63,452,519.38, representing the principal amount of the 2022A Bonds, plus $5,570,749.10 of original issue premium and less $143,229.72 of Underwriters' discount.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2022A Bonds to certain dealers (including dealers depositing 2022A Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Representative has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Representative may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Representative may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2022A Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriters are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, Los Angeles, California, as municipal advisor (the "**Municipal Advisor**") in connection with the issuance of the 2022A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In connection with the issuance of the 2022A Bonds, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of Owners and beneficial owners of the 2022A Bonds to provide certain financial information and operating data relating to the Water System (the "**Annual Report**") by not later than 270 days following the end of the City's fiscal year (which fiscal year currently ends on June 30), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City on EMMA. The specific nature of the information to be contained in the Annual Report and the notices of significant events are set forth in Appendix D. These covenants were made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended.

The City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – have previously entered into numerous disclosure undertakings under Rule 15c2-12 in connection with the issuance of other obligations.

In the past, to assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings because on certain occasions in the last five years, the City did not timely file: (1) notice of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations; (2) the City's biennial budget for 2018-2020 in connection with the City's Variable Rate Refunding Certificates of Participation (Riverside Renaissance Projects) Series 2008; (3) a notice of successor trustee for a prior City debt obligation; and (4) certain fiscal year 2018-19 operating data in connection with the Prior Pension Obligation Bonds. In addition, the City did not link certain fiscal year 2017-18 information with respect to bonds of its electric system to all applicable CUSIPs.

The City and its related governmental entities have made filings to correct all known instances of non-compliance during the last five years. The City believes that it has established internal processes, including a written continuing disclosure policy that will ensure that it and its related governmental entities will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles its and its related governmental entities' continuing disclosure obligations internally and no longer uses third-party dissemination agents for that purpose. Additionally, the City has engaged a consultant to annually verify its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

MISCELLANEOUS

The attached appendices are integral parts of this Official Statement and should be read in their entirety. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The City has duly authorized the execution and delivery of this Official Statement.

CITY OF RIVERSIDE, CALIFORNIA

By: /s/Edward Enriquez
Chief Financial Officer/Treasurer

By: /s/Todd Corbin
Utilities General Manager

APPENDIX A

CITY AND COUNTY OF RIVERSIDE – ECONOMIC AND DEMOGRAPHIC INFORMATION

*Set forth below is certain demographic information regarding the City of Riverside (the "**City**"), the County of Riverside (the "**County**") and the State of California (the "**State**"). This information is provided for informational purposes and as general background only. The information set forth herein has been obtained from third party sources that are believed to be reliable, but such information is not guaranteed by the City as to accuracy or completeness. Neither the delivery of this Official Statement nor any sale of the securities offered hereby shall under any circumstances create any implication that there has been no change in any information contained in this Appendix since the date of the Official Statement. The Bonds are payable solely from the Net Operating Revenues of the City's Water System as described in the Official Statement and will not be secured by any pledge of ad valorem taxes or City General Fund revenues. The information and data within this Appendix is the latest data available; however, the current state of the economy at City, County, State and national levels may not be reflected in the data discussed below because more up-to-date publicly available information is not available to the City. In particular, certain information herein reflects periods prior to the outbreak of COVID-19 and may not reflect current conditions.*

General

The City is the county seat of Riverside County (the "**County**") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. Within 10 miles of the City are the cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands, among others. These cities and the City are located in the County and the County of San Bernardino and comprise the Riverside-San Bernardino Primary Metropolitan Statistical Area (the "**PMSA**"). The PMSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

The County and the County of San Bernardino cover 27,400 square miles, a land area larger than the State of Virginia. As of 2022, the County had a population estimated at 2,435,525 and San Bernardino County had a population estimated at 2,187,665. With a population of over 4.6 million, the PMSA ranks as one of the largest Metropolitan Statistical Areas ("**MSAs**") in the United States. The County alone is larger in area than the State of New Jersey. The PMSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

The City was incorporated in 1883 and covers 81.5 square miles. The City is a charter city and has a council-manager form of government with a seven-member council being elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the 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 2,500 personnel. The City operates and maintains a sewer, water and electrical system. Other City services include diversified recreation programs, police, fire, airport, parks, a museum and libraries.

Services and Facilities

Public Safety and Welfare. The City provides law enforcement and fire protection services. The Police Department currently employs approximately 350 sworn officers and the Fire Department employs approximately 225 sworn firefighters operating out of over a dozen fire stations. Other services provided by the City include emergency medical aid, traffic safety maintenance and building safety regulation and inspection.

Public Services. The City provides electric, water, sewer, refuse and transportation service to City residents through municipal enterprises. The City also owns and operates a general aviation airport.

Public Works. Additional services include parkway and median maintenance improvements, refuse management, sewer and storm drain maintenance, zoning and development administration, environmental review, code enforcement and street tree maintenance.

Leisure and Community Services. Among the City's cultural institutions and activities are a convention center, the Riverside Art Museum, the Riverside Metropolitan Museum, a number of libraries, the Municipal Auditorium, the Fox Performing Arts Center, the opera society and the symphony society. There are three major hospitals in the City: Parkview Community, Riverside Community and Kaiser Permanente.

Population

As of January 1, 2022, the population of the City was estimated to be 317,847. The following table presents historical population data for both the City and County.

POPULATION

Year	***City of Riverside***	***Riverside County***
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413
2000	255,166	1,545,387
2010	302,597	2,179,692
2011	307,207	2,212,874
2012	311,332	2,239,715
2013	316,162	2,266,549
2014	318,511	2,291,093
2015	321,655	2,317,924
2016	324,696	2,347,828
2017	323,190	2,382,640
2018	325,860	2,415,955
2019	328,101	2,440,124
2020	316,307	2,418,185
2021	312,789	2,424,587
2022	317,847	2,435,525

Sources: 1950-2010 and 2020 U.S. Census; 2011-2022 California Department of Finance (Demographic Research Unit).

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 65 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California, Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are California School for the Deaf and Sherman Indian High School, a federally-run school for Native Americans.

Employment

The City is included in the PMSA. The unemployment rate in the PMSA was 4.0 percent in June 2022. This compares with an unadjusted unemployment rate of 4.0 percent for California and 3.6 percent for the nation during the same period. The unemployment rate was 4.0 percent in the County and 4.0 percent in San Bernardino County during the same period.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

RIVERSIDE-SAN BERNARDINO PRIMARY MSA
CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT (ANNUAL AVERAGES)
(For Calendar Years 2017 Through 2021)

	2017	*2018*	*2019*	*2020*	*2021*
Civilian Labor Force(1)	2,012,900	2,045,000	2,074,500	2,088,600	2,118,200
Employment	1,909,500	1,956,800	1,989,700	1,880,500	1,961,800
Unemployment	103,400	88,200	84,800	208,100	156,400
Unemployment Rate	5.1%	4.3%	4.1%	10.0%	7.4%
Wage and Salary Employment:(2)					
Agriculture	14,500	14,500	15,400	14,100	13,900
Mining and Logging	1,000	1,200	1,200	1,300	1,400
Construction	97,400	105,200	107,200	104,900	109,200
Manufacturing	98,000	99,800	100,600	95,100	94,800
Wholesale Trade	63,100	66,100	67,700	65,600	67,000
Retail Trade	180,900	181,200	180,700	168,800	177,600
Transportation, Warehousing and Utilities	119,900	132,100	146,600	172,500	198,600
Information	11,600	11,400	11,500	9,400	9,600
Finance and Insurance	26,300	25,300	24,800	24,600	24,400
Real Estate and Rental and Leasing	18,400	19,300	20,200	19,500	20,500
Professional and Business Services	147,300	152,000	158,700	155,400	167,300
Educational and Health Services	226,700	239,500	250,300	248,700	253,400
Leisure and Hospitality	166,300	170,600	175,900	141,300	158,900
Other Services	45,400	45,800	46,200	40,200	43,000
Federal Government	20,600	20,700	21,100	22,100	21,100
State Government	30,400	30,600	31,100	31,300	31,500
Local Government	200,100	205,900	209,000	194,600	191,000
Total All Industries	1,467,800	1,521,100	1,568,100	1,509,300	1,583,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

The following tables show the largest employers in the City and in the County.

CITY OF RIVERSIDE – TEN LARGEST EMPLOYERS
As of June 30, 2019*

Employer Name	*Number of Employees*	*% of Total City-wide Employment*
County of Riverside	22,000	17.5%
University of California	8,735	6.9
March Air Force Reserve	7,000	5.6
Kaiser Permanente	4,346	3.5
Riverside Unified School District	4,313	3.4
City of Riverside	2,485	2.0
Riverside Community Hospital	2,200	1.8
Riverside Community College District	2,100	1.7
Alvord Unified School District	1,898	1.5
California Baptist University	1,442	1.1
Total	38,921	45.0%

*Data is not currently available for the fiscal year ended June 30, 2021 due to the disruption caused by the Coronavirus (COVID-19) pandemic.

Source: City of Riverside (as presented in the City's 2021 audited financial statements).

COUNTY OF RIVERSIDE – LARGEST EMPLOYERS
(LISTED ALPHABETICALLY)
As of August 2022

Employer Name	*Location*	*Industry*
Abbott Vascular Inc	Temecula	Hospital Equipment & Supplies-Mfrs
Agua Caliente Casino Resort Spa	Rancho Mirage	Casinos
Amazon Fulfillment Ctr	Moreno Valley	Mail Order Fulfillment Service
Citrus Club	La Quinta	Clubs
Collins Aerospace	Riverside	Aircraft Components-Manufacturers
Corona City Hall	Corona	City Hall
Corona Regional Medical Ctr	Corona	Hospitals
Department-Corrections-Rehab	Norco	State Govt-Correctional Institutions
Desert Regional Medical Ctr	Palm Springs	Hospitals
Eisenhower Health	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casinos
J Ginger Masonry	Riverside	Masonry Contractors
Kaiser Permanente Riverside MD	Riverside	Hospitals
Riverside Community Hospital	Riverside	Hospitals
Riverside County Public Health	Riverside	Government Offices-County
Riverside University Health	Moreno Valley	Hospitals
Southwest Healthcare System	Murrieta	Hospitals
Spa Resort Casino	Palm Springs	Casinos
Stagecoach Motor Inn	Banning	Hotels & Motels
Starcrest of California	Perris	Internet & Catalog Shopping
Starcrest Products	Perris	Internet & Catalog Shopping
Sun World Intl LLC	Coachella	Fruits & Vegetables-Wholesale
Time Rack	Corona	Computer Software

Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2022 2nd Edition.

Construction Activity

The following tables provide a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City and the County during the past five years for which information is available.

CITY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2017 Through 2021
(Valuation in Thousands of Dollars)

	2017	*2018*	*2019*	*2020*	*2021*
Permit Valuation					
New Single-family	$ 46,666	$ 42,412	$ 35,621	$ 76,746	$ 81,057
New Multi-family	53,944	57,045	61,488	20,059	37,332
Res. Alterations/Additions	19,471	10,426	8,154	6,182	4,411
Total Residential	$120,080	$109,883	$105,263	$102,987	$122,800
New Commercial/Industrial	$ 97,799	$ 96,668	$ 49,409	$ 4,612	$ 0
New Other	14,861	12,305	7,977	17,103	6,537
Com. Alterations/Additions	49,539	63,581	74,407	50,537	3,585
Total Nonresidential	$162,198	$172,554	$131,793	$72,252	$9,942
New Dwelling Units					
Single Family	172	171	163	271	290
Multiple Family	535	504	328	214	367
TOTAL	707	675	491	485	707

Source: City of Riverside Community Development Department.

COUNTY OF RIVERSIDE
BUILDING PERMIT ACTIVITY
For Calendar Years 2017 Through 2021
(Valuation in Thousands of Dollars)

	2017	*2018*	*2019*	*2020*	*2021*
Permit Valuation					
New Single-family	$1,670,542	$2,200,021	$1,834,822	$2,315,365	$2,013,159
New Multi-family	109,309	232,707	282,465	93,149	149,081
Res. Alterations/Additions	123,567	125,353	158,118	110,789	100,402
Total Residential	$1,903,418	$2,558,081	$2,275,405	$2,519,303	$2,262,642
New Commercial/Industrial	$965,629	$1,233,304	$805,908	$539,130	$792,812
New Other	104,352	410,606	179,861	233,710	460,224
Com. Alterations/Additions	363,712	315,771	300,087	380,938	290,962
Total Nonresidential	$1,433,691	$1,959,681	$1,285,856	$1,153,778	$1,543,998
New Dwelling Units					
Single Family	6,265	7,540	6,563	8,443	7,360
Multiple Family	1,070	1,628	1,798	723	1,126
TOTAL	7,335	9,168	8,361	9,166	8,486

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by two major transcontinental railroads: the Santa Fe and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215, which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

To support transportation improvements, in November 1988, County voters approved Measure A, a one-half cent sales tax increase. Measure A was to expire in 2009, but in 2002, County voters approved extending Measure A until 2039. Measure A is expected to generate $4.6 billion between 2009 and 2039. In 1990, voters of the adjacent San Bernardino County approved a similar program, and that sales tax was similarly increased by a vote of the electorate in November 2003.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF RIVERSIDE WATER UTILITY FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The following financial statements include information about the City's Water System and the City's electric utility. The Bonds are payable solely from the Net Operating Revenues of the City's Water System as described in the Official Statement and will not be secured by any pledge of electric utility revenues.

[THIS PAGE INTENTIONALLY LEFT BLANK]

2021

FINANCIAL REPORT

RIVERSIDE PUBLIC UTILITIES

RiversidePublicUtilities.com

WATER | ENERGY | LIFE

CITY OF RIVERSIDE

PUBLIC UTILITIES

OVERVIEW

Riverside Public Utilities generates, transmits and distributes electricity to a 81.5-square-mile territory that includes the City of Riverside. We also deliver water to a 74.2-square-mile territory covering the majority of the City of Riverside.

The Board of Public Utilities is comprised of nine volunteers who live in all seven wards of the City of Riverside. They are appointed by the City Council to four-year terms without compensation. Board members oversee Riverside Public Utilities' policies, operations, revenues, expenditures, planning, and regulatory compliance. They provide an ongoing, year-round review of all actions by Riverside Public Utilities before any measure is sent to the elected City Council representatives for final determination.

SERVICE AREA POPULATION

324,243

RECORD PEAK DEMAND

Energy: 640 megawatts
8/31/2017

Water: 365 acre feet
119 million gallons
8/9/2005

TOTAL OPERATING REVENUE

Energy: $372.1 million

Water: $80.3 million

CUSTOMERS

Energy: 111,711

Water: 66,198

CREDIT RATING

Energy:	AA-	Fitch
	AA-	S&P Global
Water:	AA+	Fitch
	AAA	S&P Global
	Aa2	Moody's

WATER | ENERGY | LIFE

CITY OF RIVERSIDE

PUBLIC UTILITIES

RiversidePublicUtilities.com

OUR MISSION

The City of Riverside Public Utilities Department is committed to the highest quality water and electric services at the lowest possible rates to benefit the community.

OUR VISION

Our customers will recognize Riverside Public Utilities as a unique community asset with a global reputation for innovation, sustainability and an enhanced quality of life.

OUR CORE VALUES

- Safety
- Honesty and Integrity
- Teamwork
- Professionalism
- Quality Service
- Creativity and Innovation
- Community Involvement
- Environmental Stewardship
- Inclusiveness and Mutual Respect

OUR FOCUS AREAS

RELIABILITY & RESILIENCY
Taking care of our infrastructure, so that it remains safe, and efficient.

AFFORDABILITY
Thriving financially while balancing affordable rates for our customers.

SUSTAINABILITY
Ensuring adequate power and water supply in the most environmentally responsible manner.

CUSTOMER EXPERIENCE
Continuing to provide reliable customer-centered service every day.

OPERATIONAL EXCELLENCE
Implementing new technologies that will enhance the customer experience and ensure the tradition of operational excellence.

STRONG WORKFORCE
Developing and supporting a workforce that is safe, prepared and engaged.

CROSS-CUTTING THREADS

Community Trust – Riverside is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. Activities and actions by the City serve the public interest, benefit the City's diverse populations, and result in greater public good.

Equity – Riverside is supportive of the City's racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services to ensure every member of the community has equal access to share in the benefits of community progress.

Fiscal Responsibility – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.

Innovation – Riverside is inventive and timely in meeting the community's changing needs and prepares for the future through collaborative partnerships and adaptive processes.

Sustainability and Resiliency – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City's capacity to persevere, adapt and grow during good and difficult times alike.

Per the Operational Workplan, Riverside Public Utilities will carry out Actions to implement the City Council's Strategic Priorities and Goals below.

Community Well-Being

Ensure safe and inclusive neighborhoods where everyone can thrive.

Goal 2.3.	Strengthen neighborhood identities and improve community health and the physical environment through amenities and programs that foster an increased sense of community and enhanced feelings of pride and belonging citywide.
Goal 2.6.	Strengthen community preparedness for emergencies to ensure effective response and recovery.

Economic Opportunity

Champion a thriving, enduring economy that provides opportunity for all.

Goal 3.3.	Cultivate a business climate that welcomes innovation, entrepreneurship and investment.

Environmental Stewardship

Champion proactive and equitable climate solutions based in science to ensure clean air, safe water, a vibrant natural world, and a resilient green new economy for current and future generations.

Goal 4.1.	Rapidly decrease Riverside's carbon footprint by acting urgently to reach a zero-carbon electric grid with the goal of reaching 100% zero-carbon electricity production by 2040 while continuing to ensure safe, reliable and affordable energy for all residents.
Goal 4.2.	Sustainably manage local water resources to maximize reliability and advance water reuse to ensure safe, reliable and affordable water to our community.
Goal 4.3	Implement local and support regional proactive policies and inclusive decision-making processes to deliver environmental justice and ensure that all residents breath healthy and clean air with the goal of having zero days of unhealthy air quality per the South Coast Air Quality District's Air Quality Index (AQI).
Goal 4.5.	Maintain and conserve 30% of Riverside's natural lands in green space including, but not limited to, agricultural lands and urban forests in order to protect and restore Riverside's rich biodiversity and accelerate the natural removal of carbon, furthering our community's climate resilience.
Goal 4.6.	Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.

Infrastructure, Mobility & Connectivity

Ensure safe, reliable infrastructure that benefits the community and facilitates connection between people, place and information.

Goal 6.1.	Provide, expand and ensure equitable access to sustainable modes of transportation that connect people to opportunities such as employment, education, healthcare and community amenities.
Goal 6.2.	Maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability and facilitate connectivity.
Goal 6.3.	Identify and pursue new and unique funding opportunities to develop, operate, maintain and renew infrastructure and programs that meet the community's needs.
Goal 6.4.	Incorporate Smart City strategies into the planning and development of local infrastructure projects.

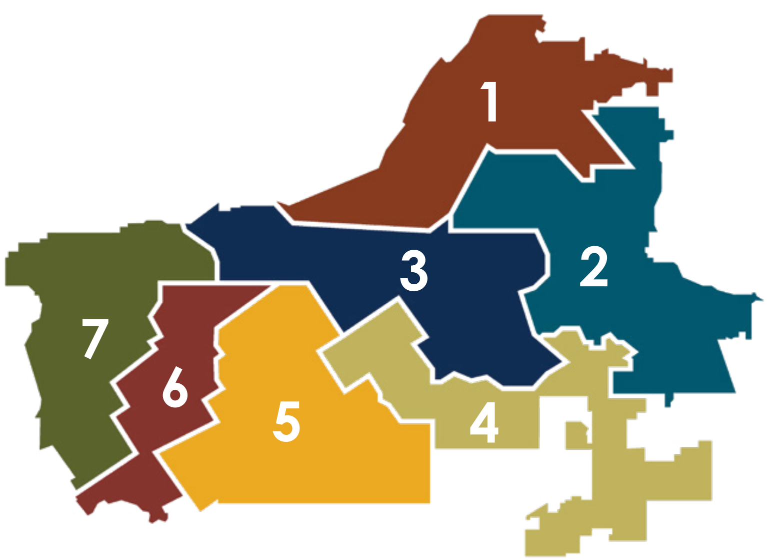
CITY COUNCIL

Patricia Lock Dawson
Mayor

- Erin Edwards
  Ward 1
- Clarissa Cervantes
  Ward 2
- Ronaldo Fierro
  Ward 3
- Chuck Conder
  Ward 4
- Gaby Plascencia
  Ward 5
- Jim Perry
  Ward 6
- Steve Hemenway
  Ward 7

BOARD OF PUBLIC UTILITIES

- Elizabeth Sanchez-Monville
  (Board Chair)
  Ward 3
- David M. Crohn
  (Board Vice Chair)
  Ward 1
- Ana S. Miramontes
  Ward 2
- Gary Montgomery
  Ward 4
- Nancy E. Melendez
  Ward 5
- Rosemary Heru
  Ward 6
- Gil Oceguera
  Ward 7
- Peter Wohlgemuth
  Citywide / Ward 1
- Deborah S. Cherney
  Citywide/Ward 4



EXECUTIVE MANAGEMENT

Al Zelinka
City Manager

Todd Corbin
Utilities General Manager

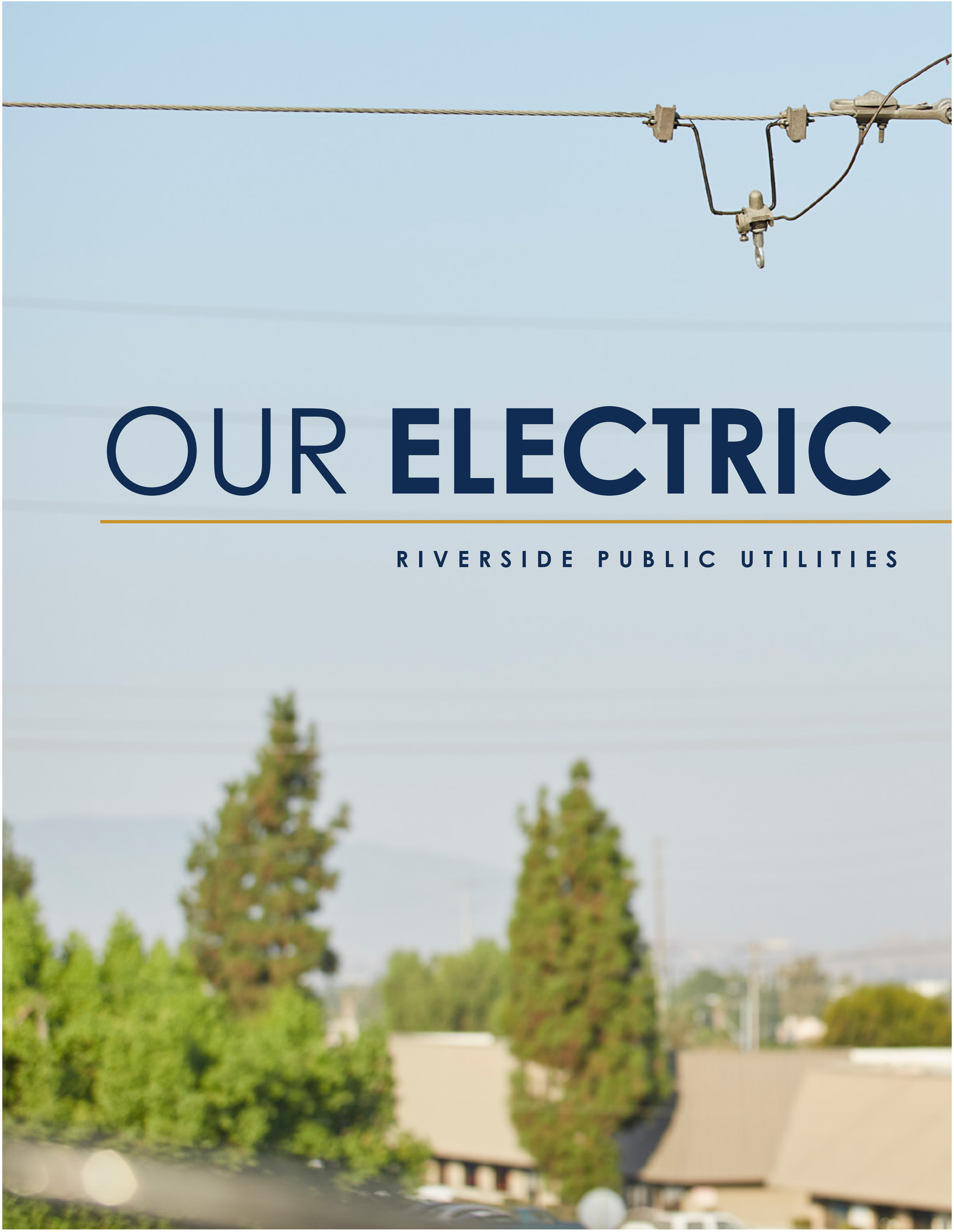
Daniel E. Garcia
Utilities Deputy General Manager

George Hanson
Utilities Assistant General Manager
Energy Delivery

Todd Jorgenson
Utilities Assistant General Manager
Water Delivery

Carlie Myers
Utilities Assistant General Manager
Business Systems and
Customer Service

TABLE OF **CONTENTS**



OUR ELECTRIC

RIVERSIDE PUBLIC UTILITIES


HIGH
RIVERSIDE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Electric Utility Enterprise Fund (Electric Utility) of the City of Riverside, California, (the City) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Electric Utility's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric Utility Enterprise Fund of the City of Riverside, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Electric Utility Enterprise Fund of the City of Riverside and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Electric Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Utility's ability to continue as a going concern for twelve months beyond the date of the financial statements.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Electric Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electric Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of content, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Electric Utility's financial statements. The key historical operating data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The key historical operating data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of Internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 9, 2021

ELECTRIC UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Riverside Public Utilities, a department of the City of Riverside (the City), we offer the readers this narrative overview and analysis of the 2020-21 financial report for the periods ended June 30, 2021 and 2020 for Riverside's Electric Utility (Electric Utility), an enterprise fund of the City. We encourage readers to consider the information presented here in conjunction with additional information furnished in our financial statements, which begin on page 31 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Retail sales, net of uncollectibles/recovery were $318,373 and $308,823 for years ended June 30, 2021 and 2020, respectively. The increase in sales was primarily due to an increase in residential sales and rate plan increases, offset by a decrease in commercial and industrial sales along with increased uncollectibles.

- Operating expense reflects a non-cash pension accounting standard adjustment, which will continue to fluctuate based on yearly actuarial information provided by the California Public Employees' Retirement System. The adjustment was $9,682 and $3,364 in June 30, 2021 and 2020, respectively.

- Operating expense reflects a non-cash other post-employment benefit (OPEB) other than pension accounting standard adjustment, which will continue to fluctuate yearly. The adjustment was $183 and $490 in June 30, 2021 and 2020, respectively.

- Utility plant assets as of June 30, 2021 increased by $7,404 primarily due to an increase in additions and improvements to the Electric distribution infrastructure system to improve service and reliability to Electric Utility's customers, offset by current year depreciation.

- Investment income for the year ended June 30, 2021 decreased by $13,536 due to a fair market value adjustment of investments and a lower overall interest rate in the current fiscal year.

- Total net position as of June 30, 2021 decreased by $17,512 primarily due to a reduction in investment income and a decrease of $4,433 in capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Electric Utility's financial statements. The Electric Utility is a department of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the Electric Utility and provide comparative information for the last two fiscal years. Information on city-wide financial results is available in the City's "Annual Comprehensive Financial Report."

The Electric Utility's financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide the reader additional information about the Electric Utility, including historical sales, operating activities, and other relevant data.

Included as part of the financial statements are three separate statements, which collectively provide an indication of the Electric Utility's financial health.

The ***Statements of Net Position*** present information on all of the Electric Utility's assets, liabilities, deferred inflows and outflows of resources and net position. The Statements of Net Position provide information about the nature and amount of the Electric Utility's resources and obligations at a specific point in time.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The ***Statements of Revenues, Expenses and Changes in Net Position*** report all of the Electric Utility's revenues and expenses for the periods shown.

The ***Statements of Cash Flows*** report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing. They also report other cash uses such as payments for bond principal and capital additions and improvements.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found on pages 35 to 73 of this report.

CORONAVIRUS DISEASE 2019 (COVID-19)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread to a number of countries, including the United States (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, declared a state of emergency. Potential impacts to the City future tax revenues include disruptions or restrictions on current employees' ability to work. Any of the foregoing could negatively impact revenues and the City currently cannot anticipate all of the ways in which this health epidemic, COVID-19, could adversely impact our government agency. Potential impacts will continue to be monitored.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act into law to provide emergency appropriations during the Coronavirus pandemic. The CARES Act represented the third package of assistance from the federal government, providing $2.2 trillion in economic relief to individuals, families, businesses, and nonprofit organizations. Funding for governments was also included through the creation of the Coronavirus Relief Fund, which allocated $150 billion to various State, local and Tribal governments. The Coronavirus Relief Fund (CRF) was distributed to State, local and Tribal governments based on relative population. Local governments with a population of 500,000 or more were eligible to receive a direct allocation from the CRF. Given the population threshold, the City was not eligible to receive a direct allocation.

Throughout the COVID-19 pandemic, the Big City Mayors (BCM) met with federal and state elected officials to advocate for much needed assistance. As part of this effort, the BCM engaged the State's legislative leaders and Governor to solicit support for the creation of a dedicated funding opportunity for the seven cities (Long Beach, Oakland, Bakersfield, Anaheim, Santa Ana, Riverside, and Stockton) of the coalition that did not receive a direct allocation from the CRF due to population size. This targeted advocacy effort resulted in the inclusion of a specific $225 million set-aside for these seven cities as part of the State budget with the City of Riverside receiving an allocation of approximately $28 million. The CARES Act spending plan was approved by City Council on August 4, 2020 and on July 13, 2021, a final CARES Act expenditure report was presented to City Council.

AMERICAN RESCUE PLAN ACT (ARPA)

On March 11, 2021, President Biden passed the $1.9 trillion American Rescue Plan Act (ARPA) that is sending checks to families and offering small business support to drive up demand and counter the country's high unemployment. The ARPA established Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which provides a combined $350 billion in assistance to eligible state, local, territorial, and Tribal governments to assist in the economic and health recovery by providing resources to address impacts resulting from the crisis. The City will receive one-time fund of approximately $73.5 million from ARPA with the first installment of $36.7 million received in June 2021 and the remainder will be received in June 2022.

As of 2021 City and the Electric Utility are continuing to monitor and assess the effects of the COVID-19 pandemic on our government agency and the public. The City and the Electric Utility are pursuing all available programs to assists with impacts of the pandemic. For additional information, refer to the ACFR.

ELECTRIC UTILITY FINANCIAL ANALYSIS

CONDENSED STATEMENTS OF NET POSITION

	2021	2020	2019
Current and other assets	$ 483,635	$ 523,938	$ 525,587
Capital assets	797,902	790,498	794,712
Deferred outflows of resources	42,782	116,883	46,663
Total assets and deferred outflows of resources	1,324,319	1,431,319	1,366,962
Long-term debt outstanding	639,791	662,290	616,130
Other liabilities	184,848	244,662	224,007
Deferred inflows of resources	2,307	9,482	16,093
Total liabilities and deferred inflows of resources	826,946	916,434	856,230
Net investment in capital assets	237,968	238,847	255,893
Restricted	57,884	54,615	47,876
Unrestricted	201,521	221,423	206,963
Total net position	$ 497,373	$ 514,885	$ 510,732

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2021 compared to 2020 The Electric Utility's total assets and deferred outflows of resources were $1,324,319, reflecting a decrease of $107,000 (7.5%), primarily due to the following:

- Current and other assets, comprised of restricted and unrestricted assets, had a net decrease of $40,303, primarily due to the use of $25,217 in restricted bond proceeds to fund capital projects, and a decrease of $12,440 in unrestricted cash and cash equivalents primarily due to COVID-19 impacts. The net decrease was offset by an increase of $1,295 in restricted cash and cash equivalents, and an increase of $1,934 in accounts receivable primarily due to COVID-19 impacts.

- Capital assets increased by $7,404 primarily due to an increase of $41,701 in additions and improvements to the Electric distribution infrastructure system to improve service and reliability to Electric Utility's customers, offset by $34,299 in current year depreciation. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.

- Deferred outflows of resources decreased by $74,101 primarily due to the payment outflow of the 2020 Pension Obligation Bond Series A, of which, the Electric Utility's portion is $66,119. Additionally, there was a decrease in the fair market value of interest rate swaps. Additional information can be found in the "Interest Rate Swaps on Revenue Bonds" section of Note 4 Long-term Obligation.

2020 compared to 2019 Total assets and deferred outflows of resources were $1,431,319, a net increase of $64,357 (4.7%). Current and other assets had a net decrease of $1,649, primarily due to the use of $23,827 in restricted bond proceeds to fund capital projects. The net decrease was offset by an increase of $6,285 in unrestricted cash and cash equivalents, an increase of $7,786 in restricted cash and cash equivalents, an increase of $10,629 in accounts receivable, and favorable operating results. Capital assets decreased by $4,214 primarily due to $30,385 current year depreciation, offset by an increase of $26,507 in additions and improvements to the Electric distribution infrastructure system to improve service and reliability to the Electric Utility's customers. Deferred outflows of resources increased by $70,220 primarily due to the issuance of the 2020 Pension Obligation Bond Series A, of which, the Electric Utility's portion is $66,119. Additionally, there was an increase in the fair market value of interest rate swaps.

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2021 compared to 2020 The Electric Utility's total liabilities and deferred inflows of resources were $826,946, a decrease of $89,488 (9.8%), due to the following:

- Long-term debt outstanding decreased by $22,499 primarily due to revenue bond and pension obligation bond principal payments. Additional debt information can be found in the "Capital Assets and Debt Administration" section.
- Other liabilities decreased by $59,814 primarily due to a decrease of $50,559 in net pension liability, and a decrease of $7,483 due to a decrease in the fair market value of interest rate swaps.
- Deferred inflows of resources decreased by $7,175 primarily due to pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary.

2020 compared to 2019 Total liabilities and deferred inflows of resources were $916,434, an increase of $60,204 (7.0%). Long-term debt outstanding increased by $46,160 primarily due to the issuance of the 2020 Pension Obligation Bond Series A, offset by a decrease in revenue bonds payable and leases payable. Other liabilities increased by $20,655 primarily due to an increase of $5,324 in net pension liability, an increase of $8,414 due to an increase in the fair market value of interest rate swaps, and an increase of $5,717 in the current portion due of long-term bond payables. Deferred inflows of resources decreased by $6,611 primarily due to pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience, and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary.

NET POSITION

2021 compared to 2020 The Electric Utility's net position, which represents the difference between the Electric Utility's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, totaled $497,373, a decrease of $17,512 (3.4%). The following represents the changes in components of Net Position:

- The largest portion of the Electric Utility's total net position, $237,968 (47.9%), reflects its investment in capital assets less any related outstanding debt used to acquire those assets. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.
- The restricted portion of net position totaled $57,884 (11.6%), an increase of $3,269, and represents resources that are subject to external restrictions on how they may be used. These are reserved for items such as debt payments, Public Benefit Programs, and other legally restricted assets.
- The unrestricted portion of net position totaled $201,521 (40.5%), a decrease of $19,902 from prior year, which is primarily attributable to a reduction of $13,536 in investment income and $4,433 in capital contributions. Unrestricted net position may be used to meet the Electric Utility's ongoing operational needs and obligations to customers and creditors.

ELECTRIC UTILITY FINANCIAL ANALYSIS (CONTINUED)

2020 compared to 2019 Total net position, increased by $4,153 (0.8%), to a total of $514,885. Net investment in capital assets decreased by $17,046 primarily due to an increase in long-term debt, the current portion of long-term debt, and a decrease in utility plant. Restricted net position increased by $6,696, and the unrestricted portion increased by $14,503 primarily attributable to the use of bond proceeds to fund capital projects, positive operating results, and a reimbursement from Southern California Edison related to the Riverside Transmission Reliability Project.

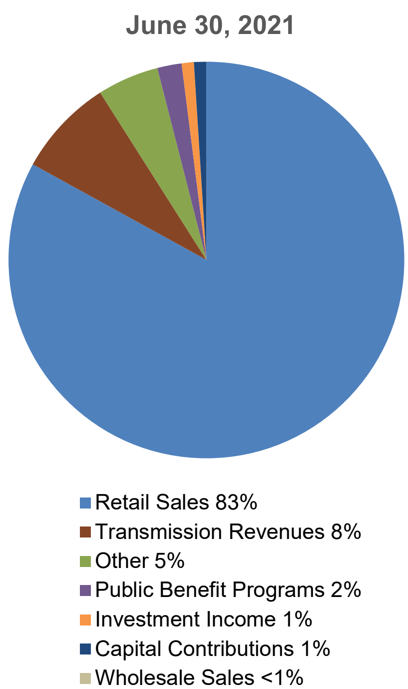
CONDENSED STATEMENTS OF CHANGES IN NET POSITION

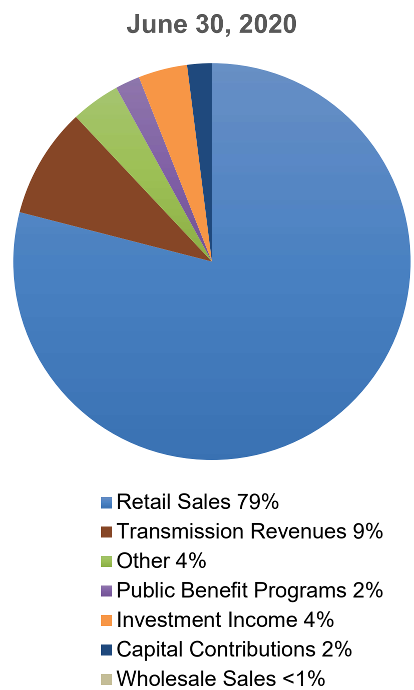
	2021	2020	2019
Revenues:			
Retail sales, net	$ 318,373	$ 308,823	$ 304,172
Wholesale sales	27	-	344
Transmission revenues	32,316	34,817	35,730
Investment income	496	14,032	13,372
Other revenues	18,995	15,845	17,397
Public Benefit Programs	9,252	9,478	9,292
Capital contributions	5,059	9,492	6,383
Total revenues	384,518	392,487	386,690
Expenses:			
Production and purchased power	163,908	157,540	155,264
Transmission	59,770	58,830	64,443
Distribution	70,479	64,546	58,729
Public Benefit Programs	6,419	6,440	8,933
Depreciation	35,654	35,151	34,471
Interest expenses and fiscal charges	25,901	26,269	25,053
Total expenses	362,131	348,776	346,893
Transfers to the City's general fund	(39,899)	(39,558)	(39,886)
Changes in net position	(17,512)	4,153	(89)
Net position, July 1, as previously reported	514,885	510,732	505,412
Less: Cumulative effect of change in accounting principle [1]	-	-	5,409
Net position, July 1, as restated	514,885	510,732	510,821
Net position, June 30	$ 497,373	$ 514,885	$ 510,732

[1] For the restatement of pension allocation, GASB Statement No. 68, for the year ended June 30, 2019.

ELECTRIC UTILITY FINANCIAL ANALYSIS (CONTINUED)

REVENUES BY SOURCES





2021 compared to 2020 The Electric Utility's total revenues of $384,518 decreased by $7,969 (2.0%) with changes in the following:

- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $318,373, a $9,550 (3.1%) increase. Retail sales continue to be the primary revenue source for the Electric Utility. The increase in sales was primarily due to an increase in residential sales and rate plan increases, offset by a decrease in commercial and industrial sales along with increased uncollectibles.

- Transmission revenues of $32,316 decreased by $2,501 (7.2%), primarily due to a decrease of $1.35 per megawatt hour in the average Transmission Revenue Requirement rate.

- Investment income of $496 decreased by $13,536 (96.5%) due to a fair market value adjustment of investments and a lower overall interest rate in the current fiscal year.

- Other revenues of $18,995 increased by $3,150 (19.9%), primarily due to the sale of nuclear fuel and related decommissioning expenses.

- Capital contributions of $5,059 decreased by $4,433 (46.7%), mainly due to a decrease in donated underground electrical conduit.

2020 compared to 2019 The Electric Utility's total revenues of $392,487 increased by $5,797 (1.5%) with changes in the following:

- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $308,823, a $4,651 (1.5%) increase. Retail sales continue to be the primary revenue source for the

ELECTRIC UTILITY FINANCIAL ANALYSIS (CONTINUED)

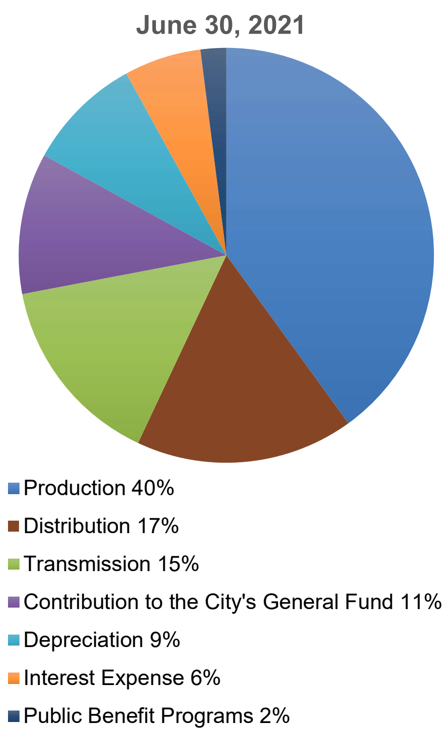
Electric Utility. The increase in sales was primarily due to an increase in residential sales and rate plan increases, offset by a decrease in commercial and industrial sales.

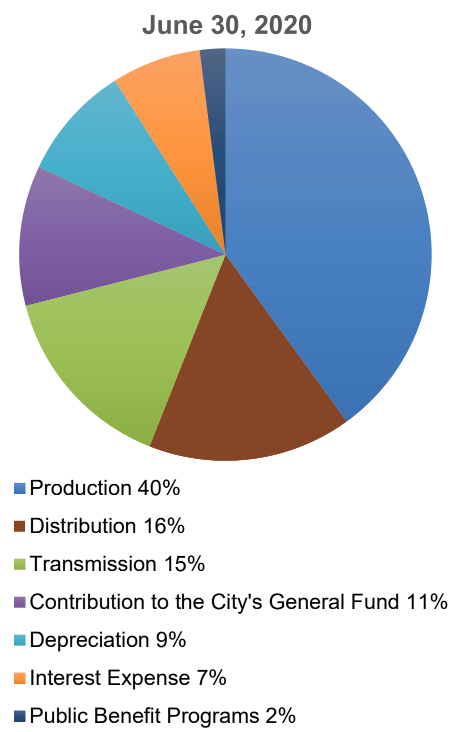
- Transmission revenues of $34,817 decreased by $913 (2.6%), primarily due to a slight decrease in the load requirements and a decrease in the average Transmission Revenue Requirement rate of $0.32 per megawatt hour.

- Investment income of $14,032 increased by $660 (4.9%) due to a higher overall interest rate in the current fiscal year.

- Other revenues of $15,845 decreased by $1,552 (8.9%), primarily due to a write-off for the bankruptcy filing of Ice Energy Holdings, Inc., as well as a decrease in SONGS settlement recoveries.

EXPENSES BY SOURCES





2021 compared to 2020 The Electric Utility's total expenses, excluding general fund transfer, were $362,131, an increase of $13,355 (3.8%). The increase was primarily due to the following:

- Production and purchased power expenses of $163,908 increased by $6,368 (4.0%) primarily due to an increase in the cost of energy.

- Transmission expenses of $59,770 increased by $940 (1.6%), mainly due to an increase in maintenance costs related to the Southern Transmission System.

- Distribution expenses of $70,479 increased by $5,933 (9.2%), mainly due to a non-cash pension adjustment of $9,682 compared to prior year non-cash pension adjustment of $3,364 as a result of pension accounting standards.

- Depreciation expense of $35,654 increased by $503 (1.4%), reflecting the completion of capital projects and their current year depreciation.

2020 compared to 2019 The Electric Utility's total expenses, excluding general fund transfer, were $348,776, an increase of $1,883 (0.5%). The increase was primarily due to the following:

- Production and purchased power expenses of $157,540 increased by $2,276 (1.5%) primarily due to an increase in resource adequacy capacity purchases.

- Transmission expenses of $58,830 decreased by $5,613 (8.7%), mainly due to an unanticipated decrease in maintenance costs related to the Southern Transmission System and a decrease in Southern California Edison's high voltage rate for firm transmission.

- Distribution expenses of $64,546 increased by $5,817 (9.9%), mainly due to a non-cash pension credit adjustment of $3,364 compared to prior year non-cash pension adjustment of ($1,323) as a result of pension accounting standards.

- Depreciation expense of $35,151 increased by $680 (2.0%), reflecting the completion of capital projects and their current year depreciation.

TRANSFERS

Pursuant to the City of Riverside Charter, the Electric Utility may transfer up to 11.5 percent of prior year's gross operating revenues, including adjustments, to the City's general fund. The City uses these funds to help provide needed public services to the residents of the City, including police, fire, parks, libraries and other benefits. The Electric Utility transferred $39,899 and $39,558 for 2021 and 2020, respectively based on the gross operating revenue provisions in the City's Charter. Additional information can be found in Note 13 of the accompanying financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Electric Utility's investment in capital assets includes investments in production, transmission, and distribution related facilities, land, intangibles, construction in progress, as well as general items such as office equipment, furniture, etc.

The following table summarizes the Electric Utility's capital assets, net of accumulated depreciation, at June 30:

	2021	2020	2019
Production	$ 157,370	$ 165,198	$ 170,209
Transmission	27,678	24,569	25,440
Distribution	404,352	396,498	389,552
General	63,689	64,505	67,250
Intangibles	8,639	11,077	13,274
Land	53,042	53,032	53,029
Intangibles, non-amortizable	10,651	10,651	10,651
Construction in progress	72,481	64,968	65,307
Total capital assets	$ 797,902	$ 790,498	$ 794,712

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

2021 compared to 2020 The Electric Utility's investment in capital assets, net of accumulated depreciation, was $797,902, an increase of $7,404 (0.9%). The increase resulted primarily from the following significant capital projects offset by current year depreciation:

- $18,362 in recurring expenditures such as transformer replacements, improvements to the city-wide communications network, distribution line extensions, major overhead/underground conversions, and the Riverside Transmission Reliability Project for additional generation import capability for a second point of interconnection with the State's high voltage transmission grid.
- $9,005 in substation improvements, such as transformer additions and substation upgrades.
- $7,852 in system automation improvements such as advanced metering infrastructure, and major streetlight projects.
- $1,603 in donated underground electrical conduit, donated street lighting, and donated land rights and easement.

2020 compared to 2019 Investment in capital assets, net of accumulated depreciation, was $790,498, a decrease of $4,214 (0.5%). The decrease resulted from the current year depreciation offset by $19,560 in recurring expenditures such as transformer replacements, improvements to the city-wide communications network, new 230 kV station expenditures, and the Riverside Transmission Reliability Project, $10,711 in substation improvements, $5,390 in system automation improvements, and $4,617 in donated underground electrical conduit, donated street lighting, and donated land rights and easement.

Additional information regarding capital assets can be found in Note 3 of the accompanying financial statements.

DEBT ADMINISTRATION

The following table summarizes outstanding long-term debt as of June 30:

	2021	2020	2019
Revenue bonds	$ 540,165	$ 555,520	$ 565,455
Unamortized premium	47,657	50,265	52,484
Capital leases	909	1,444	2,274
Pension obligation bonds	70,951	72,966	8,400
Less: Current portion of outstanding debt	(19,891)	(17,905)	(12,483)
Total	$ 639,791	$ 662,290	$ 616,130

The Electric Utility's bond indentures require the Electric Utility to maintain a minimum debt service coverage ratio, as defined by the bond covenants, of 1.10. The Electric Utility's debt service coverage ratio was 1.99, 2.62, and 2.24 at June 30, 2021, 2020 and 2019, respectively. This debt is backed by the revenues of the Electric Utility. Debt service coverage ratio decreased at June 30, 2021 due to a fair market value adjustment of investments and a lower overall interest rate, along with an increase to principal payments on debt service. For additional information, see Note 4 of the accompanying financial statements and Key Historical Operating Data section.

2021 compared to 2020 The Electric Utility's long-term debt decreased by $22,499 (3.4%) to $639,791 as a result of current year principal payments and amortization of bond premiums.

2020 compared to 2019 Long-term debt increased by $46,160 (7.5%) to $662,290 as a result of issuance of the 2020 Pension Obligation Bond Series A, offset by current year principal payments and amortization of bond premiums.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Additional information on the Electric Utility's long-term debt can be found in Note 4 of the accompanying financial statements.

CREDIT RATINGS

The Electric Utility maintains a credit rating of “AA-” from S&P Global Ratings (S&P) and “AA-” from Fitch Ratings (Fitch). These ratings are a result of the Electric Utility's evolving power resource portfolio, which is well positioned to meet California's increasing environmental regulations with an emphasis on renewable energy resources, stable financial performance and strong liquidity levels.

REGULATORY, LEGISLATIVE FACTORS, AND RATES

Utilities are faced with ongoing regulatory and legislative mandates enacted at the federal and state level that will have significant impact on the operations of the Electric Utility.

ASSEMBLY BILL (AB) 32 – GLOBAL WARMING SOLUTIONS ACT OF 2006

AB 32, enacted in 2006, requires that utilities in California reduce their GHG emissions to 1990 levels by the year 2020. On September 8, 2016, the Governor of California expanded on this bill by approving Senate Bill 32 (SB 32), which requires the state board to ensure that statewide greenhouse gas emissions are reduced to 40% below the 1990 level by 2030.

AB 32 tasked the California Air Resources Board (CARB) to develop regulations for GHG which became effective January 1, 2012. Emission compliance obligations under the cap-and-trade regulation began on January 1, 2013. The Cap-and-Trade Program (Program) was implemented in phases with the first phase starting from January 1, 2013 to December 31, 2014. This phase placed an emission cap on electricity generators, importers and large industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases per year. In 2015, the program expanded to cover emissions from transportation fuels, natural gas, propane, and other fossil fuels. Since the enactment of AB 32, the Electric Utility has actively participated with major investor-owned utilities and other publicly-owned utilities (POUs) to affect the final rules and regulations with respect to AB 32 implementation.

The Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. CARB will provide a free allocation of GHG allowances to each electric utility to mitigate retail rate impacts. If a utility requires additional allowances, then it must be purchased through the auction or on the secondary market to offset its associated GHG emissions. Each allowance can be used for compliance purposes in the current year or carried over for use in future year compliance. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

Any allowance not used for current year compliance or carried over for future use in compliance must be sold into the quarterly allowance auctions administered by CARB. Proceeds from the auctions must be used for the intended purposes as specified in AB 32 which include but are not limited to procurement of renewable resources, energy efficiency and conservation programs and measures that provide clear GHG reduction benefits. The Electric Utility is segregating the proceeds from the sales of allowances in the auctions as a restricted asset.

SENATE BILL (SB) 1368 – EMISSION PERFORMANCE STANDARD

The state legislature passed SB 1368 in 2006, which mandates that electric utilities are prohibited from making long term financial commitments (commitments greater than five years in duration) for generating resources with capacity factors greater than 60 percent that exceed a GHG emission factor of 1,100 pounds per megawatt hour (lbs./MWh). SB 1368 essentially prohibits any long-term investments in generating resources based on coal. Thus, SB 1368 initially disproportionally impacted Southern California POU's as these utilities had heavily invested in coal technology. However, additional legislation such as SBX1-2, SB 350, SB 100, and SB 32 have now led to a gradual decrease in the generation of existing coal resources to serve load.

The City has ownership entitlement rights to 136 MW of the Intermountain Power Plant (IPP). IPP has a GHG emission factor of approximately 2,000 lbs. /MWh. Therefore, under SB 1368, the City is precluded from renewing its IPP Power Purchase Contract at the end of its term in June 2027.

Going forward, SB 1368 related issues are expected to have minimal impact to the CAISO markets as the percentage of California load served by coal resources is small. However, to the extent that significant numbers of coal plants throughout the western United States (U.S.) start to retire in the next 5 to 15 years, it is possible that there can be a tightening of supply throughout the western U.S. electricity market. In turn, this can lead to higher regional costs and potentially reduced system reliability.

ASSEMBLY BILL (AB) 2514 - ENERGY STORAGE

AB 2514 "Energy Storage Systems" was signed into law on September 29, 2010. In 2012, AB 2227 amended the reporting timeline of the energy storage targets referenced in AB 2514. The law directs the governing boards of POUs to consider setting targets for energy storage procurement, but emphasizes that any such targets must be consistent with technological viability and cost effectiveness. The law's main directives for POUs and their respective deadlines are as follows: (a) to open a proceeding by March 1, 2012 to determine appropriate targets, if any, for the utility to procure viable and cost-effective energy storage systems, and (b) to adopt an energy storage system procurement target by October 1, 2014, if determined to be appropriate, to be achieved by the utility by December 31, 2016, and a 2nd target to be achieved by December 31, 2020. POU's were required to submit compliance reports to the CEC of their first adopted target by January 1, 2017.

Energy storage (ES) has been advocated as an effective means for addressing the growing operational problems of integrating intermittent renewable resources, as well as contributing to other applications on and off the grid. In general, ES is a set of technologies capable of storing previously generated electric energy and releasing that energy at a later time. Currently, the commercially available ES technologies (or soon to be available technologies) consist of pumped hydro generation, compressed air systems, batteries, and thermal ES systems.

On February 17, 2012, as per the statute, the City of Riverside's Board of Public Utilities opened a proceeding to investigate the various energy storage technologies available and determine if the City should adopt a 2016 energy storage procurement target. The City finished its investigation of energy storage pricing and benefits in September 2014 and adopted a zero-megawatt target based on the conclusion that the viable applications of energy storage technologies and solutions at the time were not cost effective and outweighed the benefits that it might provide to our electrical system. The City had to reevaluate its assessment by October 1, 2017 and report to the CEC any modifications to its initial target resulting from this reevaluation.

On March 3, 2015, City Council approved the Ice Bear Pilot program for 5 MW. The program is intended to reduce load during peak hours by shifting load to off-peak hours, improve energy efficiency, and demonstrate the City's proactive support of the State's energy storage goals. Additionally, on July 28, 2015, the City Council approved a 20-year power purchase agreement for the City to procure renewable energy from the Antelope DSR Solar Photovoltaic Project that includes a built-in energy storage option for the buyers to exercise during the first fifteen years of operation.

On December 12, 2016, Riverside submitted its first compliance report to the CEC describing Riverside's proactive efforts in investigating viable energy storage options in the market and conducting energy storage pilot projects within the City to fulfill its first adopted target.

On September 11, 2017 and September 26, 2017, after reevaluating its assessment of the first adopted energy storage procurement target of zero megawatts, the Riverside Board and City Council, respectively, approved and adopted the second energy storage procurement target of six megawatts for submittal to the CEC.

SENATE BILL (SB) 380 – MORATORIUM ON NATURAL GAS STORAGE – ALISO CANYON

On October 23, 2015, a significant gas leak was discovered at the Aliso Canyon natural gas storage facility, which makes up 63% of total storage capacity and serves 17 gas fired power generation units. On May 10, 2016, the Governor of California signed SB 380 placing a moratorium on Aliso Canyon's natural gas storage usage until rigorous tests were performed and completed by the Division of Oil, Gas, and Geothermal Resources (DOGGR) as to which wells could continue to be in operation. This moratorium caused great concern regarding reliability in the upcoming summer and winter months. An action plan was initiated to review the summer and winter assessment. This action plan was conducted as a joint effort between the California Public Utilities Commission (CPUC), CEC, CAISO, and Los Angeles Department of Water and Power (LADWP). Although the area of study does not include nor immediately impact Riverside, it is highly plausible that the Electric Utility could still experience curtailed gas deliveries under certain adverse low-flow gas scenarios.

Beginning June 1, 2016, Southern California Gas Company (SoCalGas) implemented new Operational Flow Order (OFO) tariffs due to limitations surrounding Aliso Canyon storage injections and withdrawals. These tariff changes were put in place to reduce the probability of natural gas curtailments, which would disproportionally impact Riverside due to the requirements to operate internal natural gas generation to maintain system reliability during the summer. Also, gas curtailments during high peak days could lead to severe service curtailments throughout Riverside. Therefore, the Electric Utility immediately increased internal communication across divisions, created internal gas curtailment procedures to address this specific issue, and created revised dispatch procedures when load forecasts exceed 400 MW. These tighter OFO tariff restrictions were scheduled to conclude upon the return of Aliso Canyon to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity. Aliso Canyon had not been able to meet its injection and withdrawal targets, therefore, these tighter OFO tariff restrictions continued to remain in effect. In addition, the Electric Utility continues to communicate daily with the CAISO and SoCalGas on any changes that could impact our service territory.

On July 19, 2017, DOGGR issued a press release on their determination, in concurrence with the CPUC, that Aliso Canyon was safe to resume injections up to 28% of the facility's maximum capacity. On that same day, the CEC issued a different press release with a recommendation urging closure of Aliso Canyon in the long-term. On July 31, 2017, SoCalGas resumed injections. Effective July 23, 2019, the CPUC approved new protocols that enable SoCalGas to withdraw from the Aliso Canyon natural gas storage facility when specific conditions are met related to Low Operational Flow Order (OFO) calculations, Southern California natural gas inventory levels, and/or emergency conditions.

The Electric Utility fulfilled its system reliability without any natural gas delivery issues during multiple heat waves from 2016 through 2020. Going forward, the Electric Utility will continue to monitor workshops and new legislation and regulations that impact the status of Aliso Canyon and its effect on the reliability of our service territory. Senate Bill 380 added Section 715 to the Public Utilities Code, which requires the CPUC to determine the range of Aliso Canyon inventory necessary to ensure safety, reliability, and just and reasonable rates. In the most recent Section 715 Report, the Energy Division of the CPUC recommended that the maximum allowable Aliso Canyon inventory increase from 24.6 to 34 billion cubic feet for summer 2018 and going forward, due to continuing pipeline outages on the SoCalGas system. On May 27, 2020, the CPUC granted SoCal Gas permission to withdraw natural gas from Aliso Canyon for cleanup purposes. As of October 7, 2020, the results of the 114 injection well tests are as follows: 66 wells have completed all required tests and have received final DOGGR approval; 27 wells have been taken out of operation; and 21 wells have been plugged and abandoned.

SENATE BILL (SB) 859 – "BUDGET TRAILER BILL" – BIOMASS MANDATE

In the final two days of the 2015-2016 legislative session, a "budget trailer bill" on how to spend cap-and-trade funds was amended to include a biomass procurement mandate for local publicly-owned utilities serving more than 100,000 customers. These utilities would be required to procure their pro-rata share of the statewide obligation of 125 MW based on the ratio of the utility's peak demand to the total statewide peak demand from existing in-state bioenergy projects for at least a five-year term. On September 14, 2016, the Governor of California signed SB 859 into law.

On October 13, 2016, the CPUC adopted Resolution E-4805, which established that the POUs be allocated 29 MW of the 125 MW statewide mandate. The City determined that their obligated share would be 1.3 MW to meet the mandate. It is expected that the City's proportion of these facilities will be counted towards the Electric Utility's Renewable Portfolio Standard (RPS) goals.

In 2017, the affected POUs consisting of the cities of Anaheim, Los Angeles, and Riverside, Imperial Irrigation District, Modesto Irrigation District, Sacramento Municipal Utility District, and Turlock Irrigation District decided it would be beneficial to procure a contract together for economies of scale. This was accomplished by utilizing SCPPA to issue a Request for Proposal on behalf of all the affected POUs, since four of the seven POUs affected are existing SCPPA members.

In January 2018, the Riverside Board and City Council approved the City's five-year Power Sales Agreement with SCPPA for 0.8 MW from the ARP-Loyalton biomass project. On April 20, 2018, the facility declared commercial operation.

On September 21, 2018, the Governor signed into law SB 901, which primarily focuses on strengthening California's ability to prevent and recover from catastrophic wildfires such as via forest management activities, updating requirements for maintenance and operations of utility infrastructure, assessing GHG emissions impact, and protecting ratepayers. The bill also included a clause for certain biomass contracts that were procured or operating in 2018 and set to expire on or before December 31, 2023 to be offered a contract extension. The Electric Utility is required to "seek to amend the contract to include, or seek approval for a new contract that includes, an expiration date 5 years later than the expiration in the contract". Although there is no enforcement mechanism, the ARP-Loyalton biomass project meets the above criteria and feedstock requirement referenced in SB 901 and SB 859. The Electric Utility is currently working with ARP-Loyalton to comply with SB 901.

On February 24, 2020 and March 17, 2020, Riverside's Board and City Council, respectively, adopted a five-year Purchase Agreement with Roseburg Forest Products Co. for 0.5 MW in capacity to fulfill the remaining MW share of the mandate. On February 16, 2021, Roseburg declared commercial operation.

SENATE BILL (SB) 350 – CLEAN ENERGY AND POLLUTION REDUCTION ACT OF 2015

SB 350, enacted in 2015, consists of a multitude of requirements to meet the Clean Energy and Pollution Reduction Act of 2015. The primary components that affect the Electric Utility are: 1) the increased mandate of the California RPS to 50% by December 31, 2030, 2) doubling of energy efficiency savings by January 1, 2030, and 3) providing for the transformation of the CAISO into a regional organization. In addition, there is a specific integrated resource planning mandate embedded in the bill that applies to the 16 POUs that have an annual electrical demand exceeding 700 GWh over a 3-year average, which includes the Electric Utility.

REGULATORY, LEGISLATIVE FACTORS, AND RATES (CONTINUED)

The bill also requires that an updated RPS Procurement Policy must be approved and adopted before January 1, 2019 and be incorporated into the Electric Utility's Integrated Resource Plan (IRP). An Updated 2018 Renewable Energy Procurement Policy was adopted by the Board and City Council on September 10, 2018 and October 9, 2018, respectively. In parallel, on or before January 1, 2019, the governing board of the Electric Utility must adopt an IRP and a process for updating the plan at least once every 5 years. The IRP must address specific topics such as energy efficiency and demand response resources, transportation electrification, GHG emissions, energy storage resources, enhance distribution systems and demand-side management, etc. The IRP must be submitted to the CEC for review, of which the CEC will check if the statutory requirements have been met and will adopt guidelines to govern the submission of the IRP information. On August 9, 2017, the CEC adopted the POU IRP Submission and Review Guidelines.

On September 30, 2017, the Governor signed SB 338, which requires that the governing board of local POUs consider as part of the IRP process the role of existing renewable generation, grid operational efficiencies, energy storage, energy efficiency, and distributed energy resources in meeting the energy and reliability needs of each utility during the hours of peak demand. On August 1, 2018, the CEC adopted a Second Edition of the POU IRP Submission and Review Guidelines to include the requirements of SB 338. On October 3, 2018, the CEC adopted an amendment to the second edition guidelines to include the CARB's GHG emission reduction planning targets for IRPs.

On November 26, 2018 and December 11, 2018, the Board of Public Utilities and City Council, respectively, adopted the Electric Utility's 2018 Integrated Resource Plan. The IRP and additional submittal requirements were submitted to the CEC on December 18, 2018. In April 2019, the CEC issued their Staff Paper Review of the Electric Utility's IRP, as well as the CEC Executive Director's Determination Letter finding the Electric Utility to be consistent with the requirements of SB 350. The adoption of this determination occurred at the CEC Business meeting on August 14, 2019.

The CEC continues to host various workshops on different components of the SB 350 requirement and the Electric Utility has been monitoring its outcome.

ASSEMBLY BILL (AB) 1110- GREENHOUSE GAS EMISSIONS INTENSITY REPORTING

On September 26, 2016, AB 1110 was signed into law requiring GHG emissions intensity data and unbundled renewable energy credits (RECs) to be included as part of the retail suppliers' power source disclosure (PSD) report and power content label (PCL) to their customers. GHG emissions intensity factors will need to be provided for all retail electricity products. The inclusion of this new information requirement on the PCL will begin in 2021 for calendar year 2020 data. In addition to still being required to post the PCL on the city website, the bill also reinstated the requirement that the PCL disclosures must be mailed to the customers starting in 2017 for calendar year 2016 data unless customers have opted for electronic notifications. In accordance with this requirement, Riverside reinstated the inclusion of printed disclosures of the PCL with its September 2017 bills to the customers.

In 2017, the CEC began hosting workshops on the GHG emissions disclosure requirements and initiated the rulemaking process of updating their PSD regulations. A pre-rulemaking phase also began that included an implementation proposal on AB 1110. The legislation requires the CEC to adopt guidelines by January 1, 2018. In early 2018, the CEC provided an update to their 2017 pre-rulemaking activities and proposed changes to the regulations and reports, but additional workshops were needed. In March 2019, the last pre-rulemaking workshop was held by the CEC, with the intent to begin the formal rulemaking in May, but was delayed until September 2019. On December 11, 2019, the CEC adopted the updated PSD regulations, which changed the timing of the inclusion of the GHG emissions intensity data to be included in the PCL starting in 2021 for calendar year 2020 data. The adoption of the updated PSD regulations and how the additional GHG emissions intensity information will be conveyed to customers in the PSD report and PCL was approved on May 4, 2020. The most notable changes to the report and label are the addition of the GHG emissions intensity and how certain energy resources will be conveyed to the customers to meet the AB 1110 requirement. Riverside continues to monitor the workshops and draft regulations for any impacts to the utility's reporting and resources in meeting this requirement.

ASSEMBLY BILL (AB) 398 – GHG CAP-AND-TRADE PROGRAM EXTENSION

AB 398 was signed on July 25, 2017 and approved extending the GHG cap-and-trade program to December 31, 2030, which was originally implemented under AB 32. This bill was also a companion bill to AB 617 as part of a legislative package that will be discussed further below. In addition, AB 398 required the CARB to update their scoping plan no later than January 1, 2018. AB 398 also requires all adopted GHG rules and regulations to be consistent with this plan. On July 27, 2017, the CARB approved the 2016 Cap-and-Trade Amendments, which includes the Electric Utility's 2021-2030 allowance allocations it will receive each year. The Electric Utility's allowance allocations should be sufficient to cover all of its 2021-2030 direct compliance obligations.

Initially, it was unclear under AB 398 whether the Electric Utility would be required to consign 100% of its allowances to the market and then purchase allowances to fulfill its compliance obligations. Since the start of the Cap-and-Trade program in 2012, POUs have been able to directly assign allowances for compliance. However, in 2017, the CARB announced they were reconsidering this provision. In early 2018, after much discussion and collaboration with the CARB in which the POUs demonstrated that they continue to include the price of GHG emissions in the cost of energy, it was agreed that the POUs would not be forced to consign their allocated direct-compliance allowances to auction. Other unknown components of the law include the banking provisions and the specific GHG revenue spending requirement for revenues generated from the sale of excess allowances.

In June 2021, CARB began focus area discussion workshops as part of the next iteration of the Scoping Plan Update on four areas: 1) electricity sector, 2) transportation sector, 3) equity and environmental justice, and 4) natural and working lands. On June 8, 2021, CARB hosted a workshop series to commence development of the 2022 Scoping Plan Update to Achieve Carbon Neutrality by 2045. Starting in July 2021 and onward, a series of technical workshops have or will be hosted to cover various topics and sectors within the Scoping Plan. The most notable impacts to the Electric Utility are the proposed scenarios to achieving carbon neutrality either by moving it up to 2035 or leaving it at 2045, but with restrictions on what resources would qualify as carbon neutral and how it would be accomplished. CARB indicated that cap-and-trade will not be the focus of the Scoping Plan Update, but details for implementation and/or regulatory changes would occur after the Scoping Plan Update is completed.

CARB will be hosting more workshops and plans to issue the final Scoping Plan in Fall 2022 with an adoption by Winter 2022. It is expected CARB will be issuing the next iteration of regulation changes soon thereafter. The Electric Utility will continue to monitor the outcome and impacts of the upcoming regulations on its service territory and ratepayers.

ASSEMBLY BILL (AB) 617 – AIR QUALITY MONITORING

AB 617 was signed on July 26, 2017 and was part of a legislative bill package with AB 398 which authorized the extension of the Cap-and-Trade Program in the State. AB 617 addresses the disproportionate impacts of air pollution in areas impacted by a combination of economic, health, and environmental burdens. These burdens include combinations of poverty, high unemployment, health conditions such as asthma and heart disease, air and water pollution, and hazardous wastes. Both the CARB and local air districts are required to take specific actions to reduce air pollution and toxic air contaminants from commercial and industrial sources, including from electricity-generating facilities. The bill required the CARB, by October 1, 2018, to prepare a statewide monitoring plan regarding technologies and reasons for monitoring air quality and, based on that plan, identify the highest priority locations for the deployment of community level air monitoring systems. Local air districts are required to deploy the air monitoring systems in the specified communities by July 1, 2019. Additional locations for the deployment of the systems will be identified annually by the CARB beginning January 1, 2020. CARB is also required to provide grants to community-based organizations for technical assistance and to support community participation in the programs. In turn, this effort would require the local air district of the selected community to adopt a community emissions reduction program.

Additionally, AB 617 requires the CARB to develop uniform reporting standards for criteria air pollutants and toxic air contaminants for specific uses, including electricity-generating facilities. Air districts are to adopt an expedited schedule for implementing best available retrofit control technologies for the uses, while the CARB will identify these technologies.

This bill affects the City and the Electric Utility by imposing additional reporting requirements, particularly on power plants, and potentially adding or improving air monitoring systems in selected communities located within the City of Riverside. For Riverside, the local air district is the Southern California Air Quality Management District ("SCAQMD"). CARB and SCAQMD have held and continue to hold community meetings to implement the required elements of AB 617. Preliminary discussions and proposals have already been conveyed by community members from the City as well as from the University of California, Riverside proposing areas for community air monitoring and planning. The City and Electric Utility is monitoring the progress of the community meetings and the two proposed areas for any impacts.

ASSEMBLY BILL (AB) 802 – BUILDING ENERGY USE BENCHMARKING AND PUBLIC DISCLOSURE PROGRAM

On October 8, 2015, AB 802 was signed into law creating a new statewide building energy use benchmarking and public disclosure program for the State of California. The bill requires California utilities to maintain records of energy usage data for all buildings (i.e., commercial and multifamily buildings over 50,000 square feet gross floor area) for at least the most recent 12 months. Beginning January 1, 2017, utilities are required to deliver or provide aggregated energy usage data for a covered building, as defined, to the owner, owner's agent or operator upon written request. The Electric Utility provides consumption data for buildings meeting the legislative requirement upon owners' written request. The CEC adopted regulations on October 11, 2017 and approved the regulation action to be effective on March 1, 2018. Building owners are required to report this information annually beginning on June 1, 2018.

SENATE BILL (SB) 100 – THE 100 PERCENT CLEAN ENERGY ACT OF 2018

On September 10, 2018, the Governor signed into law the 100 Percent Clean Energy Act of 2018 (SB 100). This bill further increases the RPS goals of SBX1-2 and SB 350, while maintaining the 33% RPS target by December 31, 2020, but modifying the future RPS percentages to be 44% by December 31, 2024, 52% by December 31, 2027, and 60% by December 31, 2030. The current end goal of SB 100 is to have 100% of the state's retail electricity supply generated from a mix of RPS-eligible and zero-carbon resources by December 31, 2045.

The CEC is required to establish appropriate multiyear compliance periods for all subsequent years after 2030 that will require POUs to procure not less than 60% of retail sales from renewable resources. In September 2019, the CEC began conducting pre-rulemaking workshops to discuss potential amendments to the RPS Enforcement Procedures for POUs that would incorporate the SB 100 mandates. In addition, POUs will need to include the increased requirements in their future IRP. On December 1, 2020, the CEC released the 3rd 15-day language for the RPS Enforcement Procedures for POUs and adopted it at the December 22, 2020 CEC Business Meeting. It was approved by the Office Administrative Law (OAL) and made effective July 12, 2021. The updated procedures clarify the interim targets for each year and that compliance periods beginning on and after January 1, 2031, shall be three years in length starting on January 1 and ending on December 31. For each compliance period beginning on or after January 1, 2031, a POU shall demonstrate it has procured electricity products within the compliance period sufficient to meet or exceed an average of 60.00% of the POU's retail sales over the three calendar years of the compliance period.

On December 4, 2020, the CEC issued a draft SB 100 Joint Agency Report, presented by the CEC with CARB and CPUC. The joint agency report is intended to inform policy and planning which is required to be presented to the legislature every four years starting on January 1, 2021. The final report was published by the CEC and joint agencies on March 15, 2021. Riverside will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

SENATE BILL (SB) 1028, SB 901 AND ASSEMBLY BILL (AB) 1054 – LEGISLATION RELATING TO WILDFIRES

On September 24, 2016, Governor Brown signed into law SB 1028, which requires each POU, IOU and electric cooperative to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment.

SB 901, which was passed at the end of the 2017-2018 biennium session of the California State Legislature and signed by the Governor on September 21, 2018, is meant to address the Governor's and legislative leaders' desire to address response, mitigation, and prevention of wildfires. SB 901 requires the Electric Utility to prepare before January 1, 2020 and annually thereafter, a wildfire mitigation plan (WMP) that includes specified information and elements. The Electric Utility must present its WMP in an appropriately noticed public meeting and accept comments on the plan from the public, other local and state agencies, and interested parties, and to verify that the plan complies with all applicable rules, regulations, and standards, as appropriate. In addition, the Electric Utility must contract with a qualified independent evaluator to review and assess the comprehensiveness of its plan. The report of the independent evaluator must be made available on the Electric Utility's website and presented at the local governing board's public meeting.

On July 12, 2019, the Governor signed into law AB 1054 and AB 111, which establishes the California Wildfire Safety Advisory Board (WSAB), adds an additional process requirement for review of wildfire mitigation plans, and establishes a wildfire fund. In addition to the Electric Utility presenting its WMP to its local governing board by January 1, 2020, the Electric Utility must submit it to the new advisory board by July 1, 2020 and provide annual updates each year thereafter. Additionally, the Electric Utility is required to submit a comprehensive WMP at least once every three years.

The City fully complied with AB 1054 and the City Council formally adopted the Wildfire Mitigation Plan on December 17, 2019. Following City Council adoption, this approved plan was also submitted to WSAB on May 6, 2020, as required.

On December 9, 2020, the WSAB completed their review of all publicly owned utilities' initial WMPs and issued an advisory opinion applicable to all POUs. It identified several themes that all POUs were requested to address and were not required to incorporate the recommendations as part of the next annual WMP update. Instead, POUs were asked to respond to a matrix of questions to be submitted at the same time as the next update of the WMP. The matrix is not required to be presented to the public utilities governing board.

On June 14, 2021, the Electric Utility presented the updated 2021 WMP to its Board and received a recommendation that the City Council approve the 2021 Riverside Public Utilities WMP annual update for submittal to the WSAB by July 1, 2021. During the Board meeting, staff identified updates to the WMP that would allow the Electric Utility to better respond to the WSAB's advisory opinion that had not been incorporated into the WMP. Instead of bringing it before the City Council for approval as is, staff opted to remove the item from consideration in order to provide an updated 2021 Riverside Public Utilities WMP to the Riverside Board for approval again. The update to the 2021 Riverside Public Utilities WMP was approved at the September 27, 2021 and October 12, 2021, Riverside Board and City Council, respectively.

For the wildfire fund, only voluntary participating IOUs are eligible for claims arising from a covered wildfire. The POUs are not required nor able to join due to concerns and issues over complications of funding as a public entity. The bills do not address existing legal doctrine relating to utilities' liability for wildfires. However, any future legislation that addresses California's inverse condemnation and strict liability issues for utilities in the context of wildfires could be significant for the Electric Utility. Riverside is regularly engaged with the current WSAB meetings and updates, continues to partner with the Riverside Fire Department and diligently monitor the outcome and impacts of any upcoming legislation and regulations on its service territory and ratepayers. Riverside's annual WMP update was filed on October 14, 2021.

FIVE-YEAR ELECTRIC RATE PLAN

On May 22, 2018, the City Council approved a five-year Electric Rate Plan, which includes system average annual with rate increases. The first annual rate increase was effective January 1, 2019 with the following four years effective on January 1 of each year. The approved five-year Electric Rate Plan includes annual reviews of the adopted rates by City Council. The system average rate increase effective January 1, 2019 was 2.95%, followed by system average rate increases of 3.0% in years two through five. The Electric Rate Plan included the introduction of electric rate components over a five-year period to better align with its cost of serving customers and its revenue requirement. The Electric Rate Plan was designed to provide financial stability and correct the imbalance of costs versus revenue recovery by increasing fixed cost recovery through monthly service charges and a new network access charge to reflect the nature of underlying costs. Pursuant to City Council direction, the first annual review of rates was conducted in February 2020 and the second annual review of rates was conducted in January 2021. Due to the unprecedented Local Emergency due to COVID-19, the City Council delayed the implementation of the third year of the Electric Rate Plan originally effective January 1, 2021 until July 1, 2021.

ECONOMIC DEVELOPMENT AND GREEN INITIATIVES

The City of Riverside has a long history of valuing sustainability and ensuring economic development. Recent efforts for sustainability began in 2001 when the City began using light-emitting diodes in all City traffic signals to reduce electricity usage. Today, the City remains committed to environmental issues and serves as a state leader in sustainability.

The City's first sustainability policy statement was adopted in 2007 and ultimately led to the adoption of three Green Action Plans, the most recent in 2012. Most recently, the City adopted the Envision Riverside 2025 Strategic Plan in October 2020. This plan incorporates sustainability throughout as a cross cutting value and environmental stewardship as one of six priority areas for the City. Additional adopted policies can be found in the City's General Plan 2025 (2007), the Environmentally Preferable Purchasing Policy (2009), the Food and Agriculture Policy Action Plan (2015) and the Riverside Restorative Growthprint (2016).

The City hosts community-wide Green Riverside Leadership Summits. Since 2012, summits have been held every 2 to 3 years. Events in 2012 and 2019 were in partnership with the University of California Riverside. Events in 2014 and 2016 were conducted as part of the community-led Riverside Green Festival and Summit.

The City has received numerous recognitions for its sustainability programs and initiatives. In 2009, the California Department of Conservation named Riverside its first "Emerald City" in recognition for its sustainable green initiatives and commitment to help the state achieve multiple state environmental priorities. The City was honored in 2016 with the Green Community Award from Audubon International, recognizing Riverside for its ongoing sustainability initiatives. In addition, the City received the 2016 Sustainable Communities Award from the Green California Leadership Summit for its ongoing community-wide sustainability projects and programs that create environmental awareness and action throughout the community, including business, government and private citizens. The Green California Leadership Summit again recognized the City in 2018 with its Leadership Award for the City Green Fleet Program.

The Electric Utility supports the local economy by offering some of the lowest commercial electric rates in Southern California combined with attractive economic development electric discount rates to qualified new and expanded load customers. These rate programs have helped create and retain over 3,600 jobs in the City since 2010.

Beyond rate incentives, the Electric Utility also offers local businesses a comprehensive assortment of water and energy efficiency programs to improve building efficiency and reduce customer electric consumption. Fiscal year 2020-2021 commercial energy efficiency programs saved a total of 4.9 Million kWh.

All of these efforts support organizations and companies meet their sustainability goals. Most recently, the State of California's Air Resources Board relocated their Southern California headquarters to the City of Riverside. The campus opened in 2021 and is one of the largest and most advanced vehicle emissions testing and research facilities in the world. Additionally, the headquarters are LEED Platinum, the highest level awarded by the U.S. Green Building Council for the overall sustainability and energy efficiency of a building. It is the single largest net-zero energy structure in the nation, in terms of square footage and load. (That means it will produce as much energy as it uses.)

The City initiated an ambitious LED streetlight replacement program in 2016. The program will eventually replace all city-owned streetlights by 2026, resulting in approximately 10 million kWh saved annually along with substantially reduced maintenance costs. Additionally, the Electric Utility's grant program continues to provide assistance to local universities by providing funding for important research projects that explore new ways to advance energy technology and water conservation techniques.

These economic development and sustainability projects and programs put the Electric Utility on the cutting edge of job creation and resource efficiency, making the City a better place to live and do business.

For more information on these economic development and green initiatives, go to GreenRiverside.com.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Electric Utility's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager – Business Systems and Customer Service, Riverside Public Utilities, 3750 University Avenue, 3rd floor, Riverside, CA 92501. Additional financial information can also be obtained by visiting www.RiversidePublicUtilities.com.

ELECTRIC UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30, 2021	June 30, 2020
	(in thousands)	
NON-CURRENT ASSETS:		
Utility plant:		
Utility plant, net of accumulated depreciation (Note 3)	$ 797,902	$ 790,498
Restricted assets:		
Cash and investments at fiscal agent (Note 2)	59,949	64,150
Cash and cash equivalents at fiscal agent (Note 2)	7,668	33,833
Total non-current restricted assets	67,617	97,983
Other non-current assets:		
Advances to other funds of the City	2,925	3,383
Unamortized purchased power (Note 11)	12,971	13,611
Regulatory assets	1,757	1,850
Total other non-current assets	17,653	18,844
Total non-current assets	883,172	907,325
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents (Note 2)	287,294	299,734
Accounts receivable, less allowance for doubtful accounts 2021 $6,169; 2020 $2,265	43,785	41,851
Accrued interest receivable	586	881
Inventory	971	971
Prepaid expenses	6,964	6,433
Unamortized purchased power (Note 11)	644	634
Total unrestricted current assets	340,244	350,504
Restricted assets:		
Cash and cash equivalents (Note 2)	35,493	36,680
Public Benefit Programs - cash and cash equivalents (Note 2)	21,426	18,944
Public Benefit Programs receivable	1,202	983
Total restricted current assets	58,121	56,607
Total current assets	398,365	407,111
Total assets	1,281,537	1,314,436
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension (Note 6)	15,820	83,568
Deferred outflows related to other postemployment benefits (Note 7)	2,167	1,561
Public Benefit Programs - Deferred outflows related to other postemployment benefits (Note 7)	-	40
Changes in derivative values	16,228	22,623
Loss on refunding	8,567	9,091
Total deferred outflows of resources	42,782	116,883
Total assets and deferred outflows of resources	$ 1,324,319	$ 1,431,319

See accompanying notes to the financial statements

STATEMENTS OF NET POSITION

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	June 30, 2021 (in thousands)	June 30, 2020
NET POSITION:		
Net investment in capital assets	$ 237,968	$ 238,847
Restricted for:		
Regulatory requirements (Note 8)	16,923	16,815
Debt service (Note 8)	18,615	18,286
Public Benefit Programs	22,346	19,514
Unrestricted	201,521	221,423
Total net position	497,373	514,885
LONG-TERM OBLIGATIONS, LESS CURRENT PORTION (NOTE 4)	639,791	662,290
OTHER NON-CURRENT LIABILITIES:		
Compensated absences (Note 5)	3,389	1,227
Net pension liability (Note 6)	39,233	89,792
Nuclear decommissioning liability (Note 10)	43,642	49,529
Total other postemployment benefits liability (Note 7)	11,126	10,708
Derivative instruments (Note 4)	19,968	27,451
Regulatory liability	3,461	2,373
Total non-current liabilities	120,819	181,080
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest payable	4,085	5,872
Public Benefit Programs payable	239	304
Nuclear decommissioning liability (Note 10)	7,254	6,179
Current portion of long-term obligations (Note 4)	19,345	17,370
Total current liabilities payable from restricted assets	30,923	29,725
CURRENT LIABILITIES:		
Accounts payable and other accruals	18,137	19,349
Compensated absences (Note 5)	3,793	4,635
Customer deposits	10,563	9,265
Unearned revenue	67	73
Current portion of long-term obligations (Note 4)	546	535
Total current liabilities	33,106	33,857
Total liabilities	824,639	906,952
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension (Note 6)	1,714	9,220
Deferred inflows related to other postemployment benefits (Note 7)	593	262
Total deferred inflows of resources	2,307	9,482
Total net position, liabilities and deferred inflows of resources	$ 1,324,319	$ 1,431,319

See accompanying notes to the financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Fiscal Years Ended June 30,	
	2021	2020
	(in thousands)	
OPERATING REVENUES:		
Residential sales	$ 133,460	$ 121,162
Commercial sales	68,877	68,958
Industrial sales	115,206	115,745
Other sales	4,864	4,849
Wholesale sales	27	-
Transmission revenue	32,316	34,817
Other operating revenue	12,099	13,960
Public Benefit Programs	9,252	9,478
Total operating revenues before uncollectibles	376,101	368,969
Estimated uncollectibles, net of bad debt recovery	(4,034)	(1,891)
Total operating revenues, net of uncollectibles	372,067	367,078
OPERATING EXPENSES:		
Production and purchased power	163,908	157,540
Transmission	59,770	58,830
Distribution	70,479	64,546
Public Benefit Programs	6,419	6,440
Depreciation	35,654	35,151
Total operating expenses	336,230	322,507
Operating income	35,837	44,571
NON-OPERATING REVENUES (EXPENSES):		
Investment income	496	14,032
Interest expense and fiscal charges	(25,901)	(26,269)
Gain on sale of assets	628	335
Other	6,268	1,550
Total non-operating revenues (expenses)	(18,509)	(10,352)
Income before capital contributions and transfers out	17,328	34,219
Capital contributions	5,059	9,492
Transfers out - contributions to the City's general fund	(39,899)	(39,558)
Total capital contributions and transfers out	(34,840)	(30,066)
Change in net position	(17,512)	4,153
NET POSITION, BEGINNING OF YEAR	514,885	510,732
NET POSITION, END OF YEAR	$ 497,373	$ 514,885

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended June 30, 2021 (in thousands)	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 371,206	$ 358,317
Cash paid to suppliers and employees	(295,381)	(287,467)
Net cash provided by operating activities	75,825	70,850
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(39,899)	(39,558)
Payment on pension obligation bonds	(2,015)	(1,718)
Pension obligation bond issuance costs	-	(245)
Proceeds from pension obligation bond, used to pay into employee pension plan	-	66,119
Cash paid to employee pension plan from proceeds of pension obligation bond	-	(65,874)
Other receipts from non-operating activities	6,268	1,550
Cash received on advances to other funds of the City	458	745
Net cash provided by non-capital financing activities	(35,188)	(38,981)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(41,453)	(26,366)
Proceeds from the sale of utility plant	628	381
Principal paid on long-term obligations	(15,890)	(10,765)
Interest paid on long-term obligations	(29,680)	(27,439)
Capital contributions	3,456	4,875
Net cash (used) provided by capital and related financing activities	(82,939)	(59,314)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment securities	4,201	2,190
Income from investments	791	14,127
Net cash provided by investing activities	4,992	16,317
Net change in cash and cash equivalents	(37,310)	(11,128)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR **(including $89,457 and $106,870 at June 30, 2020 and June 30, 2019, respectively, reported in restricted accounts)**	389,191	400,319
CASH AND CASH EQUIVALENTS, END OF YEAR **(including $64,587 and $89,457 at June 30, 2021 and June 30, 2020, respectively, reported in restricted accounts)**	$ 351,881	$ 389,191
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 35,837	$ 44,571
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	35,654	35,151
Increase in allowance for uncollectible accounts	3,904	1,375
(Increase) in accounts receivable	(6,057)	(12,146)
(Increase) in prepaid expenses	(531)	(594)
Decrease (Increase) in unamortized purchased power	630	(1,233)
(Decrease) Increase in accounts payable and other accruals	(1,212)	132
Increase in compensated absences	1,320	549
(Decrease) in Public Benefit Programs payable	(65)	(339)
(Decrease) Increase in unearned revenue	(6)	11
Increase in customer deposits	1,298	2,010
(Decrease) in decommissioning liability	(4,812)	(2,491)
Changes in net pension liability and related deferred outflows and inflows of resources	9,682	3,364
Changes in postemployment benefits liability and related deferred outflows and inflows of resources	183	490
Net cash provided by operating activities	$ 75,825	$ 70,850
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - capital assets	1,603	4,617
(Decrease) Increase in fair value of investments	(611)	456

See accompanying notes to the financial statements

ELECTRIC UTILITY:
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Electric Utility exists under, and by virtue of, the City of Riverside (the City) Charter enacted in 1883. The Electric Utility is responsible for the generation, transmission, and distribution of electric power for sale in the City. The accompanying financial statements present only the financial position and the results of operations of the Electric Utility, which is an enterprise fund of the City, and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Electric Utility on a separate fund basis. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

BASIS OF ACCOUNTING

The Electric Utility uses the accrual basis of accounting as required for enterprise funds with accounting principles generally accepted in the United States of America as applicable to governments. The accounting records of the Electric Utility are also substantially in conformity with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Electric Utility is not subject to the regulations of the FERC.

The Electric Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Electric Utility are charges to customers for electric sales and services. Operating expenses for the Electric Utility include the cost of electric sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for (1) determining the timing and pattern of liability recognition and a corresponding deferred outflow, (2) requires liability recognition when it is incurred and reasonably estimable, and (3) requires ARO measurement to be based on the best estimate of the current value of outlays expected to be incurred. If an ARO has been incurred but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement is effective for reporting period beginning after June 15, 2020.

According to *Clearwater Power Plant Asset Purchase and Sale Agreement* dated March 3, 2010, the City of Riverside purchased the Clearwater Power Plant (the "Plant") from the City of Corona to own, operate, pay all costs related to the Plant and the assets, as set forth in the agreement. On August 26, 2010, Temporary Right of Entry Agreement was made and entered between the City of Riverside ("Riverside") and the City of Corona ("Corona") in which Corona leased the Corona Clearwater Cogeneration Facility (the "Property") to Riverside for its operation and maintenance of the Property. Riverside is responsible for plant decommissioning and site restoration related to the Plant. As of June 30, 2021, the ARO evaluation study to measure the obligation was complete in FY19-20, however since Riverside does not have the final lease agreement with Army Corps to determine the life of the plant, a liability and deferred outflow will not be recorded in FY20-21.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Department is evaluating the impact of this standard.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during a reporting period. Accordingly, actual results could differ from those estimates.

REVENUE RECOGNITION

The Electric Utility customers are billed monthly. Unbilled electric service charges, including Public Benefit Programs, are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled $16,117 at June 30, 2021, and $14,115 at June 30, 2020.

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

ELECTRIC UTILITY PLANT AND DEPRECIATION

The Electric Utility defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Electric Utility plant assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment; retirement plan contributions and other fringe benefits. Contributed plant assets are recorded at their acquisition values as of the date of contribution. The cost of relatively minor replacements is included in maintenance expense. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

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

Production plant	10-40 years
Transmission and distribution plant	20-50 years
General plant and equipment	5-50 years
Intangibles	5-10 years

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets in the Statements of Net Position because their use is limited by applicable bond covenants. Funds set aside for the nuclear decommissioning and regulatory requirements relating to greenhouse gas allowances are also classified as restricted assets because their use is legally restricted to a specific purpose. Generally, the Electric Utility will first apply restricted resources when expenses incurred for which both restricted and unrestricted resources are available.

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

CASH AND INVESTMENTS

The Electric Utility's cash and investments, except for funds required to be held by outside fiscal agents under the provisions of bond indentures, which are administered by outside agencies, are invested in the cash and investment pool of the City. The Electric Utility's cash and investments previously held at and administered by Southern California Public Power Authority (SCPPA) were used in entirety during the 19-20 fiscal year to pay for power, transmission, capital and/or operating costs relating to projects in which the Electric Utility was a participant, or other expenditures owed to SCPPA.

The Electric Utility values its cash and investments in accordance with provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation includes a hierarchy of inputs with three distinct levels. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Electric Utility does not value any of its investments using level 3 inputs.

City-wide information concerning cash and investments as of June 30, 2021, including authorized investments, fair value measurement and application, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments can be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

CASH AND INVESTMENTS AT FISCAL AGENTS

Cash and investments maintained by fiscal agents are considered restricted by the Electric Utility. A portion is pledged as collateral for payment of principal and interest on outstanding bonds and certain funds are set aside to decommission the Electric Utility's proportionate share of Units 2 and 3 at San Onofre Generating Stations (SONGS).

DESIGNATED CASH RESERVES

The Riverside Public Utilities Cash Reserve Policy establishes several designated cash reserves in the Electric Utility for strategic purposes. Designated reserves are set aside for specific purposes determined by the Board of Public Utilities and City Council. Designated reserves may be held for capital or operating purposes.

Designated cash reserve balances as of June 30, 2021 and 2020 were as follows: Additional Decommissioning Liability Reserve $13,838 and $11,710, Customers Deposits $5,184 and $4,748, Capital Repair and Replacement Reserve $4,650 and $5,579, Electric Reliability Reserve $81,775 and $79,133, Mission Square Improvement Reserve $1,063 and $1,836, and Dark Fiber Reserve $4,319 and $3,633. In June 2017, the Board of Public Utilities and City Council approved the establishment of a bond defeasance designated cash reserve account and authorized the transfer of settlements and cost recoveries in the amount of $11,244 to the designated reserve for bond defeasance. In fiscal year June 30, 2018, bond defeasance reserve has been fully utilized to partially defease existing revenue bonds. The combined total for these reserves was $110,829 and $106,639 at June 30, 2021 and 2020, respectively and is included as a component of unrestricted cash and cash equivalents in the accompanying Statements of Net Position.

ADVANCES TO OTHER FUNDS OF THE CITY

Advances to other funds of the City have been recorded as a result of agreements between the Electric Utility and the City. The balances as of June 30, 2021 and 2020 are $2,925 and $3,383, respectively.

DERIVATIVES

The Electric Utility accounts for derivative instruments using GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This Statement requires the Electric Utility to report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferred inflows and outflows of resources on the Statements of Net Position. Changes in fair value of derivative instruments not meeting the criteria for an effective hedge, or that are associated with investments are to be reported in the non-operating revenues section of the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has determined that its interest rate swaps associated with variable rate obligations are derivative instruments under GASB 53. See Note 4 Long-Term Obligations for further discussion related to the Electric Utility's interest rate swaps.

Various transactions permitted in the Electric Utility's Power Resources Risk Management Policies may be considered derivatives, including energy and/or gas transactions for swaps, options, forward arrangements and congestion revenue rights (CRR). GASB 53 allows an exception for the Statements of Net Position deferral hedges that meet the normal purchases and normal sales exception. The Electric Utility has determined that all of its contracts including CRRs fall under the scope of "normal purchases and normal sales" and are exempt from GASB 53.

BOND PREMIUMS AND GAINS/LOSSES ON REFUNDING

Bond premiums and gains/losses on refunding (including gains/losses related to interest rate swap transactions) are deferred and amortized over the term of the new bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums. Gains/losses on refunding are reported as deferred inflows or outflows of resources.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills and design fee deposits for future construction of electrical facilities. The Electric Utility's portion of these deposits as of June 30, 2021 and 2020 was $10,563 and $9,265, respectively.

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due to employees at June 30, 2021 and 2020. The Electric Utility treats compensated absences due to employees as an expense and a liability of which a current portion is included in accounts payable and other accruals in the accompanying Statements of Net Position. The amount accrued for compensated absences was $7,182 at June 30, 2021 and $5,862 at June 30, 2020.

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

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

INSURANCE PROGRAMS

The Electric Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Electric Utility pays an amount to the City based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. The City maintains property insurance on most City property holdings, including the Utility Plant with a limit of $1 billion and an additional $210 million to cover power generation facilities.

City-wide information concerning risks, insurance policy limits and deductibles and designation of general fund balance for risk for the year ended June 30, 2021, may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

Although the ultimate amount of losses incurred through June 30, 2021 is dependent upon future developments, management believes that amounts paid to the City are sufficient to cover such losses. Premiums paid to the City by the Electric Utility including the Public Benefit Programs, were $877 and $967 for the years ended June 30, 2021 and 2020, respectively. Any losses above the City's reserves would be covered through increased rates charged to the Electric Utility in future years.

EMPLOYEE RETIREMENT PLAN

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Riverside California Public Employees' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Further details of employee retirement plan can be found in Note 6.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The net OPEB liability is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust. Further details for OPEB can be found in Note 7.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

When applicable, the Statements of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense or expenditure until that time. Deferred outflows of resources consist of changes in derivative values, loss on refunding and deferred outflows related to pension and OPEB, which include pension contributions subsequent to measurement date, difference between actual and actuarial determined contribution, changes in assumptions and net differences between projected and actual earnings on pension plan investments. Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of deferred inflows related to pension and OPEB, which include changes in assumptions, differences between expected and actual experience, and net differences between projected and actual earnings on pension plan investments.

REGULATORY ASSETS

In accordance with regulatory accounting criteria set forth in GASB Codification (GASB Statement No. 62), enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the Electric Utility is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets relating to debt issuance costs have been recognized in the Statements of Net Position.

NET POSITION

The Electric Utility's net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, which is classified into the following three components:

Net investment in capital assets – this component consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds.

Restricted – this component represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded when there are limitations imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

Unrestricted – this component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

CONTRIBUTIONS TO THE CITY'S GENERAL FUND

Pursuant to the City of Riverside Charter, the Electric Utility may transfer up to 11.5 percent of its prior year's gross operating revenues, including adjustments, to the City's general fund. In fiscal years ended June 30, 2021 and 2020, $39,899 and $39,558, respectively was transferred, representing 11.5 percent. Additional information can be found in Note 13 of the accompanying financial statements.

CASH AND CASH EQUIVALENTS

For the Statements of Cash Flows, cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less, and all bond construction proceeds available for capital projects held at fiscal agent. Pooled cash and investments in the City's Treasury represent monies in a cash management pool. Such accounts are similar in nature to demand deposits and are classified as cash equivalents for the purpose of presentation in the Statements of Cash Flows.

BUDGET AND BUDGETARY ACCOUNTING

The Electric Utility presents, and the City Council adopts, a biennial budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council normally adopts the Electric Utility's budget in June biennially via resolution, however due to the impact of COVID-19, the City adopted an emergency fiscal year 20/21 budget.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform with the current year's presentation. Such reclassifications have no effect on the net position or the changes in net position.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2021 and 2020, consist of the following (in thousands):

	June 30, 2021	June 30, 2020
	Fair Value	
Equity interest in City Treasurer's investment pool	$ 344,213	$ 355,358
Cash and investments at fiscal agent	59,949	64,150
Cash and cash equivalents at fiscal agent	7,668	33,833
Total cash and investments	$ 411,830	$ 453,341

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

	June 30, 2021	June 30, 2020
Unrestricted cash and cash equivalents	$ 287,294	$ 299,734
Restricted cash and cash equivalents	56,919	55,624
Restricted cash and investments at fiscal agent	59,949	64,150
Restricted cash and cash equivalents at fiscal agent	7,668	33,833
Total cash and investments	$ 411,830	$ 453,341

The investment types in the tables below related to the Electric Utility's investments in the City Treasurer's investment pool represent the Electric Utility's prorated share of the investment types in the investment pool and do not represent ownership interests in the individual investments.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

The Electric Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Electric Utility has the following recurring fair value measurements as of June 30, 2021 and 2020:

Investment Type	June 30, 2021 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 11,247	$ -	$ -	$ -	$ 11,247
Asset-backed securities	1,174	-	1,174	-	-
Investment contracts	10,761	-	-	-	10,761
Commercial paper	1,000	-	1,000	-	-
US Treasury notes/bonds	28,615	-	28,615	-	-
Federal agency obligations	2,666	-	2,666	-	-
Corp medium term notes	10,121	-	10,121	-	-
Supranational securities	2,033	-	2,033	-	-
City Treasurer's investment pool [1]					
Money market funds	3,307	-	-	-	3,307
Joint powers authority pools	56,862	56,862	-	-	-
Local agency investment fund	62,530	-	-	-	62,530
Mortgage pass-through securities	13,976	-	13,976	-	-
Asset-backed securities	10,551	-	10,551	-	-
US Treasury obligations	75,480	-	75,480	-	-
Federal agency obligations	56,066	-	56,066	-	-
Medium-term corporate notes	49,582	-	49,582	-	-
Supranational securities	11,914	-	11,914	-	-
Neg certificate of deposit	3,945	-	3,945	-	-
Total	$ 411,830	$ 56,862	$ 267,123	$ -	$ 87,845

Investment Type	June 30, 2020 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 56,443	$ -	$ -	$ -	$ 56,443
US Treasury notes/bonds	27,726	-	27,726	-	-
Investment contracts	10,761	-	-	-	10,761
Corp medium term notes	3,053	-	3,053	-	-
City Treasurer's investment pool [1]					
Money market funds	2,701	-	-	-	2,701
Joint powers authority pools	86,432	86,432	-	-	-
Local agency investment fund	71,785	-	-	-	71,785
Mortgage pass-through securities	15,711	-	15,711	-	-
Asset-backed securities	2,446	-	2,446	-	-
US Treasury obligations	98,717	-	98,717	-	-
Federal agency obligations	40,947	-	40,947	-	-
Medium-term corporate notes	32,641	-	32,641	-	-
Supranational securities	2,065	-	2,065	-	-
Neg certificate of deposit	1,913	-	1,913	-	-
Total	$ 453,341	$ 86,432	$ 225,219	$ -	$ 141,690

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments distribution by maturities as of June 30, 2021 and 2020, are as follows:

Investment Type	June 30, 2021 Fair Value	Remaining Maturity (In Months) 12 Months or less	13 to 36 Months	37 to 60 Months	More than 60 Months
Held by fiscal agent					
Money market funds	$ 11,247	$ 11,247	$ -	$ -	$ -
Asset-backed securities	1,174	-	240	934	-
Investment contracts	10,761	-	-	-	10,761
Commercial paper	1,000	1,000	-	-	-
US Treasury notes/bonds	28,615	12,145	9,334	7,136	-
Federal agency obligations	2,666	-	2,666	-	-
Corp medium term notes	10,121	-	998	9,123	-
Supranational securities	2,033	-	-	2,033	-
City Treasurer's investment pool [1]					
Money market funds	3,307	3,307	-	-	-
Joint powers authority pools	56,862	56,862	-	-	-
Local agency investment fund	62,530	62,530	-	-	-
Mortgage pass-through securities	13,976	4,643	8,588	745	-
Asset-backed securities	10,551	-	2,990	7,561	-
US Treasury obligations	75,480	11,512	48,259	15,709	-
Federal agency obligations	56,066	6,393	20,555	29,118	-
Medium-term corporate notes	49,582	7,652	9,396	32,534	-
Supranational securities	11,914	-	-	11,914	-
Neg certificate of deposit	3,945	3,945	-	-	-
Total	$ 411,830	$ 181,236	$ 103,026	$ 116,807	$ 10,761

Investment Type	June 30, 2020 Fair Value	Remaining Maturity (In Months) 12 Months or less	13 to 36 Months	37 to 60 Months	More than 60 Months
Held by fiscal agent					
Money market funds	$ 56,443	$ 56,443	$ -	$ -	$ -
US Treasury notes/bonds	27,726	9,104	18,622	-	-
Investment contracts	10,761	-	-	-	10,761
Corp medium term notes	3,053	3,053	-	-	-
City Treasurer's investment pool [1]					
Money market funds	2,701	2,701	-	-	-
Joint powers authority pools	86,432	86,432	-	-	-
Local agency investment fund	71,785	71,785	-	-	-
Mortgage pass-through securities	15,711	-	10,708	5,003	-
Asset-backed securities	2,446	-	-	2,446	-
US Treasury obligations	98,717	18,287	45,908	34,522	-
Federal agency obligations	40,947	3,866	16,015	21,066	-
Medium-term corporate notes	32,641	2,559	19,169	10,913	-
Supranational securities	2,065	-	-	2,065	-
Neg certificate of deposit	1,913	951	962	-	-
Total	$ 453,341	$ 255,181	$ 111,384	$ 76,015	$ 10,761

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Presented below is the actual rating as of June 30, 2021 and 2020 for each investment type:

Investment Type	June 30, 2021 Fair Value	Rating as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 11,247	$ 3,038	$ -	$ 8,164	$ 45
Asset-backed securities	1,174	1,174	-	-	-
Investment contracts	10,761	-	-	-	10,761
Commercial paper	1,000	-	-	-	1,000
US Treasury notes/bonds	28,615	28,615	-	-	-
Federal agency obligations	2,666	-	2,666	-	-
Corp medium term notes	10,121	-	2,879	6,547	695
Supranational securities	2,033	2,033	-	-	-
City Treasurer's investment pool [1]					
Money market funds	3,307	1,153	-	-	2,154
Joint powers authority pools	56,862	56,862	-	-	-
Local agency investment fund	62,530	-	-	-	62,530
Mortgage pass-through securities	13,976	13,976	-	-	-
Asset-backed securities	10,551	8,577	-	-	1,974
US Treasury obligations	75,480	75,480	-	-	-
Federal agency obligations	56,066	53,827	-	-	2,239
Medium-term corporate notes	49,582	-	18,008	27,537	4,037
Supranational securities	11,914	8,033	-	-	3,881
Neg certificate of deposit	3,945	-	-	-	3,945
Total	$ 411,830	$ 252,768	$ 23,553	$ 42,248	$ 93,261

Investment Type	June 30, 2020 Fair Value	Rating as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 56,443	$ 22,521	$ -	$ 33,879	$ 43
US Treasury notes/bonds	27,726	27,726	-	-	-
Investment contracts	10,761	-	-	-	10,761
Corp medium term notes	3,053	-	3,053	-	-
City Treasurer's investment pool [1]					
Money market funds	2,701	241	-	-	2,460
Joint powers authority pools	86,432	86,432	-	-	-
Local agency investment fund	71,785	-	-	-	71,785
Mortgage pass-through securities	15,711	-	-	-	15,711
Asset-backed securities	2,446	-	-	-	2,446
US Treasury obligations	98,717	-	98,717	-	-
Federal agency obligations	40,947	-	37,646	-	3,301
Medium-term corporate notes	32,641	-	14,770	17,871	-
Supranational securities	2,065	2,065	-	-	-
Neg certificate of deposit	1,913	-	-	-	1,913
Total	$ 453,341	$ 138,985	$ 154,186	$ 51,750	$ 108,420

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 3. UTILITY PLANT

The following is a summary of changes in utility plant during the fiscal years ended June 30, 2021 and 2020 (in thousands):

	Balance As of 6/30/2019	Additions	Retirements/ Transfers	Balance As of 6/30/2020	Additions	Retirements/ Transfers	Balance As of 6/30/2021
Production	$ 267,873	$ 3,967	$ (3,752)	$ 268,088	$ 1,160	$ -	$ 269,248
Transmission	45,109	15	(40)	45,084	3,995	-	49,079
Distribution	656,924	25,057	(1,020)	680,961	26,601	(755)	706,807
General	112,468	2,051	-	114,519	3,786	(609)	117,696
Intangibles	21,757	229	-	21,986	-	-	21,986
Depreciable utility plant	1,104,131	31,319	(4,812)	1,130,638	35,542	(1,364)	1,164,816
Less accumulated depreciation:							
Production	(97,664)	(8,978)	3,752	(102,890)	(8,988)	-	(111,878)
Transmission	(19,669)	(886)	40	(20,515)	(886)	-	(21,401)
Distribution	(267,372)	(18,065)	974	(284,463)	(18,740)	748	(302,455)
General	(45,218)	(4,796)	-	(50,014)	(4,602)	609	(54,007)
Intangibles	(8,483)	(2,426)	-	(10,909)	(2,438)	-	(13,347)
Accumulated depreciation	(438,406)	(35,151)	4,766	(468,791)	(35,654)	1,357	(503,088)
Net depreciable utility plant	665,725	(3,832)	(46)	661,847	(112)	(7)	661,728
Land	53,029	3	-	53,032	10	-	53,042
Intangibles, non-amortizable	10,651	-	-	10,651	-	-	10,651
Construction in progress	65,307	26,366	(26,705)	64,968	41,463	(33,950)	72,481
Nondepreciable utility plant	128,987	26,369	(26,705)	128,651	41,473	(33,950)	136,174
Total utility plant	$ 794,712	$ 22,537	$ (26,751)	$ 790,498	$ 41,361	$ (33,957)	$ 797,902

NOTE 4. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations during the fiscal years ended June 30, 2021 and 2020 (in thousands):

	Balance As of 6/30/2019	Additions	Reductions	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Due Within One Year
Revenue bonds	$ 576,914	$ 41,025	$ (12,154)	$ 605,785	$ -	$ (17,963)	$ 587,822	$ 16,035
Pension obligation bonds	8,400	66,284	(1,718)	72,966	-	(2,015)	70,951	3,310
Direct Borrowings:							-	
Private placement revenue bonds [1]	41,025	-	(41,025)	-	-	-	-	-
Leased purchase	2,274	-	(830)	1,444	-	(535)	909	546
Total long-term obligations	$ 628,613	$ 107,309	$ (55,727)	$ 680,195	$ -	$ (20,513)	$ 659,682	$ 19,891

[1] In FY19-20, the bonds were remarketed as public securities from private placement revenue bonds in order to obtain a lower rate. The structure of the bonds and the existing swap remain the same. For June 30, 2021 outstanding balance refer to the Revenue Bonds Payable section of the Note 4.

Long-term debt consists of the following (in thousands):

PENSION OBLIGATION BONDS PAYABLE

	June 30, 2021	June 30, 2020
$31,960 2017 Taxable Pension Obligation Bonds Series A: fixed rate bonds issued by the City due in annual installments from $2,910 to $3,580 through June 2027, with coupons from 1.3 to 3.1 percent. The Electric Utility's proportional share of the outstanding debt is 29.4 percent.	$ 5,940	$ 6,847
$201,080 2020 Taxable Pension Obligation Bonds Series A (Miscellaneous): fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Electric Utility's proportional share of the outstanding debt is 32.9 percent.	65,011	66,119
Total pension obligation bonds payable	70,951	72,966

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

REVENUE BONDS PAYABLE

		June 30, 2021		June 30, 2020
$141,840 2008 Electric Refunding/Revenue Bonds:				
A - $84,515 2008 Series A Bonds - variable rate bonds due in annual principal installments from $4,575 to $7,835 through October 1, 2029. Interest rate is subject to weekly repricing (net interest rate, including swaps, at June 30, 2021 was 3.0 percent). Partially refunded $13,975 on July 25, 2013 with the 2013 Electric Revenue Refunding Bonds. Partially refunded $31,500 on April 1, 2019 with 2019A Electric Refunding Bonds.	$	34,465	$	34,465
C - $57,325 2008 Series C Bonds - variable rate bonds due in annual principal installments from $700 to $5,200 through October 1, 2035. Interest rate is subject to weekly repricing (net interest rate, including swaps, at June 30, 2021 was 3.1 percent). Partially refunded $11,775 on July 25, 2013 with the 2013 Electric Revenue Refunding Bonds. Partially refunded $8,925 on April 1, 2019 with 2019A Electric		32,150		32,150
$133,290 2010 Electric Revenue Series A Bonds: fixed rate, federally taxable Build America Bonds due in annual principal installments from $2,300 to $33,725, through October 1, 2040, interest from 3.9 to 4.9 percent		130,990		133,290
$56,450 2011 Electric Revenue/Refunding Series A Bonds[1]: fixed rate bonds due in annual principal installments from $725 to $5,175 through October 1, 2035, interest of 3.2 percent		37,450		39,275
$79,080 2013 Electric Revenue Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $835 to $2,625 through October 1, 2043, interest from 3.5 to 5.3 percent		37,275		38,155
$283,325 2019 Electric Revenue Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $3,545 to $24,005 through October 1, 2048, interest of 5.0 percent		267,835		278,185
Total electric revenue bonds payable		540,165		555,520
Total electric revenue and pension obligation bonds payable		611,116		628,486
Unamortized bond premium		47,657		50,265
Total electric revenue and pension obligation bonds payable, including bond premium		658,773		678,751
Less current portion of revenue and pension obligation bonds payable		(19,345)		(17,370)
Total long-term electric revenue and pension obligation bonds payable	$	639,428	$	661,381

[1] In FY19-20, the bonds were remarketed as public securities from private placement revenue bonds in order to obtain a lower rate. The structure of the bonds and the existing swap remain the same. For June 30, 2021 outstanding balance refer to the Revenue Bonds Payable section of the Note 4.

The Electric Utility is obligated to pay its share of the City's pension obligation bonds, which the City issued in 2005 and refinanced a portion in May 2017.

In fiscal year ended June 30, 2020, the City issued $432,165 2020 Taxable Pension Obligation Bonds Series A. The bonds were issued to reduce the City's unfunded pension liability in both the City's Miscellaneous and Safety CalPERS plans. It is estimated the issuance will save the City's General Fund $7.6M in pension costs in FY 2022 with a projected overall savings of $178.5 million through the life of the bonds. The fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Electric Utility's proportional share of the miscellaneous plan is 32.9 percent.

The Electric Utility's proportional share of the outstanding principal amount of the bonds was $70,951 and $72,966 as of June 30, 2021 and 2020, respectively. The bond proceeds were deposited with CalPERS to fund the unfunded actuarial accrued liability for non-safety employees. For more discussion relating to the City's pension obligation bond issuance, see the notes to the City's financial statements in the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

Remaining pension obligation bond debt service payments will be made from revenues of the Electric Fund. Annual debt service requirements to maturity as of June 30, 2021 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 3,310	$ 2,196	$ 5,506
2023	4,232	2,132	6,364
2024	5,118	2,044	7,162
2025	5,675	1,930	7,605
2026	5,839	1,797	7,636
2027-2031	16,955	7,067	24,022
2032-2036	15,933	4,546	20,479
2037-2041	12,589	1,611	14,200
2042-2046	1,300	67	1,367
Total	$ 70,951	$ 23,390	$ 94,341

All electric revenue bonds are covenanted per the Amended and Restated Resolution No. 17662 (Electric) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

Remaining revenue bond debt service payments will be made from revenues of the Electric Fund. Annual debt service requirements to maturity as of June 30, 2021 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 16,035	$ 24,954	$ 40,989
2023	16,760	24,174	40,934
2024	17,515	23,362	40,877
2025	18,335	22,488	40,823
2026	12,580	21,580	34,160
2027-2031	111,740	94,522	206,262
2032-2036	130,045	67,788	197,833
2037-2041	172,330	33,900	206,230
2042-2046	29,105	7,310	36,415
2047-2051	15,720	1,205	16,925
Premium	47,657	-	47,657
Total	$ 587,822	$ 321,283	$ 909,105

The Electric Utility has a number of debt issuances (revenue bonds) outstanding that are collateralized by the pledging of electric revenues. The amount and term of the remainder of these commitments are indicated in the revenue bonds payable and annual debt service requirements to maturity tables presented within this Note 4. The purpose of the debt issuances was for the financing of various Electric Utility capital improvement projects. For June 30, 2021 and 2020, debt service payments as a percentage of the pledged gross revenue, net of certain expenses where so required by the debt agreement, are indicated in the table below. The debt service coverage ratios also approximate the relationship of the debt service to pledged revenue for the remainder of the term of the commitment.

Fiscal Year Ended	Description of Pledged Revenues	Annual Amount of Pledged Revenue (net of expenses) [1, 2]	Annual Debt Service Payments	Debt Service Coverage Ratio
June 30, 2021	Electric revenues	$ 89,371	$ 44,923	1.99
June 30, 2020	Electric revenues	$ 101,328	$ 38,633	2.62

[1] Excludes GASB 68 Accounting and Financial Reporting for Pension non-cash adjustments of 9,682 and $3,364 for June 30, 2021 and 2020, respectively.

[2] Excludes GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions non-cash adjustments of $183 and $490 for June 30, 2021 and 2020, respectively.

LINE OF CREDIT

On February 1, 2019, the City entered into a subordinate line of credit agreement with U.S. Bank, National Association. The Subordinate Line of Credit is a tool approved through the Electric and Water Utility Five-Year Rate Plan to manage rate increases by enabling the Electric Utility to reduce cash levels while maintaining compliance with the Riverside Public Utilities Cash Reserve Policy. Under the terms and conditions of the agreement, the City may borrow up to $35,000 for purposes of the capital or operating financial needs of the Electric System. There were no borrowings against the line as of June 30, 2021.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

LETTERS OF CREDIT

The Electric Utility's 2008 Electric Revenue Bonds (Series A and C) and 2011 Electric Revenue Bonds (Series A) require an additional layer of security between the Electric Utility and the purchaser of the bonds. The Electric Utility has entered into the following letters of credit (LOC) in order to provide liquidity should all or a portion of the debt be optionally tendered to the remarketer without being successfully remarketed:

Debt Issue	LOC Provider	LOC Expiration Date	Annual Commitment Fee
2008 Electric Refunding/Revenue Bonds Series A	Barclays Bank, PLC	2024	0.395%
2008 Electric Refunding/Revenue Bonds Series C	Barclays Bank, PLC	2024	0.395%
2011 Electric Refunding/Revenue Bonds Series A	Bank of America N.A.	2023	0.295%

To the extent that remarketing proceeds are insufficient or not available, tendered amounts will be paid from drawings made under an irrevocable direct-pay letter of credit.

Liquidity advances drawn against the LOCs that are not repaid will be converted to an installment loan with principal to be paid quarterly not to exceed a 5-year period. The Electric Utility would be required to pay annual interest equal to the highest of 8 percent, the Prime Rate plus 2.5 percent, the Federal Funds Rate plus 2.5 percent and 150 percent of the yield on the 30-year U.S. Treasury Bond. No amounts have ever been drawn against the three LOCs due to a failed remarketing.

The various indentures allow the Electric Utility to convert the mode of the debt in the case of a failed remarketing.

INTEREST RATE SWAPS ON REVENUE BONDS

The Electric Utility has three cash flow hedging derivative instruments, which are pay-fixed swaps. These swaps were employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for each swap is included as part of the deferred loss on refunding associated with the new bonds. The swaps were also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the Statements of Net Position.

A summary of the derivative activity for the year ended June 30, 2021 is as follows:

	Notional Amount	Fair Value as of 6/30/2021	Change in Fair Value for Fiscal Year
2008 Electric Refunding/Revenue Bonds Series A	$ 34,465	$ (4,731)	$ 1,767
2008 Electric Refunding/Revenue Bonds Series C	$ 32,150	$ (7,520)	$ 2,767
2011 Electric Refunding/Revenue Bonds Series A	$ 37,450	$ (7,716)	$ 2,949

***Objective*:** In order to lower borrowing costs as compared to fixed-rate bonds, the Electric Utility entered into interest rate swap agreements in connection with its $141,840 2008 Electric Refunding/Revenue Bonds (Series A and C) and $56,450 2011(Series A).

***Terms*:** Per the existing swap agreements, the Electric Utility pays the counterparty a fixed payment and receives a variable payment computed as 62.68 percent of the London Interbank Offering Rate ("LIBOR") one month index plus 12 basis points. The swaps have notional amounts equal to the principal amounts stated above. The notional value of the swaps and the principal amounts of the associated debt decline by $6,000 to $7,835 (2008 Series A), $700 to $5,200 (2008 Series C) and $725 to $5,175 (2011 Series A) until

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

the debt is completely retired in fiscal years 2030 (2008 Series A) and 2036 (2008 Series C and 2011 Series A).

The bonds and the related swap agreements for the Electric Refunding/Revenue 2008 (Series A) Bonds mature on October 1, 2029 and the 2008 (Series C) and 2011 (Series A) Bonds mature on October 1, 2035. As of June 30, 2021, rates were as follows:

Interest rate swap:	Terms	2008 Electric Refunding/Revenue Series A Bonds Rates	2008 Electric Refunding/Revenue Series C Bonds Rates	2011 Electric Refunding/Revenue Series A Bonds Rates
Fixed payment to counterparty	Fixed	3.11100%	3.20400%	3.20100%
Variable payment from counterparty	62.68 LIBOR + 12bps	(0.58168%)	(0.58230%)	(0.60582%)
Net interest rate swap payments		2.52932%	2.62170%	2.59518%
Variable-rate bond coupon payments		0.48121%	0.48066%	0.58006%
Synthetic interest on bonds		3.01053%	3.10236%	3.17523%

***Fair value*:** As of June 30, 2021, in connection with all swap agreements, the transactions had a total negative fair value of ($19,967). Because the coupons on the Electric Utility's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

***Credit risk*:** As of June 30, 2021, the Electric Utility was not exposed to credit risk because the swaps had a negative fair value. The swaps counterparties, J.P. Morgan Chase & Co. and Bank of America Corp., were rated A- and BBB+ respectively by Standard & Poor's (S&P). To mitigate the potential for credit risk, the swap agreements require the fair value of the swaps to be collateralized by the counterparty with U.S. Government securities if the counterparties' rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2021, there is no requirement for collateral posting for any of the outstanding swaps.

***Basis risk*:** As noted above, the swaps expose the Electric Utility to basis risk should the relationship between LIBOR and the variable interest rates converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

***Termination risk*:** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the Electric Utility if either counterparty's credit quality falls below "BBB-" as issued by S&P. The Electric Utility or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination, a swap has a negative fair value, the Electric Utility would be liable to the counterparty for a payment equal to the swap's fair value.

***Swap payments and associated debt*:** As of June 30, 2021, the debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are summarized in the table below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2022	$ 1,900	$ 584	$ 2,904	$ 5,388
2023	1,950	571	2,843	5,364
2024	725	563	2,811	4,099
2025	725	558	2,788	4,071
2026	7,450	528	2,633	10,611
2027-2031	42,940	1,992	9,821	54,753
2032-2036	48,375	673	3,284	52,332
Total	$ 104,065	$ 5,469	$ 27,084	$ 136,618

DIRECT BORROWINGS

LEASE PURCHASE FINANCING

The Electric Utility has entered into sixteen purchase lease agreements as a lessee for financing sixteen compressed natural gas heavy duty service trucks. All leases have seven-year terms of monthly payments with interest rates ranging from 2.0 percent to 2.5 percent. The total gross value of all existing leases is $5,715 with depreciation over the seven-year terms of the leases using the straight-line method. As of June 30, 2021 and 2020, the total liability was $909 and $1,444, respectively, with the current portion included in accounts payable and other accruals. The remaining annual lease payments for the life of the leases are $559 in fiscal year ended June 30, 2022, and $366 in fiscal year ended June 30, 2023. Total outstanding lease payments are $925, with $909 representing the present value of the net minimum lease payments and $16 representing interest.

NOTE 5. COMPENSATED ABSENCES

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probably that virtually all of these balances will be liquidated by either paid time-off or payments upon termination or retirement.

Below is a summary of changes in Compensated absences for the Electric Utility during the fiscal year.

	Balance As of 6/30/2019	Additions	Reductions	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Due Within One Year
Compensated absences	$ 5,313	$ 4,750	$ (4,201)	$ 5,862	$ 4,416	$ (3,096)	$ 7,182	$ 3,793

NOTE 6. EMPLOYEE RETIREMENT PLAN

PLAN DESCRIPTION

The City contributes to CalPERS, an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by CalPERS. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov. The Electric Utility participates in the City's Miscellaneous (non-safety) Plan (the Plan).

FUNDING POLICY

The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8 percent of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Under the Plan, the City pays the employees' contribution to CalPERS for employees hired on or before specific dates as follows:

- 1st Tier –
  - The retirement formula is 2.7% at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management, Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2% of their pensionable income, with the City contributing the other 6%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2019), 2% (2020) and 2% (2021). As of 2021, employees are contributing the entire 8% of their pensionable income.

  - The retirement formula is 2.7% at age 55 for SEIU and SEIU Refuse employees hired before June 7, 2011. Currently, employees are required to pay 7% of their pensionable income with the City contributing the other 1%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a two-year increase of 1% (2019) and 1% (2020). As of 2020, employees are contributing the entire 8% of their pensionable income.

  - The retirement formula is 2.7% at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017 employees were required to pay 2% of their total pensionable income with the City paying the remaining 6%. Effective each November 1st, employees will be required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2018), 2% (2019) and 2% (2020). As of November 2020, employees are contributing the entire 8% of their pensionable income.

- 2nd Tier - The retirement formula is 2.7% at age 55, and:
  - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8%) of contributions.

  - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.

- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 7.75%. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

BENEFITS PROVIDED

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

EMPLOYEES COVERED

As of measurement date June 30, 2020 and 2019, the following employees, City-wide, were covered by the benefit terms of the Plan:

	Measurement Date	
	June 30, 2020	**June 30, 2019**
Inactive employees or beneficiaries currently receiving benefits	2,301	2,252
Inactive employees entitled to but not yet receiving benefits	1,427	1,411
Active employees	1,559	1,606

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NET PENSION LIABILITY

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. For fiscal year ended June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. For fiscal year ended June 30, 2020, the net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increase	Varies by entry age and service	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds.	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

[1] The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

CHANGES IN ASSUMPTIONS

There were no changes in assumptions for the measurement date of June 30, 2020.

DISCOUNT RATE

The discount rate used to measure the Plan's total pension liability was 7.15 percent measurement date as of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LONG-TERM DISCOUNT RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

June 30, 2020 Measurement Date

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

June 30, 2019 Measurement Date

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

CHANGES IN THE NET PENSION LIABILITY

The changes in the Electric Utility's proportionate share of the net pension liability as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) for the Plan are as follows:

June 30, 2021	**Net Pension Liability**	**Proportion of the Plan**
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	$ 39,233	32.68%
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	89,792	30.73%
Changes - Increase / (Decrease)	(50,559)	1.95%
June 30, 2020		
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	$ 89,792	30.73%
Proportion - Reporting date June 30, 2019 (Measurement Date June 30, 2018)	84,468	30.32%
Changes - Increase / (Decrease)	5,324	0.41%

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Electric Utility's proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.15 percent, as well as what the Electric Utility's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date June 30, 2020			Measurement Date June 30, 2019		
	Discount Rate - 1% (6.15%)	**Current Discount Rate (7.15%)**	**Discount Rate +1% (8.15%)**	**Discount Rate - 1% (6.15%)**	**Current Discount Rate (7.15%)**	**Discount Rate +1% (8.15%)**
Electric Utility's proportionate share of the Plan's net pension laibility	$ 104,813	$ 39,233	$ (14,762)	$ 149,315	$ 89,792	$ 40,832

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSION

For the fiscal years ended June 30, 2021 and 2020, the Electric Utility recognized pension expense of $18,267 and $16,125, respectively. At June 30, 2021 and 2020, the Electric Utility reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,586	$ -	$ 78,636	$ -
Change in Assumptions	-	(1,125)	3,609	(4,292)
Difference between expected and actual experience	2,307	(589)	1,323	(3,494)
Net difference between projected and actual earnings on pension plan investments	4,927	-	-	(1,434)
Total	$ 15,820	$ (1,714)	$ 83,568	$ (9,220)

Deferred outflows of resources related to contributions subsequent to the measurement date reported in prior year was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2022	$ (1,384)
2023	2,319
2024	2,578
2025	2,007
2026	-
Thereafter	-
Total	$ 5,520

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

BENEFITS PROVIDED

Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefit to eligible retirees and beneficiaries. Retiree and spousal coverage terminate when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

As of measurement date June 30, 2020 and 2019, the following employees, City-wide, were covered by the benefit terms:

	Measurement Date June 30, 2020	Measurement Date June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	274	274
Inactive plan members entitled to but not yet receiving benefits	-	-
Active plan members	2,138	2,138

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by actuarial valuation as of June 30, 2020 and 2019 using the following actuarial assumptions:

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method Actuarial Assumptions	Pay-as-you-go for	Pay-as-you-go for
Discount rate	3.51% as of July 1, 2019 and 2.66% as of June 30, 2020 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.	3.51% per annum. This discount rate is the maximum of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.
Inflation rate	3% per annum	3% per annum
Payroll Increases:	3.0%, plus merit increases based on the	3.0%, plus merit increases based on the
Merit Increases:	Merit increases from the CalPERS pension	Merit increases from the CalPERS pension
Mortality	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019

Heathcare Trend Rates	Fiscal Year End	Future Year Trend	Fiscal Year End	Future Year Trend
	2020	-	2020	6.50%
	2021	6.25%	2021	6.25%
	2022	6.00%	2022	6.00%
	2023	5.75%	2023	5.75%
	2024	5.50%	2024	5.50%
	2025	5.25%	2025	5.25%
	2026	5.00%	2026	5.00%
	2027	4.75%	2027	4.75%
	2028 +	4.50%	2028 +	4.50%

CHANGES OF ASSUMPTIONS

In 2020, the discount rate was changed from 3.51 percent to 2.66 percent.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES

The following presents the Electric Utility's, including Public Benefits, proportionate share of the City's total OPEB liability, calculating using the healthcare trend rate of 6.25% and 6.50% for measurement date as of June 30, 2020 and June 30, 2019 respectively, as well as what the Electric Utility's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2020			Measurement Date June 30, 2019		
	1% Decrease	healthcare cost trend rate	1% Increase	1% Decrease	healthcare cost trend rate	1% Increase
Electric Utility's proportionate share of total OPEB laibility	$ 9,726	$ 11,126	$ 12,803	$ 9,472	$ 10,708	$ 12,180

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATES

The following presents the Electric Utility's, including Public Benefits, proportionate share of the City's total OPEB liability, calculating using the discount rate of 2.66% and 3.51% for measurement date as of June 30, 2020 and 2019 respectively, as well as what the Electric Utility's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2020			Measurement Date June 30, 2019		
	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Electric Utility's proportionate share of total OPEB laibility	$ 12,225	$ 11,126	$ 10,134	$ 11,837	$ 10,708	$ 9,705

CHANGE IN TOTAL OPEB LIABILITY

For fiscal year ended June 30, 2021 and 2020, the Electric Utility's, including Public Benefits, recognized total OPEB expense of $183 and $490 respectively. The following table shows the change in the Electric Utility's, including Public Benefits, proportionate share of the City's total OPEB liability for the year ended June 30, 2021 (measurement date June 30, 2020):

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

June 30, 2021		Net OPEB Liability	Proportion of the Plan
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	$	11,126	21.28%
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)		10,708	21.41%
Changes - Increase / (Decrease)		418	-0.13%
June 30, 2020			
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	$	10,708	21.41%
Proportion - Reporting date June 30, 2019 (Measurement Date June 30, 2018)		8,572	22.36%
Changes - Increase / (Decrease)		2,136	-0.95%

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2021, the Electric Utility, including Public Benefits, reported deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	42	$	(395)
Changes of assumptions		1,722		(198)
Contributions subsequent to measurement date		403		-
Total	$	2,167	$	(593)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30		Deferred Outflows/ (Inflows) of Resources
2022	$	150
2023		150
2024		150
2025		150
2026		187
Therafter		384
Total	$	1,171

NOTE 8. RESTRICTED NET POSITION

The California Code of Regulations establishes a restriction on the use of proceeds obtained from the sale of greenhouse gas allowances at auctions held pursuant to California's Cap-and-Trade Program. The proceeds are to be used exclusively for the benefit of retail ratepayers of each electrical distribution utility and may not be used for the benefit of entities or persons other than such ratepayers. Accordingly, a reserve for regulatory requirements has been established by restricting assets and reserving a portion of net position. See Note 11 for additional information regarding the Cap-and-Trade Program.

Pursuant to applicable bond indentures, a reserve for debt service has been established by restricting assets and reserving a portion of net position. Bond indentures for the Electric Utility's electric revenue and refunding bonds require debt service reserves that equate to the maximum annual debt service required in future years and bond service reserves of three months interest and nine months principal due in the next fiscal year. Variable rate revenue and refunding bonds require 110 percent of the monthly accrued interest to be included in the reserve. Active electric revenue bonds requiring reserves are issues 2008A & C and certain issues have no debt service reserve requirements (2010A, 2011A, 2013A and 2019A).

NOTE 9. JOINTLY-GOVERNED ORGANIZATIONS

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

On November 1, 1980, the City joined with the Imperial Irrigation District and the cities of Los Angeles, Anaheim, Vernon, Azusa, Banning, Colton, Burbank, Glendale and Pasadena to create the Southern California Public Power Authority (SCPPA) by a Joint Powers Agreement under the laws of the State of California. As of July 2001, the City of Cerritos was admitted as an additional member of SCPPA. The primary purpose of SCPPA is to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. SCPPA is governed by a Board of Directors, which consists of one representative from each of the members. During fiscal years ended June 30, 2021 and 2020, the Electric Utility paid approximately $22,301 and $28,011, respectively, to SCPPA under various take-or-pay and renewable contracts that are described in greater detail in Note 11. These payments are reflected as a component of production and purchased power and transmission expenses in the financial statements.

POWER AGENCY OF CALIFORNIA

On July 1, 1990, the City joined with the cities of Azusa, Banning and Colton to create the Power Agency of California (PAC) by a Joint Powers Agreement under the laws of the State of California. The City of Anaheim joined PAC on July 1, 1996. The primary purpose of PAC is to take advantage of synergies and economies of scale as a result of the five cities acting in concert. PAC has the ability to plan, finance, develop, acquire, construct, operate and maintain projects for the generation and transmission of electric energy for sale to its participants. PAC is governed by a Board of Directors, which consist of one representative from each of the members. The term of the Joint Powers Agreement is 50 years. Effective June 30, 2001, PAC was placed in an inactive status by the Board of Directors. The Agency can only be reactivated by authorization of the Agency Board.

NOTE 10. JOINTLY-OWNED UTILITY PROJECT – SONGS

The City has a 1.79 percent undivided ownership interest in Units 2 and 3 of SONGS, located south of the City of San Clemente in northern San Diego County. Both Units 2 and 3 of SONGS were permanently retired in June 2013. Consequently, the units are no longer a source of supply for the Electric Utility, but remain associated with certain of its costs, including those associated with the units' shutdown and decommissioning (see Note 1 for nuclear decommissioning liability).

The other owners are SCE, with a 78.21 percent interest (including the 3.16 percent interest it acquired from the City of Anaheim in 2006), and San Diego Gas & Electric Company (SDG&E), with a 20.00 percent interest.

In 2005, the California Public Utilities Commission (CPUC) authorized a project to install four new steam generators in Units 2 and 3 at SONGS and remove and dispose of the predecessor generators. SCE completed the installation of these steam generators in 2010 and 2011 for Units 2 and 3, respectively. The Electric Utility's share of the cost to replace the steam generators was approximately $13.4 million. Replacement of the steam generators was expected to enable plant operations to continue through at least 2022, and perhaps beyond, subject to the approval of the NRC.

In January 2012, a water leak occurred in one of the heat transfer tubes of Unit 3's steam generators, causing it to be shut down. At that time, Unit 2 was off-line for a planned outage when unexpected wear in areas of tube-to-support structure were found. Units 2 and 3 remained off-line for extensive inspections, testing and analysis of their steam generators. On June 7, 2013, SCE unilaterally announced its plan to retire Units 2 and 3 permanently.

Nuclear Decommissioning. As a result of SCE's decision to permanently retire SONGS Units 2 and 3, the decommissioning phase of the plant began in June 2013. The process of decommissioning the nuclear power plant is expected to take many years and is governed by NRC regulations. According to the SCE's decommissioning cost estimate document as of March 2018, total decommissioning costs for Units 2 and 3 are estimated at $4.7 billion of which the Electric Utility's share is $84 million.

Nuclear Decommissioning Funding and Liability. As of June 30, 2021, the Electric Utility has set aside $48,647 in cash investments with the trustee and $13,838 in a designated decommissioning reserve for the Electric Utility's estimated share of the decommissioning costs. Increases to the funds held for decommissioning liability are from investment earnings. The investment earnings are included in investment income in the Electric Utility's financial statements. An equivalent amount is reflected as decommissioning expense, which is considered part of production and purchased power. Decreases to the funds held for decommissioning liability are from actual funds drawn from the trust for decommissioning costs invoiced by SCE.

On February 23, 2016, the City Council adopted a resolution authorizing the commencement of SONGS decommissioning effective June 7, 2013. This resolution allows the Electric Utility to access the decommissioning trust funds to pay for its share of decommissioning costs. The Electric Utility began drawing decommissioning trust funds to pay for decommissioning costs in the fiscal year ended June 30, 2017. As of June 30, 2021, the Electric Utility has paid to date $36,398 in decommissioning obligations, which have been reimbursed by the trust funds.

As of June 30, 2021 and 2020, decommissioning liability balance was $50,896 and $55,708, respectively, with a portion reflected as current liabilities payable from restricted assets. Due to adequate funding in the liability, the Electric Utility no longer provides additional funding to the trustee. However, since the decommissioning cost estimate is subject to a number of uncertainties including the cost of disposal of nuclear waste, site remediation costs, as well as a number of other assumptions and estimates, the Electric Utility will continue to set aside funds in the designated decommissioning reserve of $2,000 per year, as approved by the Board of Public Utilities and City Council.

	Balance As of 6/30/2019	Additions	Reductions	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Due Within One Year
Nuclear decommissioning liability	$ 58,199	$ 1,350	$ (3,841)	55,708	628	(5,440)	50,896	7,254

NOTE 11. COMMITMENTS

The Electric Utility has entered into a power purchase contract with Intermountain Power Agency (IPA) for the delivery of electric power. The Electric Utility's share of IPA power is equal to 7.6 percent, or approximately 137.1 MW, of the net generation output of IPA's 1,800 MW coal-fueled generating station, known as Intermountain Power Project (IPP), located in central Utah. The contract expires in 2027 and the debt fully matures in 2024.

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

On September 29, 2006, Senate Bill 1368 (SB 1368) was enacted into law. The bill requires electric service providers to limit financial investments in power plants to those that adhere to greenhouse gas performance standards as determined by the Public Utilities Commission. Pursuant to this legislation, the Electric Utility is prohibited from renewing its participation in IPP if it remains a coal fueled generating resource.
In order to facilitate the continued participation in the IPP, the IPA Board issued the Second Amendatory Power Sales Contract, which amended the IPP Contract allowing the plant to replace the coal units with combined cycle natural gas units by July 1, 2025. On June 16, 2015, the City Council approved the Intermountain Power Project renewal agreements, including the Second Amendatory Power Sales Contract and the Renewal Power Sales Contract, and authorized participation in the IPP Repower Project for up to 5 percent in generation capacity or 60 MW. The Second Amendatory Power Sales Contract became effective March 16, 2016.

On January 5, 2017, the Electric Utility executed the Renewal Power Sales Contract and the Electric Utility accepted an offer of 4.167 percent entitlement or 50 MW generation capacity in the IPP Repower Project based on the 1,200 MW designed capacity, which is within the maximum participation level approved by the City Council. The Electric Utility's corresponding Southern Transmission System allocation is 5.278 percent or approximately 127 MW. Further, under the Renewal Power Sales Contract, the Electric Utility has the right to exit from the Repower Project by no later than November 1, 2019, if it is determined that the Repower Project is not cost beneficial to its customers.

On September 11, 2018, the City Council approved "Alternative Repowering" of the IPP Repower Project, which reduced the design capacity of the future plant from 1,200 MW to 840 MW.

On May 7, 2019, the City Council authorized termination of the Renewal Power Sales Contract between the IPA and the Electric Utility effective November 1, 2019, and the Electric Utility's exit from the IPP Repower Project upon the expiration date of the current Power Sales Contract on June 15, 2027, due to numerous uncertainties surrounding the IPP Repower Project.

The Electric Utility is a member of SCPPA, a joint powers agency (see Note 9). SCPPA provides for the financing and construction of electric generating and transmission projects for participation by some or all of its members. To the extent the Electric Utility participates in take-or-pay projects developed by SCPPA, it has entered into Power Purchase or Transmission Service Agreements, entitling the Electric Utility to the power output or transmission service, as applicable, and the Electric Utility will be obligated for its proportionate share of the project costs whether or not such generation output of transmission service is available.

The projects and the Electric Utility's proportionate share of SCPPA's obligations, including final maturities and contract expirations are as follows:

NOTE 11. COMMITMENTS (CONTINUED)

Project	Percent Share	Entitlement	Final Maturity	Contract Expiration
Palo Verde Nuclear Generating Station	5.40%	12.3 MW	2017	2030
Southern Transmission System	10.20%	244.0 MW	2027	2027
Mead-Phoenix Transmission	4.00%	18.0 MW	2020	2030
Mead-Adelanto Transmission	13.50%	118.0 MW	2020	2030

As part of the take-or-pay commitments with IPA and SCPPA, the Electric Utility has agreed to pay its share of current and long-term obligations. Management intends to pay these obligations from operating revenues received during the year that payment is due. A long-term obligation has not been recorded on the accompanying financial statements for these commitments. Take-or-pay commitments terminate upon the later of contract expiration or final maturity of outstanding bonds for each project.

The outstanding debts associated with the take-or-pay obligations have fixed interest rates which range from 2.295 percent to 5.00 percent. The schedule below details the amount of principal and interest that is due and payable by the Electric Utility as part of the take-or-pay contract for each project in the fiscal year indicated.

	IPA	SCPPA	TOTAL
Debt Service Payment (in thousands) Year Ending June 30,	Intermountain Power Project	Southern Transmission System	All Projects
2022	$ 8,228	$ 9,369	$ 17,597
2023	8,064	7,083	15,147
2024	840	7,125	7,965
2025	-	3,261	3,261
2026	-	3,257	3,257
2027-2031	-	6,507	6,507
Total	$ 17,132	$ 36,602	$ 53,734

In addition to debt service, the Electric Utility's entitlements require the payment of fuel costs, operating and maintenance, administrative and general and other miscellaneous costs associated with the generation and transmission facilities discussed above. These costs do not have a similar structured payment schedule as debt service varies each year. The costs incurred for the years ended June 30, 2021 and 2020, are as follows (in thousands):

FISCAL YEAR	Intermountain Power Project [1]	Palo Verde Nuclear Generating Station [1]	Southern Transmission System	Mead-Phoenix Transmission	Mead-Adelanto Transmission	All Projects
2021	$ 20,648	$ 2,951	$ 5,126	$ 44	$ 424	$ 29,193
2020	$ 20,156	$ 2,870	$ 5,533	$ 50	$ 541	$ 29,150

[1] Excludes variable cost.

These costs are included in production and purchased power or transmission expense on the Statements of Revenues, Expenses and Changes in Net Position.

The Electric Utility has become a Participating Transmission Owner with the California Independent System Operator (CAISO) and has turned over the operational control of its transmission entitlements including the Southern Transmission System, Mead-Phoenix and Mead-Adelanto Transmission Projects. In return, users of the California's high voltage transmission grid are charged for, and the Electric Utility receives reimbursement for, transmission revenue requirements, including the costs associated with these three transmission projects.

HOOVER UPRATING PROJECT

The Electric Utility's entitlement in the Hoover project through SCPPA terminated on September 30, 2017. On August 23, 2016, the City Council approved a 50-year Electric Service Contract (ESC) and an Amended and Restated Implementation Agreement (IA) with the Western Area Power Administration (Western), Bureau of Reclamation for 30 MW of hydroelectric power. The contract with Western is effective as of October 1, 2017. The ESC extends the Electric Utility's 30 MW entitlement in the Hoover project an additional 50 years. The IA is a supplemental agreement to the ESC that establishes administrative, budgetary and project oversight by creating project committees and process for decision making plant operations.

NUCLEAR INSURANCE

The Price-Anderson Act (the Act) requires that all utilities with nuclear generating facilities purchase the maximum private primary nuclear liability insurance available ($450 million) and participate in the industry's secondary financial protection plan. The secondary financial protection program is the industry's retrospective assessment plan that uses deferred premium charges from every licensed reactor owner if claims and/or costs resulting from a nuclear incident at any licensed reactor in the United States were to exceed the primary nuclear insurance at that plant's site. Effective June 10, 2021, the Act limits liability from third-party claims to approximately $13.5 billion per incident. Under the industry wide retrospective assessment program provided for under the Act, assessments are limited to $137.6 million per reactor for each nuclear incident occurring at any nuclear reactor in the United States, with payments under the program limited to $20.5 million per reactor, per year, per event to be indexed for inflation every five years. Based on the Electric Utility's interest in Palo Verde, the Electric Utility would be responsible for a maximum assessment of $1.3 million, limited to payments of $0.2 million per incident, per year. If the public liability limit above is insufficient, federal regulations may impose further revenue-raising measures to pay claims, including a possible additional assessment on all licensed reactor operators.

RENEWABLE PORTFOLIO STANDARD (RPS)

On April 12, 2011, the California Renewable Energy Resources Act (SBX1-2) was signed into law by the Governor, which officially created the first set of tiered RPS targets of 20% by 2013, 25% by 2016 and 33% by 2020. SBX1-2 specified that publicly owned utilities must meet these defined targets via interim Compliance Period (CP) targets to achieve the end goal of 33% RPS by December 31, 2020 as follows: CP1 - an average of 20 percent of retail sales during the 3-year period from 2011-2013; CP2 – no less than 25 percent of retail sales by December 31, 2016; and CP3 – no less than 33 percent of retail sales by December 31, 2020. The Riverside Public Utilities Board and City Council approved the RPS Enforcement Program required by SBX1-2 on November 18, 2011 and December 13, 2011, respectively, and further approved the Electric Utility's RPS Procurement Plan (a.k.a. Procurement Policy) implementing the new RPS mandates on May 3, 2013 and May 14, 2013, respectively. The Electric Utility has met the procurement requirements of SBX1-2 for CP1 (2011-2013) and CP2 (2014-2016). The additional future mandates are expected to be met with resource procurement actions as outlined in the Electric Utility's RPS Procurement Plan. For calendar year 2020, renewable resources provided 42 percent of retail sales requirements.

On October 7, 2015, the Governor signed into law Senate Bill 350 (SB 350) increasing the RPS mandate from 33 percent by 2020 to 50 percent by December 31, 2030. In addition, SB 350 required that an updated RPS Procurement Policy must be approved and adopted before January 1, 2019 and be incorporated into the Electric Utility's Integrated Resource Plan. An Updated 2018 Renewable Energy Procurement Policy was adopted by the Board and City Council on September 10, 2018 and October 9, 2018, respectively. The Electric Utility expects to be able to substantially meet the increased RPS mandates imposed by SB

NOTE 11. COMMITMENTS (CONTINUED)

350 with the actions described in the updated procurement policy and the portfolio of renewable resources outlined below.

On September 10, 2018, the 100 Percent Clean Energy Act of 2018 (Senate Bill 100) was signed into law by the California Governor. This bill further increases the RPS goals of SBX1-2 and SB 350 while maintaining the 33 percent RPS target by December 31, 2020, but modifying the RPS percentages to be 44 percent by December 31, 2024, 52 percent by December 31, 2027, 60 percent by December 31, 2030, with an end goal of 100 percent of total retail sales of electricity in California generated from eligible renewable energy resources and zero-carbon resources by December 31, 2045. It is expected that the California Energy Commission will have further guidance and enforcement procedures for publicly owned utilities to meet these increased mandates. The Electric Utility will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

In an effort to increase the share of renewables in the Electric Utility's power portfolio, the Electric Utility entered into power purchase agreements (PPA) and power sales agreements (PSA) with various entities described below in general on a "take-and-pay" basis. The contracts in the following tables were executed as part of compliance with RPS mandates.

Long-term renewable PPAs and PSAs in operation (dollars in thousands):

Supplier	Type	Maximum Contract [1]	Contract Expiration	Estimated Annual Cost For 2021
Wintec Energy, Ltd.	Wind	1.3 MW	2/19/2024	$ 150
WKN Wagner	Wind	6.0 MW	12/22/2032	1,318
Terraform Power - AP North Lake	Photovoltaic	20.0 MW	8/11/2040	4,833
Dominion - Columbia II	Photovoltaic	11.1 MW	12/22/2034	2,313
GlidePath Power Solutions - GPS Cabazon Wind LLC	Wind	39.0 MW	1/1/2025	4,299
Capital Dynamics - Kingbird Solar B, LLC	Photovoltaic	14.0 MW	12/31/2036	2,867
FTP Solar				
sPower - Summer Solar	Photovoltaic	10.0 MW	12/31/2041	1,748
sPower - Antelope Big Sky Ranch	Photovoltaic	10.0 MW	12/31/2041	1,748
sPower - Antelope DSR 1 Solar	Photovoltaic	25.0 MW	12/19/2036	3,825
Capital Dynamics - Tequesquite Landfill Solar	Photovoltaic	7.3 MW	12/31/2040	1,402
American Renewable Power-Loyalton	Biomass	0.8 MW	4/19/2023	615
Roseburg Forest Products	Biomass	0.5 MW	2/16/2026	179
CalEnergy - Salton Sea Portfolio	Geothermal	86.0 MW	12/31/2039	54,798
Atlantica - Coso Geothermal	Geothermal	10.0 MW	12/31/2042	2,698
Total		241.0 MW		$ 82,793

[1] All contracts are contingent on energy delivered from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

Long-term renewable PPAs with expected delivery:

Supplier	Type	Maximum Contract [1]	Expected Delivery	Energy Delivery No Later Than	Contract Term In Years
Avangrid Renewable - Camino Solar plus Storage	Hybrid (Solar & Battery)	44.0 MW [2]	Delayed	10/31/2022	15
Atlantica - Coso Geothermal	Geothermal	20.0 MW	1/1/2027	1/1/2027	15
Total		64.0 MW			

[1] All contracts are contingent on energy delivered from specific related generating facilities. The Electric Utility has no commitment to pay any amounts except for energy delivered on a monthly basis from these facilities except for any economic curtailments directed by the Electric Utility.

[2] Represents solar capacity only; battery capacity is 11 MW and 4-hour duration.

On May 20, 2003, the Electric Utility and Salton Sea Power LLC (Salton Sea) entered into a ten-year PPA for 20 MW of geothermal energy. On August 23, 2005, the City Council approved an amendment to the PPA, which increases the amount of renewable energy available to the Electric Utility from 20 MW to 46 MW effective June 1, 2009 through May 31, 2020.

On May 14, 2013, the City Council approved a new 25-year PPA with CalEnergy, the parent of Salton Sea, for additional renewable geothermal power. The PPA provides power from a portfolio of ten geothermal generating units, instead of a single generating unit, with an increasing amount of delivery that started with 20 MW in 2016 increasing to 40 MW in 2019 and 86 MW in 2020. The initial price under the agreement was $72.85 per megawatt-hour (MWh) in calendar year 2016, which will escalate at 1.5 percent annually for the remaining term of the agreement. Similar to other renewable PPAs, the Electric Utility is only obligated for purchases of energy delivered to the City.

Concurrently, the pricing under the Salton Sea PPA has been amended to conform to pricing in the new PPA with CalEnergy through the remaining term of the Salton Sea PPA. The pricing under the Salton Sea PPA increased by approximately $7.57 per MWh, commencing July 1, 2013 to $69.66 per MWh, with an escalation of 1.5 percent annually, thereafter, reflecting the exchange of benefits for a substantially lower pricing under the new PPA. The cost increase under the Salton Sea PPA and accrual of the prepayment ended as of May 31, 2020. As of June 30, 2021 and 2020, the Electric Utility's prepayment of future contractual obligations was $13,615 and $14,245, respectively. This prepayment is recorded on the Statements of Net Position as unamortized purchased power, to be amortized over the term of the CalEnergy PPA. The CalEnergy PPA commenced in February 2016. As of June 30, 2021 and 2020, the Electric Utility has recorded $630 and $315, respectively, in amortization related to the unamortized purchased power.

On January 28, 2003, the Electric Utility entered into a 15-year renewable PPA with Wintec Energy, Ltd (Wintec) to purchase all of the energy output generated by Wintec's wind powered electric generating units with capacity up to 5 MW. Due to unforeseen circumstances, Wintec was only able to generate capacity totaling 1.3 MW. On November 15, 2005, the City Council approved an amendment to the original agreement, reducing the capacity to 1.3 MW. The amended contract with Wintec terminated in December 2018, however, on February 12, 2019, the City Council approved an extension to the amended agreement for an additional five years for a reduced price of $35.77 per MWh.

On October 16, 2012, the Electric Utility entered into a 25-year PPA with AP North Lake, LLC (AP North) for 20 MW of solar photovoltaic energy generated by a new facility located in the City of Hemet, California. The AP North Lake Project became fully operational in August 2015. The project is expected to generate 55,000 MWh of renewable energy per year at a levelized cost of $95 per MWh for the term of the PPA. After a series of ownership changes, AP North Lake is now owned by Terraform Power.

On December 20, 2012, the Electric Utility entered into a 20-year PPA with WKN Wagner, LLC (WKN) for up to 6 MW of renewable wind energy and renewable energy credits from the WKN Wagner wind project in Palm Springs, California. WKN is expected to generate 21,000 MWh of renewable energy annually at a levelized cost of $73 per MWh.

On January 17, 2013, the Electric Utility entered into two 25-year PSAs with SCPPA for a combined total of 20 MW of solar photovoltaic energy generated by two facilities to be built in the City of Lancaster by Silverado Power, which later changed its name to sPower after a series of ownership changes. The two projects are referred to as Antelope Big Sky Ranch and Summer Solar, each rated at 20 MW. The Electric Utility has a 50 percent share of the output from each project through SCPPA, which has two 20 MW PPAs with sPower. Summer Solar became commercially operational on July 25, 2016, and Antelope Big Sky Ranch became commercially operational on August 19, 2016. The Electric Utility's share from the two projects is 55,000 MWh of renewable energy per year. The price under the agreements is $71.25 per MWh over the term of the agreements.

On September 19, 2013, the Electric Utility entered into a 20-year PSA with SCPPA for 14 MW of solar photovoltaic energy generated by a facility to be built by First Solar in Kern County, California. The project

NOTE 11. COMMITMENTS (CONTINUED)

is referred to as the Kingbird B Solar Photovoltaic Project, with a nameplate capacity of 20 MW. The Electric Utility has a 70 percent share of the output from the project through SCPPA, which has a 20 MW PPA with Kingbird Solar B, LLC, which was acquired by Capital Dynamics in 2018. The project became commercially operational on April 30, 2016. The Electric Utility's share from the project is approximately 35,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $68.75 per MWh over the term of the agreement.

On September 19, 2013, the Electric Utility entered into a 20-year PSAs with SCPPA for an 11.1 MW of solar photovoltaic energy generated by a facility to be built by Recurrent Energy in Kern County, California. The project referred to as Columbia Two Solar Photovoltaic Projects, with a nameplate capacity of 15 MW. On March 14, 2014 a Consent and Agreement was entered into by SCPPA consenting to the transfer of ownership of the Columbia Two project from Recurrent Energy to Dominion Resources. The Columbia Two Project completed construction and achieved commercial operation in December 2014. The Electric Utility has a 74.3 percent share (11.1 MW) of the output from the Columbia Two Project through SCPPA, which has a 15 MW PPA with Dominion Resources. The Electric Utility's share of Columbia Two is approximately 33,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $69.98 per MWh over the term of the agreement.

On December 6, 2013, the Electric Utility and FPL Energy Cabazon Wind, LLC (Cabazon Wind) entered into a 10-year PPA for 39 MW of renewable wind energy from the Cabazon Wind Energy Center near Cabazon, California. Cabazon Wind is an existing renewable resource that has been in commercial operation since 1999. SCE purchased the output of the facility through December 2014. At the expiration of SCE's contract, Cabazon Wind entered into new interconnection and generation agreements with CAISO and SCE. The developer completed the implementation of the transition to the Electric Utility as of January 1, 2015. Delivery under the PPA commenced on January 1, 2015. The project is expected to generate 71,200 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $59.30 per MWh over the term of the agreement. In 2018, after it was acquired by GlidePath Power Solutions, FPL Energy Cabazon Wind, LLC changed its name to GPS Cabazon Wind, LLC.

On March 11, 2014, the Electric Utility and Solar Star California XXXI, LLC (Solar Star) entered into a 25-year PPA for 7.3 MW of solar photovoltaic energy generated by a facility to be built on the City-owned Tequesquite Landfill. The project was fully commissioned and operational on September 30, 2015 and is expected to generate approximately 15,000 MWh of renewable energy per year. The all-in price for energy, capacity and environmental attributes is $81.30 per MWh, escalating at 1.5 percent annually. In 2018, Capital Dynamics became the new parent company of Solar Star after acquiring it from SunPower.

On July 16, 2015, the Electric Utility entered into a 20-year PSA with SCPPA for 25 MW of solar photovoltaic energy generated by sPower's Antelope DSR Solar PV Project in the City of Lancaster, California. The Electric Utility has a 50 percent share of the output from the project through SCPPA, which has a 50 MW PPA with sPower. The project became commercially operational on December 20, 2016. The Electric Utility's share of Antelope DSR Solar is expected to generate approximately 71,000 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $53.75 per MWh over the term of the agreement.

On November 16, 2017, the Electric Utility entered into a 5-year PSA with SCPPA for 0.8 MW of biomass energy generated by American Renewable Power (ARP) - Loyalton Biomass Project. The Electric Utility has a 4.48% share of the output of the project through SCPPA, along with Imperial Irrigation District, Modesto Irrigation District, Sacramento Municipal Utility District, and Turlock Irrigation District, has an 18 MW PPA with ARP-Loyalton. The project became commercially operational on April 20, 2018. The Electric Utility's share of ARP Loyalton is expected to generate 6,358 MWh of renewable energy per year with an all-in price for energy, capacity and environmental attributes of $97.50 per MWh over the term of the agreement. On February 18, 2020, ARP Loyalton Cogen, LLC filed Chapter 11 bankruptcy. On March 18, 2020, the bankruptcy was converted to Chapter 7. On April 30, 2020, the bankruptcy court approved the sale of the ARP Loyalton project to Sierra Valley Enterprise.

NOTE 11. COMMITMENTS (CONTINUED)

On December 18, 2019, the Electric Utility entered into a 15-year PPA with Camino Solar, LLC for 44 MW of solar photovoltaic energy, battery energy storage, associated environmental attributes and capacity rights. The Camino Solar plus Battery Energy Storage Project will generate approximately 147,000 MWh of renewable energy per year. The all-in price for energy, capacity and environmental attributes of the solar is $27.70 per MWh, over the term of the agreement. The Battery Energy Storage capacity of the facility is 11 MW with a minimum four-hour duration. The Battery Energy Storage Capacity price of the facility is $6.48 per kilowatt-month. The project was expected to become commercially operational May 1, 2022, but no later than October 31, 2022. However, the project has encountered significant delays and is no longer expected to be commercially operational by that time. The Utility will be receiving liquidated damages as a result.

On January 15, 2021, the Electric Utility entered into a 20-year PSA with SCPPA for 10 MW for the first 5 years of the contract and 30 MW for the remaining 15 years of the contract of geothermal energy generated by Atlantica's Coso Geothermal project. The Electric utility has partnered with the Cities of Banning and Pasadena to share SCPPA's contracted capacity. The project will begin delivering on January 1, 2022. The Electric Utility's share of Coso Geothermal is expected to provide 87,500 MWh annually in the first 5 years of the term and 268,300 MWh in the remainder of the term at an all-in price for energy, capacity, Resource Adequacy, and environmental attributes of $69.00 per MWh over the term of the agreement.

On February 16, 2021, the Electric Utility entered into a 5-year SB 859 Purchase Agreement with Roseburg Forest Products Co for the remaining 0.5 MW of SB 859 compliance. The Electric Utility has a 4.48% share of the output of the project along with SCPPA, Modesto Irrigation District, Sacramento Municipal Utility District, and Turlock Irrigation District, for a total capacity of 11 MW with Roseburg. The project became commercially operational on February 16, 2021. The price for the SB 859 compliant capacity is $46.00 per MWh over the term of the agreement.

CAP-AND-TRADE PROGRAM

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. Subsequently, Senate Bill (SB 32), enacted in 2016, extended the requirements of AB 32 and codified that it was the State's goal to reduce GHG emissions to 40% below 1990 levels by the year 2020. SB 398 was then enacted in 2017 clarifying that it was the State legislature's intent to continue the Cap-and-Trade Program and regulations until 2030. In January 2013, emission compliance obligations developed by CARB began under the Cap-and-Trade Program (Program). This Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. To ease the transition and mitigate the rate impacts to retail customers, CARB will allocate certain amounts of GHG allowances at no cost to electrical distribution utilities. The Electric Utility's free allocation of GHG allowances is expected to be sufficient to meet the Electric Utility's direct GHG compliance obligations.

At times, the Electric Utility may have allocated allowances in excess of its compliance obligations that can be sold into the CARB quarterly auctions. In fiscal years ended June 30, 2021 and 2020, the Electric Utility received $8,251 and $6,433, respectively, in proceeds related to the sale of the GHG allowances, which are included on the Statements of Revenues, Expenses and Changes in Net Position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the GHG proceeds. The available funds are to be utilized for qualifying projects, consistent with the goals of AB 32 to benefit the retail ratepayers. The balance in the Regulatory Requirement reserve was $14,555 and $16,815 as of June 30, 2021 and 2020, respectively.

The Electric Utility also purchases GHG allowances, which can be used in future periods for GHG compliance regulations. The balance of purchased GHG allowances was $971 as of June 30, 2021 and 2020, and is recorded as inventory in the Statements of Net Position.

NOTE 11. COMMITMENTS (CONTINUED)

LOW CARBON FUEL STANDARD PROGRAM

Assembly Bill (AB) 32, enacted in 2006, mandated that the California Air Resources Board (CARB) develop regulations for the reduction of greenhouse gas (GHG) emissions to the 1990 levels by the year 2020. Subsequently, Senate Bill (SB 32), enacted in 2016, extended the requirements of AB 32 and codified that is was the State's goal to reduce GHG emissions to 40% below 1990 levels by the year 2020. Like the Cap-and-Trade Program, the Low Carbon Fuel Standard (LCFS) Program is a key component of the market mechanisms authorized by these bills to achieve the State's GHG emissions reduction goals. The LCFS regulation was initially approved by CARB in 2009. The program then underwent some litigation in the State of California and the regulation was re-adopted in 2015 with modifications and went into effect in 2016. LCFS seeks to reduce the carbon intensity (CI) of fuels used for transportation by establishing an annual CI target. Fuels that have a CI greater than the target have a compliance obligation and are required to turn in LCFS credits; fuels with a CI lower than the target may generate credits.

Electricity is considered a fuel subject to the program when it is used as a transportation fuel in electric vehicles. However, because the CI of electricity is substantially lower than the annual CI targets under the program, electricity is a fuel that generates LCFS credits and participation in the Program is voluntary. The City opted into the LCFS program in March 2018 and began generating LCFS credits for the first quarter of 2018. These credits are associated with two sources – unmetered electricity used to charge residents' electric vehicles at their homes (residential base credits) and from electric forklifts charging at private businesses (forklift credits). CARB calculates the credits that the Electric Utility receives, and the Electric Utility submits reports quarterly to receive the credits.

The LCFS regulation was amended in 2018 and required that electric utilities that have opted into the LCFS Program participate in and manage a statewide point-of-sale rebate program for new electric vehicles. This program is called the California Clean Fuel Reward Program (CFR) and the City joined the program in May 2020. To fund the program, electric utilities are required to contribute proceeds received from the sales of residential base credits beginning with the credits the Electric Utility received in Q4 2019 (generated from electricity used for transportation in Q2 2019). Residential base credits the Electric Utility received prior to that time are not subject to the contribution requirements. Additionally, a small "start-up" contribution from proceeds is required to be submitted by January 31, 2021. After the initial deposit of funds in November 2020, deposits to the CFR program are required by March 31 annually.

In fiscal years ended June 30, 2021 and 2020, the Electric Utility's proceeds from the sale of LCFS credits was $1,166 and $1,623, respectively. These proceeds are included on the Statements of Revenues, Expenses and Changes in Net Position as other operating revenue. The Electric Utility has established a restricted Regulatory Requirement reserve to comply with regulatory restrictions and governing requirements related to the use of the LCFS proceeds. The available funds are to be utilized for qualifying projects that support the Electric Utility's customers who are existing and future electric vehicle owners. Qualifying projects as of June 30, 2021 is approximately $440. The balance in the Regulatory Requirement reserve as of June 30, 2021 and 2020 was $2,368 and $1,623, respectively.

CONSTRUCTION COMMITMENTS

As of June 30, 2021, the Electric Utility had commitments (encumbrances) of approximately $22,799 with respect to unfinished capital projects, of which $13,694 is expected to be funded by unrestricted cash reserves, $8,103 to be funded by bonds, and $1,002 to be funded by restricted cash reserves.

FORWARD PURCHASE/SALE AGREEMENTS

In order to meet summer peaking requirements, the Electric Utility may contract on a monthly or quarterly basis, for the purchase or sale of natural gas, electricity and/or capacity products on a short-term horizon. As of June 30, 2021, the Electric Utility has net commitments for fiscal year 2022 and thereafter, of approximately $11,707, with a market value of $16,749.

NOTE 12. LITIGATION

The Electric Utility is a defendant in various lawsuits arising in the normal course of business. Present lawsuits and other claims against the Electric Utility are incidental to the ordinary course of operations of the Electric Utility and are largely covered by the City's self-insurance program. In the opinion of management and the City Attorney, such claims and litigation will not have a materially adverse effect upon the financial position or results of operation of the Electric Utility. Contractual and litigation matters of the Electric Utility relating to SONGS are contained in Note 10.

NOTE 13. SUBSEQUENT EVENT

PARADA II CLASS ACTION LAWSUIT

On September 12, 2018, a petition for writ of mandate entitled *Parada v. City of Riverside* ("*Parada II*") was filed against the City seeking to invalidate, rescind and void under Proposition 26, the Electric System's rates approved by City Council on May 22, 2018, which took effect on January 1, 2019, challenging the portion of the electric rates that are attributable to the General Fund. The petition did not seek any monetary relief from the General Fund. The trial court divided the case into two stages for hearings: a liability phase and a damages phase. On April 17, 2020, the Court in the liability phase of Parada II litigation entered a tentative ruling finding the City's electric rates attributable to the General Fund transfer violate Article XIII C of the California Constitution. The formal hearing on the matter took place on June 5, 2020, but the Court asked for further briefing on the issue of whether or not the plaintiffs failed to exhaust their administrative remedies. On October 9, 2020, the Court confirmed its tentative ruling and entered an order denying the City's request for interlocutory remand. The court has set a hearing for February 24, 2021, to set a briefing schedule for determining appropriate remedies /damages in the case. The City expects the second phase of the trial relating to plaintiffs available remedies to occur in the second quarter of 2021. However, due to the impact of the Coronavirus on the Courts, the exact timing of the completion of the trial is uncertain at this time.

The ruling by the Court in Parada II will likely have a material adverse impact on the City's General Fund. The General Fund receives approximately $40 million annually (up to the maximum amount of 11.5% of Electric Fund revenues) from the Electric Fund. Based on the Court's order in the liability phase of the trial, approximately $19-32 million of the General Fund transfer is potentially attributable to rate payer revenue that was not approved by the voters. However, that amount will be determined during the damages phase of the trial. Additionally, the City may be required to refund rate payers for the portions of the rates that were determined to violate Article XIII C of the California Constitution from the date the writ of mandate was filed. However, the trial court has not issued any ruling as to what the amount of any damages would be. Based on the Court's order in the liability phase of the trial, the City estimates that the amount of a refund would be $19 to $32 million per year, beginning January 1, 2019, until date of settlement or issuance of a final, non-appealable judgment by the trial court after anticipated appeals are resolved. This amount could vary depending upon whether or not the City decides to repeal and replace the challenged rates pending appeal. Currently, petitioners have sought monetary relief solely from the Electric System. However, the City can make no assurance that the City's General Fund may not be held liable for all or a portion of any refund or other remedy the Court ultimately orders. The City believes that all or a portion of any refund, if owed, could be paid from rate payer revenues in the Electric Fund and that any judgment would likely be allowed by the Court to be paid over a multi-year period. If the electric rates attributable to the General Fund transfer are determined to be invalid or are otherwise repealed and replaced by the City, the City could seek voter approval for the General Fund transfer like it did for the Water Fund. The City has a variety of revenue sources and expense reductions available to it to address any future budget deficits caused by the potential loss of the General Fund transfer, including but not limited to the use of Measure Z revenues.

NOTE 13. SUBSEQUENT EVENT (CONTINUED)

On May 17, 2021, the City and the Paradas entered into a conditional settlement agreement. This settlement is conditioned on: (1) the Riverside City Council's placement of a ballot measure on City ballots in November 2021 to approve the City's General Fund Transfer practices as a general tax ("Ballot Measure"); and (2) voter approval of the Ballot Measure. The Riverside City Council placed the Ballot Measure on the ballot for the November 2, 2021 election. The Parties have stayed the lawsuit until certification of the results of the Ballot Measure. If voters approve the Ballot Measure, the City will refund to customers of its electric utility an amount equal to $24 million less the amount awarded to Plaintiffs' counsel in fees, paid over a five-year period beginning no later than February 1, 2022. If voters do not approve the Ballot Measure, this litigation will then resume.

On or about September 16, 2021, a petition for writ of mandate entitled Petitioner Riversiders Against Increased Taxes v. City of Riverside, et al. was filed against the City challenging the Ballot Measure on the grounds that the Ballot Measure cannot be adopted at the November 2021 election because that election is a "special" election and under Proposition 218, a ballot measure to impose a general tax can only be submitted to voters at a general election. On November 9, 2021, the court set a trial date for this lawsuit for January 7, 2022 and ordered a stay of the certification of the Ballot Measure Election results pending the January 7th hearing, but did not otherwise delay or cancel the election for the Ballot Measure.

The election was held on November 2, 2021, and the initial report from the County Registrar of Voters, as of November 3, 2021, is that Measure C was approved by voters. However, the election results have not yet been certified by the City, as noted above, and the Parada lawsuit continues to be stayed pending certification of the results.

ELECTRIC UTILITY:
KEY HISTORICAL OPERATING DATA

FISCAL YEAR	2020/21	2019/20	2018/19	2017/18	2016/17
POWER SUPPLY MEGAWATT-HOURS (MWH)					
Nuclear					
Palo Verde	99,800	100,900	100,200	102,900	102,400
Coal					
Intermountain Power	539,200	551,300	677,900	627,100	619,500
Hoover (Hydro)	30,600	27,000	28,600	29,000	28,400
Gas					
Springs	1,800	700	400	700	500
RERC	83,800	68,200	93,900	89,600	84,300
Clearwater	9,800	8,600	13,700	24,200	25,900
Renewable Resources[1]	1,029,300	922,800	835,500	790,100	669,900
Market Purchases	468,000	558,500	511,500	633,500	770,500
Exchanges In	0	0	0	0	0
Exchanges Out	0	0	0	0	0
Total	2,262,300	2,238,000	2,261,700	2,297,100	2,301,400
System peak megawatt (MW)	630.3	587.2	610.9	640.3	581.7
ELECTRIC USE					
Number of meters as of year end					
Residential	99,226	98,930	98,322	97,531	97,372
Commercial	11,471	11,253	11,219	11,181	11,016
Industrial	962	926	888	854	833
Other	52	52	51	53	53
Total	111,711	111,161	110,480	109,619	109,274
Millions of kilowatt-hours (kWh) sales					
Residential	783	723	722	727	730
Commercial	405	417	434	447	448
Industrial	916	956	973	999	996
Other	18	18	21	22	23
Subtotal	2,122	2,114	2,150	2,195	2,197
Wholesale[2]	0	1	0	0	1
Total	2,122	2,115	2,150	2,195	2,198

[1]As of June 30, 2019, Solar PV included in the Renewable Resources has been restated to include only CEC certified renewables. Fiscal years 17/18 and 16/17 have each been reduced by 8,100 mWh.

[2]For fiscal years 17/18, 18/19, and 20/21, wholesale kWh was less than 1 million kWh.

ELECTRIC FACTS	2020/21	2019/20	2018/19	2017/18	2016/17
Average annual kWh per residential customer	7,907	7,322	7,375	7,455	7,519
Average price (cents/kWh) per residential customer	$17.03	$16.77	$16.11	$15.91	$16.12
Debt service coverage ratio (DSC)[4,5,6]	1.99	2.62	2.24	2.73	2.95
Operating income as a percent of operating revenues	9.6%	12.1%	11.4%	15.3%	20.2%
Employees[7]	468	466	475	489	472

[4]Interest expense used to calculate DSC is net of federal subsidy on Build America Bonds.

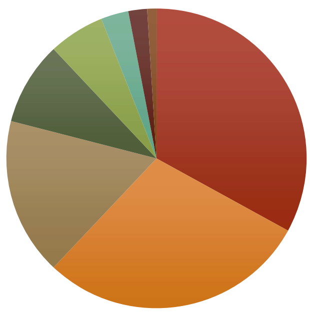
[5]Does not include GASB 68 - Accounting and Financial Reporting for Pension non-cash adjustments of $9,682, $3,364, ($1,323), $9,056, and ($248) for fiscal years 20/21 through 16/17, respectively.

[6]Does not include GASB 75 - Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions non-cash adjustments of $183, $490, $300, and $697 for fiscal years 20/21 through 17/18, respectively.

[7]Approved positions.

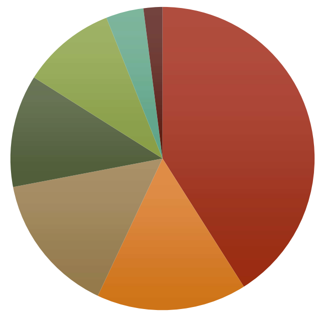
2020/2021 ELECTRIC REVENUE AND RESOURCES

SOURCE OF REVENUE



- Residential Sales 33¢
- Industrial Sales 29¢
- Commercial Sales 17¢
- Transmission Revenue 9¢
- Other Revenue 6¢
- Use of Reserves 3¢
- Public Benefit Programs 2¢
- Other Sales 1¢
- Investment Income (less than 1¢)

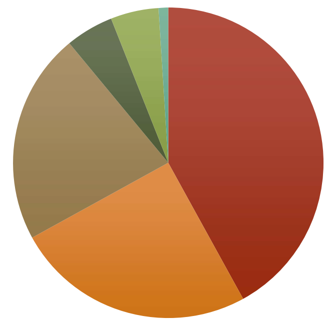
DISTRIBUTION OF REVENUE



- Production 41¢
- Distribution 16¢
- Transmission 15¢
- Debt Service 12¢
- Transfers to the City's General Fund* 10¢
- Additions & Replacements to the System 4¢
- Public Benefit Programs 2¢
- Unamortized Purchased Power (less than 1¢)

*Based on transfer of 11.5% of fiscal year 2019/2020 gross operating revenues including adjustments.

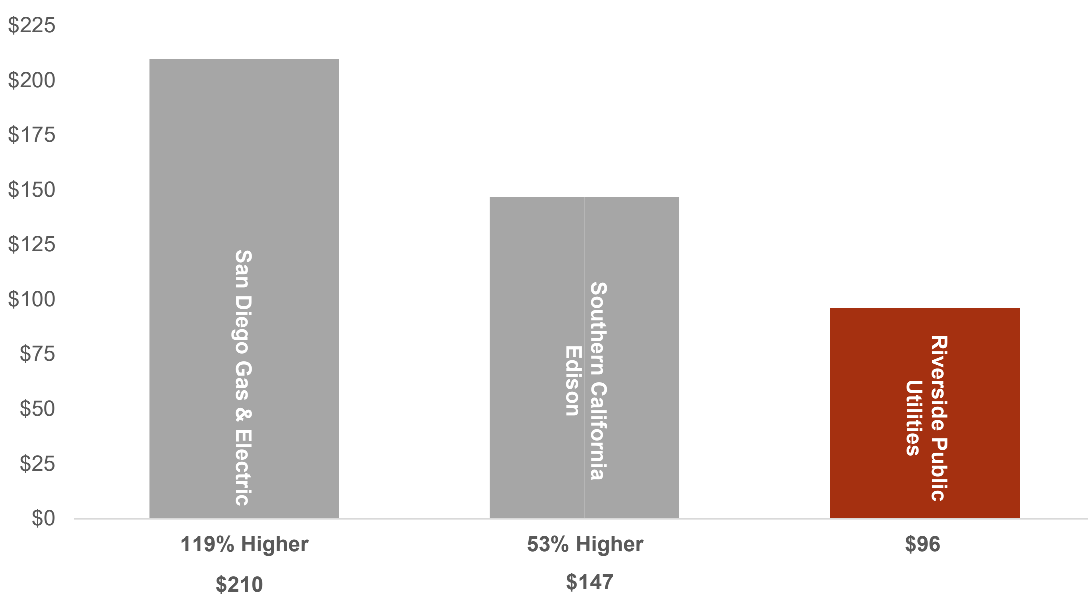
ENERGY RESOURCES**



- Renewables 42%
- Coal 25%
- Market Purchases 22%
- Nuclear 5%
- Gas 5%
- Hydropower 1%

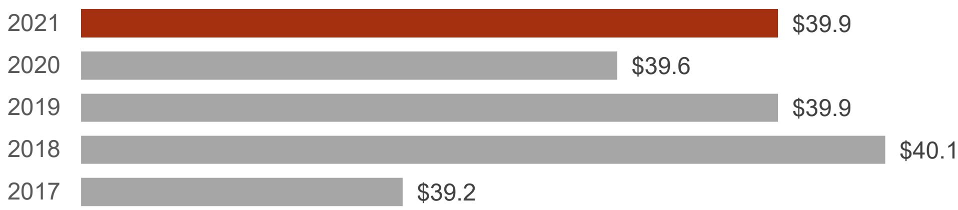
**Energy Resources are based on calendar year 2020 as filed with the California Energy Commission

ELECTRIC RATE COMPARISON - 600 KWH PER MONTH (AS OF JUNE 30, 2021)

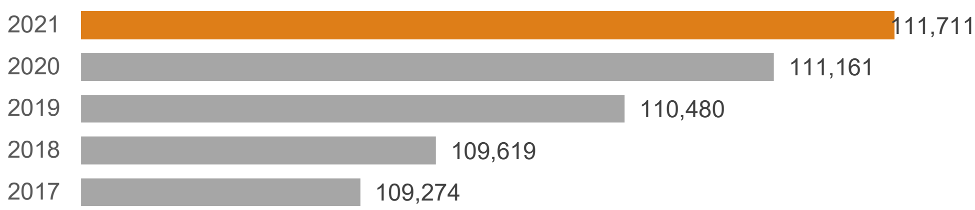


ELECTRIC KEY OPERATING INDICATORS

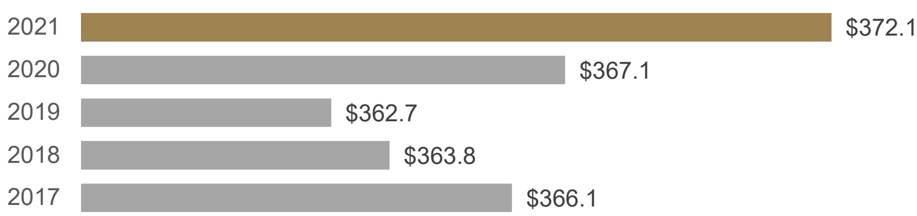
General Fund Transfer (In Millions)



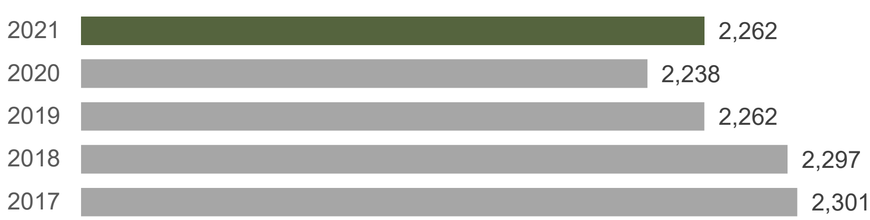
Number of Meters At Year End



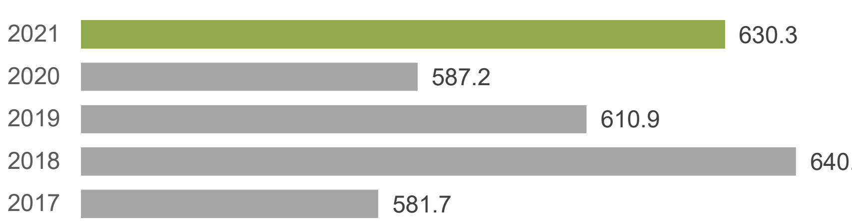
Total Operating Revenue (In Millions)



Production (In Million Kilowatt-Hours)[1]



Peak Day Demand (In Megawatts)



[1] As of June 30, 2019, Solar PV included in the Renewable Resources has been restated to include only CEC certified renewables. Fiscal years 17/18 and 16/17 have each been reduced by 8,100 mWh.

ELECTRIC FACTS AND SYSTEM DATA

Established.. 1895

Service Area Population... 324,243

City Service Area Size (square miles)... 81.5

System Data

Transmission Lines (circuit miles)... 99.2

Distribution Lines (circuit miles)... 1,351

Number of Substations 16

2020-21 Peak Day (megawatts) 630

Highest Single Hourly Use:

08/18/2020, 2pm, 102.0 degrees

Historical Peak (megawatts)... 640

Highest Single Hourly Use:

08/31/2017, 3pm, 89.9 degrees

Bond Ratings

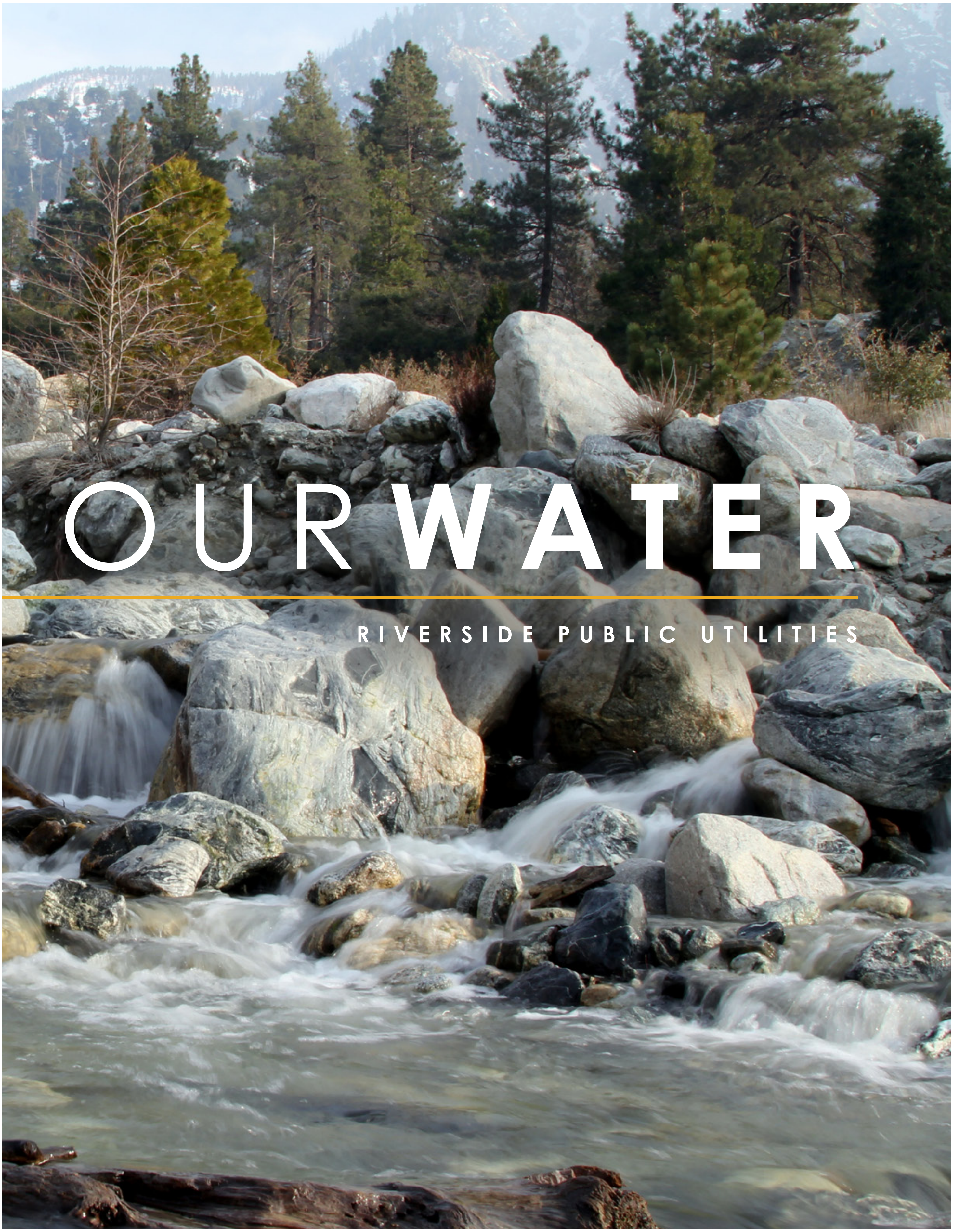
Fitch Ratings.. AA-

Standard & Poor's .... AA-

WATER ENERGY LIFE

CITY OF RIVERSIDE

PUBLIC UTILITIES



OUR WATER

RIVERSIDE PUBLIC UTILITIES

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Water Utility Enterprise Fund (Water Utility) of the City of Riverside, California, (the City) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Water Utility's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Utility Enterprise Fund of the City of Riverside, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Water Utility Enterprise Fund of the City of Riverside and do not purport to, and do not present fairly the financial position of the City as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Water Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Utility's ability to continue as a going concern for twelve months beyond the date of the financial statements.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of content, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Water Utility's financial statements. The key historical operating data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The key historical operating data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of Internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
November 9, 2021

WATER UTILITY:
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Riverside Public Utilities, a department of the City of Riverside (the City), we offer the readers this narrative overview and analysis of the 2020-21 financial report for the period ended June 30, 2021 and 2020 for Riverside's Water Utility (Water Utility), an enterprise fund of the City. We encourage readers to consider the information presented here in conjunction with additional information furnished in our financial statements, which begin on page 96 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Retail sales, net of uncollectibles/recovery, were $70,847 and $61,683 for the fiscal years ended June 30, 2021 and 2020, respectively. The increase in sales was primarily due to the rate plan increase and increase in consumption.
- Operating expense reflects a non-cash pension accounting standard adjustment, which will continue to fluctuate based on yearly actuarial information provided by the California Public Employees' Retirement System (CalPERS). The adjustment was ($1,107) and $1,046 in June 30, 2021 and 2020, respectively.
- Operating expense reflects a non-cash postemployment benefits other than pensions (OPEB) accounting standard adjustment, which will continue to fluctuate based on yearly actuarial information provided by CalPERS. The adjustment was $73 and $197 in June 30, 2021 and 2020, respectively.
- Total revenue includes the accounting standard for fair market value adjustment of investments, which will continue to fluctuate based on market valuations. The adjustment was ($534) and $575 in June 30, 2021 and 2020, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Water Utility's financial statements. The Water Utility is a department of the City, and its activities are recorded in a separate enterprise fund. These financial statements include only the activities for the Water Utility and provide comparative information for the last two fiscal years. Information on city-wide financial results is available in the City's Annual Comprehensive Financial Report (ACFR).

The Water Utility's financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. In addition, this report also contains other supplementary information to provide the reader with additional information about the Water Utility, including historical sales, operating activities, and other relevant data.

Included as part of the financial statements are three separate statements, which collectively provide an indication of the Water Utility's financial health.

The ***Statements of Net Position*** present information on all of the Water Utility's assets, liabilities, deferred inflows and outflows of resources and net position. The Statements of Net Position provide information about the nature and amount of the Water Utility's resources and obligations at a specific point in time.

The ***Statements of Revenues, Expenses and Changes in Net Position*** report all of the Water Utility's revenues and expenses for the periods shown.

The ***Statements of Cash Flows*** report the cash provided and used by operating activities, as well as other cash sources, such as investment income and debt financing. They also report other cash uses such as payments for bond principal and capital additions and improvements.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the Water Utility's financial statements. The Notes to the Financial Statements can be found on pages 100 to 132 of this report.

CORONAVIRUS DISEASE 2019 (COVID-19)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread to a number of countries, including the United States (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, declared a state of emergency. Potential impacts to the City future tax revenues include disruptions or restrictions on current employees' ability to work. Any of the foregoing could negatively impact revenues and the City currently cannot anticipate all of the ways in which this health epidemic, COVID-19, could adversely impact our government agency. Potential impacts will continue to be monitored.

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act into law to provide emergency appropriations during the Coronavirus pandemic. The CARES Act represented the third package of assistance from the federal government, providing $2.2 trillion in economic relief to individuals, families, businesses, and nonprofit organizations. Funding for governments was also included through the creation of the Coronavirus Relief Fund, which allocated $150 billion to various State, local and Tribal governments. The Coronavirus Relief Fund (CRF) was distributed to State, local and Tribal governments based on relative population. Local governments with a population of 500,000 or more were eligible to receive a direct allocation from the CRF. Given the population threshold, the City was not eligible to receive a direct allocation.

Throughout the COVID-19 pandemic, the Big City Mayors (BCM) met with federal and state elected officials to advocate for much needed assistance. As part of this effort, the BCM engaged the State's legislative leaders and Governor to solicit support for the creation of a dedicated funding opportunity for the seven cities (Long Beach, Oakland, Bakersfield, Anaheim, Santa Ana, Riverside, and Stockton) of the coalition that did not receive a direct allocation from the CRF due to population size. This targeted advocacy effort resulted in the inclusion of a specific $225 million set-aside for these seven cities as part of the State budget with the City of Riverside receiving an allocation of approximately $28 million. The CARES Act spending plan was approved by City Council on August 4, 2020 and on July 13, 2021, a final CARES Act expenditure report was presented to City Council.

AMERICAN RESCUE PLAN ACT (ARPA)

On March 11, 2021, President Biden passed the $1.9 trillion American Rescue Plan Act (ARPA) that is sending checks to families and offering small business support to drive up demand and counter the country's high unemployment. The ARPA established Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which provides a combined $350 billion in assistance to eligible state, local, territorial, and Tribal governments to assist in the economic and health recovery by providing resources to address impacts resulting from the crisis. The City will receive one-time fund of approximately $73.5 million from ARPA with the first installment of $36.7 million received in June 2021 and the remainder will be received in June 2022.

As of 2021 City and the Water Utility are continuing to monitor and assess the effects of the COVID-19 pandemic on our government agency and the public. The City and the Water Utility are pursuing all available of programs to assists with impacts of the pandemic. For additional information, refer to the ACFR.

WATER UTILITY FINANCIAL ANALYSIS

CONDENSED STATEMENTS OF NET POSITION

	2021	2020	2019
Current and other assets	$ 92,883	$ 92,188	$ 105,623
Capital assets	499,636	499,485	495,351
Deferred outflows of resources	14,528	37,963	16,786
Total assets and deferred outflows of resources	607,047	629,636	617,760
Long-term debt outstanding	250,728	261,353	250,026
Other liabilities	47,195	63,847	59,172
Deferred inflows of resources	764	3,801	5,861
Total liabilities and deferred inflows of resources	298,687	329,001	315,059
Net investment in capital assets	291,541	291,659	292,394
Restricted	10,599	10,186	8,949
Unrestricted	6,220	(1,210)	1,358
Total net position	$ 308,360	$ 300,635	$ 302,701

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

2021 compared to 2020 The Water Utility's total assets and deferred outflows of resources were $607,047, reflecting a decrease of $22,589 (3.6%) primarily due to the following:

- Current and other assets, comprised of restricted and unrestricted assets, had a net increase of $695, primarily due to an increase of $4,441 in accounts receivable, primarily due to COVID-19 impacts, and an increase of $4,969 in unrestricted cash and cash equivalents. The increase is offset by a decrease of $8,327 in restricted cash and cash equivalents, primarily due to the use of restricted bond proceeds.

- Capital assets increased by $151 as a result of an increase in additions and improvements to the Water distribution infrastructure system to improve service and reliability to Water Utility's customers, offset by an increase in current years depreciation. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.

- Deferred outflows of resources decreased by $23,435 primarily due to a decrease of $21,698 in deferred outflows related to pension as a result of payment outflow of the 2020 Pension Obligation Bond Series A, and a decrease of $314 in loss on refunding due to the amortization.

2020 compared to 2019 Total assets and deferred outflows of resources were $629,636, reflecting an increase of $11,876 (1.9%) over prior year. Current and other assets, comprised of restricted and unrestricted assets, had a net decrease of $13,435, primarily due to the use of $11,648 of restricted bond proceeds and $3,068 of unrestricted cash to fund capital projects. The net decrease was offset by an increase of $1,329 in accounts receivable. Capital assets increased by $4,134 as a result of an increase in additions and improvements to the Water distribution infrastructure system to improve service and reliability to Water Utility's customers, offset by an increase in current years depreciation. Deferred outflows of resources increased by $21,177 primarily due to an increase of $21,487 in deferred outflows related to pension for the 2020 Pension Obligation Bond Series A issue, deferred outflow related to other postemployment benefits (OPEB) due to the difference between projected and actual earnings on plan investments and changes in derivative values. The increase is primarily offset by a decrease of $310 in loss on refunding due to the amortization.

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

2021 compared to 2020 The Water Utility's total liabilities and deferred inflows of resources were $298,687, a decrease of $30,314 (9.2%) primarily due to the following:

- Long-term debt outstanding decreased by $10,625 primarily due to a decrease in revenue bonds payable, note payable and leases payable. Additional debt information can be found in the "Capital Assets and Debt Administration" section.

- Other liabilities decreased by $16,652 primarily due to decrease of $19,637 in net pension liability, a decrease of $2,091 in derivative instruments due to a decrease in the fair market value of interest rate swaps, offset by an increase of $2,305 in unearned revenues with the City of Corona, an increase in accounts payable and other accruals of $874, and an increase of $714 in the current portion of long-term obligations. Additional information on note payable can be found in Note 4 of the accompanying financial statements.

- Deferred inflows of decreased by $3,037 primarily due to pension related adjustments, which included the changes in assumptions, the differences between expected and actual experience and the change in projected versus actual earnings on pension plan investments as determined by the plan actuary.

2020 compared to 2019 Total liabilities and deferred inflows of resources were $329,001, reflecting an increase of $13,942 (4.4%). Long-term debt outstanding increased by $11,327, primarily due to the issuance of the 2020 Pension Obligation Bond Series A, offset by a decrease in revenue bonds payable, note payable and leases payable. Other liabilities increased by $4,675 primarily due to an increase of $1,103 in net pension liability, an increase of $2,517 in derivative instruments due to an increase in the fair market value of interest rate swaps, and an increase of $872 in the current portion of long-term obligations. Deferred inflows of decreased by $2,060 primarily due to pension related adjustments.

NET POSITION

2021 compared to 2020 The Water Utility's total net position, which represents the difference between the Water Utility's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, totaled $308,360, an increase of $7,725 (2.6%).

- The largest portion of the Water Utility's total net position, which is its investment in capital assets of $291,541 (94.5%), had a decrease of $118 and is consistent with prior year. Additional capital asset information can be found in the "Capital Assets and Debt Administration" section.

- The restricted portion of net position totaled $10,599 (3.4%), reflecting an increase of $413 and represents resources that are subject to external restrictions on how they may be used. The increase was primarily due to an increase in restricted debt service reserve. Restricted net position is reserved for items such as debt repayment and funds collected for Water Conservation Programs, and other legally restricted assets.

- The unrestricted portion of net position totaled $6,220 (2%), an increase of $7,430 from prior year, primarily attributable to positive operating results. Unrestricted net position may be used to meet the Water Utility's ongoing operational needs and obligations to customers and creditors.

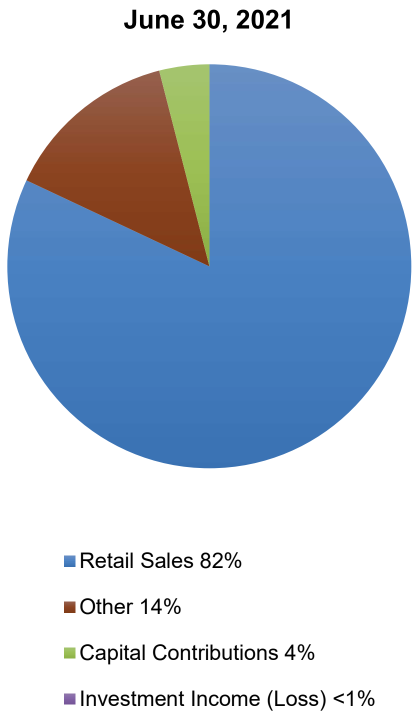
2020 compared to 2019 Total net position decreased by $2,066 (0.7%) to $300,635. The investment in capital assets of $291,659, had a decrease of $735 from prior year. The restricted portion of net position totaled $10,186, reflecting an increase of $1,237, primarily due to an increase in restricted debt service reserve related to the principal payment increase of the 2019A Water Revenue Refunding Bonds and an increase in Water Conservation Programs equity due to a decrease in net pension liability. The unrestricted portion of net position totaled ($1,210), a decrease of $2,568 from prior year, primarily attributable to the use of unrestricted cash and cash equivalent to fund capital projects.

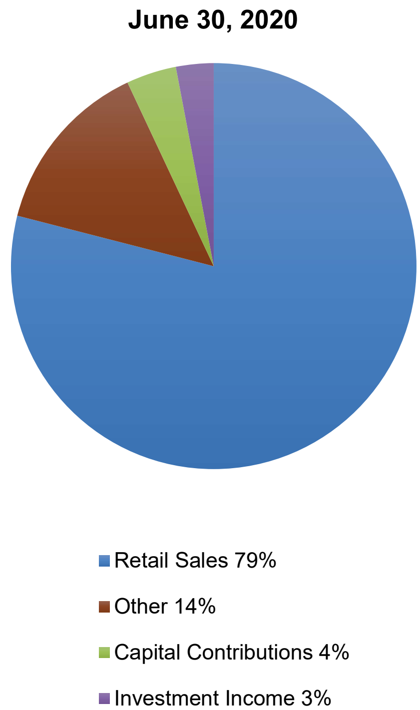
CONDENSED STATEMENTS OF CHANGES IN NET POSITION

	2021	2020	2019
Revenues:			
Retail sales, net	$ 70,847	$ 61,683	$ 57,605
Other revenues	12,532	10,862	10,530
Investment (loss) income	(1)	2,073	2,044
Capital contributions	3,062	3,129	3,119
Total revenues	86,440	77,747	73,298
Expenses:			
Operations and maintenance	39,143	41,845	39,217
Purchased energy	6,523	5,583	5,748
Depreciation	16,346	16,010	15,450
Interest expenses and fiscal charges	9,731	9,857	10,412
Total expenses	71,743	73,295	70,827
Transfers:			
Transfers to the City's general fund	(6,972)	(6,518)	(6,584)
Total transfers	(6,972)	(6,518)	(6,584)
Changes in net position	7,725	(2,066)	(4,113)
Net position, July 1, as previously reported	300,635	302,701	305,078
Less: Cumulative effect of change in accounting principle (1)	-	-	1,736
Net position, July 1, as restated	300,635	302,701	306,814
Net position, June 30	$ 308,360	$ 300,635	$ 302,701

(1) For the restatement of pension allocation, GASB Statement No. 68, for the year ended June 30, 2019.

REVENUES BY SOURCES





2021 compared to 2020 The Water Utility's total revenues of $86,440 increased by $8,693 (11.2%) primarily due to the following changes:

- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $70,847, an increase of $9,164 (14.9%) from prior fiscal year. Retail sales continue to be the primary revenue source for the Water Utility. The increase was due to the rate plan increase and a 10.32% increase in consumption.
- Other revenues of $12,532 increased by $1,670 (15.4%), primarily due to an increase in water wholesale revenue from Western Municipal Water District (WMWD).
- Capital contribution of $3,062 decreased by $67 (2.1%) and is consistent with prior year.
- Investment income (loss) of ($1) decreased by $2,074 (100%) due to a lower overall interest rate in the current fiscal year and the accounting standard for fair market value adjustment of investments.

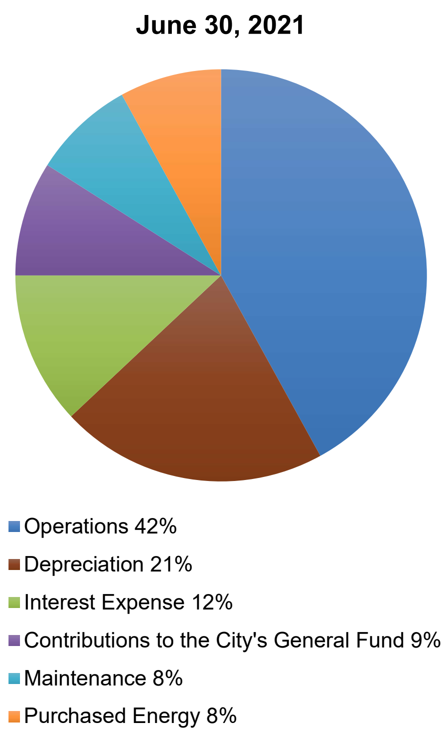
2020 compared to 2019 The Water Utility's total revenues of $77,747 increased by $4,449 (6.1%) primarily due to the following changes:

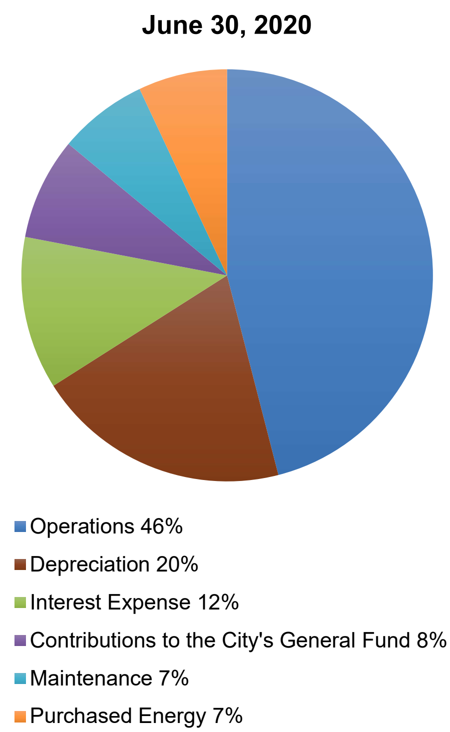
- Retail sales (residential, commercial, industrial, and others), net of uncollectibles/recovery, totaled $61,683, an increase of $4,078 (7.1%) from prior fiscal year. Retail sales continue to be the primary revenue source for the Water Utility. The increase was due to the rate increase and a 1.5% increase in consumption.
- Other revenues of $10,862 increased by $332 (3.2%) due to an increase in water conveyance revenue from Western Municipal Water District (WMWD).

WATER UTILITY FINANCIAL ANALYSIS (CONTINUED)

- Capital contribution of $3,129 increased by $10 (0.3%) and is consistent with prior year.
- Investment income of $2,073 increased by $29 (1%) and is consistent with prior year.

EXPENSES BY SOURCES





2021 compared to 2020 The Water Utility's total expenses, excluding general fund transfer, were $71,743, a decrease of $1,552 (2.1%). The decrease was primarily due to the following:

- Operations and maintenance expenses of $39,143 decreased by $2,702 (6.5%), mainly due to a non-cash pension adjustment of ($1,107) compared to prior year non-cash pension adjustment of $1,046 as a result of pension accounting standards.
- Purchased energy and water expenses of $6,523 increased by $940 (16.8%) from prior year, primarily attributable to an increase in the electric costs.

2020 compared to 2019 The Water Utility's total expenses, excluding general fund transfer, were $73,295, an increase of $2,468 (3.5%). The increase was primarily due to the following:

- Operations and maintenance expenses of $41,485 increased by $2,628 (6.7%), mainly due to a non-cash pension adjustment of $1,046 compared to prior year non-cash pension adjustment of ($482) as a result of pension accounting standards.
- Purchased energy and water expenses of $5,583 decreased by $165 (2.9%) from prior year, primarily attributable to a decrease in the electric costs.

TRANSFERS

Pursuant to the City's Charter and the voter approval of Measure A on June 4, 2013, the Water Utility may transfer up to 11.5 percent of prior year's gross operating revenues, including adjustments, to the City's general fund. The City uses these funds to help provide needed public services to the residents of the City, including police, fire, parks, libraries and other benefits. The Water Utility transferred $6,972 and $6,518 for 2021 and 2020, respectively based on the gross operating revenue provisions in the City's Charter.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The Water Utility's investment in capital assets includes investments in source of supply, pumping, treatment, transmission and distribution facilities, land, intangibles, and construction in progress, as well as general items such as office equipment, furniture, etc.

The following table summarizes the Water Utility's capital assets, net of accumulated depreciation, as of June 30:

	2021	2020	2019
Source of supply	$ 54,424	$ 53,648	$ 48,434
Pumping	20,146	18,726	19,213
Treatment	27,122	28,284	29,523
Transmission and distribution	332,467	339,018	341,198
General	3,032	3,486	3,944
Land	20,841	20,841	20,840
Intangible	11,469	12,141	12,807
Construction in progress	30,135	23,341	19,392
Total capital assets	$ 499,636	$ 499,485	$ 495,351

2021 compared to 2020 The Water Utility's investment in capital assets, net of accumulated depreciation, was $499,636, an increase of $151 (0.03%) from prior year. The increase resulted primarily from the increase in construction in progress. The Water Utility's significant capital projects include the following:

- $7,700 in distribution pipelines, such as main replacements, distribution system facilities replacement and system expansion.
- $1,211 in well projects, such as potable irrigation well replacements and facility rehabilitation.
- $2,345 in distribution facilities, such as pump station replacements and meters.

2020 compared to 2019 The Water Utility's investment in capital assets, net of accumulated depreciation, was $499,485, an increase of $4,134 (0.8%) from prior year. The increase resulted primarily from the increase in construction in progress. Significant capital projects included $10,110 in distribution pipelines, $3,461 in well projects, $2,277 in distribution facilities and $630 in donated transmission and distribution services.

Additional information regarding capital assets can be found in Note 3 of the accompanying financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

The following table summarizes outstanding long-term debt as of June 30:

	2021	2020	2019
Revenue bonds	$ 198,830	$ 205,165	$ 210,685
Unamortized bond premium	18,476	19,714	20,954
Pension obligation bonds	22,363	23,035	3,028
Contracts payable	1,067	1,019	937
Leased purchases	1,445	1,666	1,884
Note payable	18,138	19,524	20,323
Less: Current portion of outstanding debt	(9,591)	(8,770)	(7,785)
Total	$ 250,728	$ 261,353	$ 250,026

The Water Utility's bond indentures require a minimum debt service coverage ratio, as defined by the bond covenants, of 1.25. The Water Utility's debt service coverage ratio was 2.25, 1.80, and 1.68 at June 30, 2021, 2020, and 2019, respectively. The debt is backed by the revenues of the Water Utility. Debt service coverage ratio increased at June 30, 2021 due to positive operating results. For additional information, see Note 4 of the accompanying financial statements and the Key Historical Operating Data section.

2021 compared to 2020 The Water Utility's long-term debt decreased by $10,625 (4.1%) to $250,728 as a result of the current year principal payments and amortization of bond premiums.

2020 compared to 2019 Long-term debt increased by $11,327 (4.5%) to $261,353 as a result of issuance of the 2020 Pension Obligation Bond Series A, offset by current year principal payments and amortization of bond premiums.

Additional information on the Water Utility's long-term debt can be found in Note 4 of the accompanying financial statements.

CREDIT RATINGS

The Water Utility maintains credit ratings of "AAA", "AA+" and "Aa2" from S&P Global Ratings (S&P), Fitch Ratings (Fitch) and Moody's, respectively. These ratings reflect the Water Utility's strong financial performance, advantageous water supply, investments in infrastructure and rate competitiveness, among many other factors.

REGULATORY, LEGISLATIVE FACTORS, AND RATES

Utilities are faced with ongoing regulatory and legislative mandates enacted at the federal and state level that will have significant impacts on the operations of the Water Utility.

The State of California has experienced unprecedented drought conditions in recent years resulting in severe impacts to California's water supplies and its ability to meet all of the demands for water in the State. The Water Utility is very fortunate as a water provider in California in that the Water Utility owns, operates and maintains its own water supply and is not typically dependent on imported water from outside sources. The Water Utility currently has sufficient water supplies to meet customer needs even during severe drought conditions; however, the aquifers the Water Utility draws from are experiencing historic low levels. The Water Utility has responded by continuing to offer a wide variety of water conservation programs for its customers in an effort to conserve its water resources.

REGULATORY, LEGISLATIVE FACTORS, AND RATES (CONTINUED)

The Water Utility continues to offer customers a wide variety of water conservation programs that help reduce their water usage and utility costs, and help the City meet State mandates and be more sustainable. These programs provide rebates for residents and businesses to help them save money by conserving water. In an effort to streamline and automate the rebate process, the City formed a partnership with Metropolitan Water District of Southern California to administer and process rebates for high-efficiency toilets, clothes washers, irrigation controllers and many other water-saving devices.

To further provide comprehensive resources and guidance as to how to implement water efficiency practices at residents and businesses, the Water Utility, in partnership with the City created the Street Park Turf Conversion and Demonstration Garden at the Janet Goeske Center. The Demonstration Garden allows residents and businesses to interact with water conservation materials and techniques that conserve water, elevate customer awareness, increase incentive program participation, provide educational opportunities and demonstrate water conservation best practices.

The Water Utility's water conservation and efficiency programs have assisted the residents and business to save 58,283,789 gallons of water for the period from July 2020 to June 2021.

The Water Utility's long-range water supply planning includes significant contributions of both conservation and recycled water. The behavioral changes instituted through conservation and water use efficiency should have some permanent impact. Changes in landscape patterns and uses will have permanent and on-going impacts to water use. Continuing conservation measures could negatively impact the Water Utility revenues and has been addressed in the recent cost of service analysis conducted by the Water Utility.

WATER CONSERVATION

On November 10, 2009, the Governor signed SBX7-7, which focused on reducing urban (municipal) water use, mainly through reductions in residential potable water use, throughout California. The Water Utility's 2015 Urban Water Management Plan (UWMP) reported its Baseline Water Use and calculated its 2020 Urban Water Use Target. In its 2020 UWMP, the Water Utility demonstrated its compliance with SB X7-7 by showing actual 2020 water use below its 2020 Urban Water Use Target.

On May 31, 2018, the Governor signed long-term water-use efficiency bills Senate Bill 606 and Assembly Bill 1668 into law to establish a long-term foundation for water use efficiency and drought planning.

Under AB 1668 and SB 606, the City must set, meet and report water use objectives for its service area using a water budget-based approach by 2023. In addition, the City must conduct and submit a Water Shortage Contingency Plan and a Drought Risk Assessment every 5 years as part of its Urban Water Management Plan and annual water supply and demand assessment.

WATER STANDARDS

The development of new and increasingly stringent drinking water regulations by the California Environmental Protection Agency (CalEPA) and the U.S. Environmental Protection Agency (USEPA) are significantly impacting water supply costs throughout the state and the nation. New chemical and biological contaminants are being discovered through more sophisticated research techniques and improved analytical methods. In addition, public health and environmental agencies are now evaluating how anthropogenic factors are impacting our water supplies. Pesticides, pharmaceuticals, and personal care products are being evaluated at trace levels, which can be orders of magnitude lower than what was achievable 20 years ago. As a result, water treatment costs are increasing as federal and state legislators and regulators try to balance public health risk with affordable water supply costs.

On July 21, 2020, the USEPA published a final action to withdraw the Agency's 2011 regulatory determination to regulate perchlorate after finding that perchlorate did not occur with a frequency and at levels of public health concern within the meaning of the Safe Drinking Water Act, and that development of a regulation did not present a meaningful opportunity for health risk reduction for persons served by public water systems. However, the State of California began regulating perchlorate in 2007 with a MCL set at 6 parts per billion ("ppb") and a detection level for purposes of reporting (DLR) of 4 ppb. Beginning July 1, 2021, the DLR was lowered to 2 ppb and will be lowered to 1 ppb effective January 1, 2024. After data is collected at these lower DLR's evaluation of the perchlorate MCL, and possible need for reduction, will occur. A reduction in the perchlorate standard could impact the Water Utility's water supply costs.

In December 2016, the USEPA completed its third review of existing National Primary Drinking Water Regulations (NPDWR) (i.e., the Six-Year Review 3). The USEPA determined that 68 of the 76 NPDWR remain appropriate (i.e., do not need to be revised) and that eight NPDWRs are candidates for regulatory revision. These eight NPDWRs are included in the Stage 1 and the Stage 2 Disinfectants and Disinfection Byproducts Rules, the Surface Water Treatment Rule, the Interim Enhanced Surface Water Treatment Rule and the Long Term 1 Enhanced Surface Water Treatment Rule. The eight NPDWRs are chlorite, Cryptosporidium, Giardia lamblia, haloacetic acids (HAA5), heterotrophic bacteria, Legionella, total trihalomethanes (TTHM) and viruses. Any revision resulting in the lower of these standards may impact the Water Utility's water supply costs. In June 2020, the USEPA began collecting contaminant occurrence data and treatment technique information for its fourth, six-year review which is anticipated to be completed in 2023.

On December 14, 2017, the State Water Resources Control Board (SWRCB) adopted an MCL for 1,2,3-Trichloropropane ("1,2,3-TCP) of 0.000005 mg/L or 5 parts per trillion (ppt). Water Quality Monitoring was initiated in 2018. To date, seven of the City's potable wells show detections of 1,2,3-TCP that exceed the MCL. These wells extract water from the same aquifers that are contaminated by other known anthropogenic chemicals and are currently being treated by existing GAC treatment facilities.

Perfluorooctanoic acid (PFOA) and perfluorooctane sulfonic acid (PFOS) are fluorinated organic chemicals which are part of a family of compounds referred to as per- and polyfluoroalkyl substances (PFAS). PFAS are synthetic compounds that are water and lipid resistant and are useful for a variety of manufacturing processes and industrial applications. In May 2016, the USEPA issued a lifetime health advisory for PFOA and PFOS in drinking water of a combined level of 70 ppt. In February 2021, the USEPA determined to move forward with the process of implementing a national primary drinking water regulation for PFOA and PFOS. In August 2019, SWRCB-DDW established Notification Levels for PFOA and PFOS of 5.1 and 6.5 ppt, respectively, and in February 2020, DDW issued updated drinking water response levels of 10 ppt for PFOA and 40 ppt for PFOS based on a running four-quarter average. On February 6, 2020 the SWRCB tasked OEHHA to set advisory limits for perfluorohexane sulfonic acid (PFHxS), perfluorobutane sulfonic acid (PFBS), perfluorohexanoic acid (PFHxA), perfluoroheptanoic acid (PFHpA), perfluorononanoic acid (PFNA), perfluorodecanoic acid (PFDA), and 4,8-dioxia-3H-perfluorononanoic acid (ADONA), in addition to PFOS and PFOA. On March 5, 2020 PFBS was issued a notification level of 500 ppt and a response level of 5000 ppt, by the SWRCB. In June 2021, the Office of Environmental Health Hazard Assessment (OEHHA) released a draft PHG for PFOA and PFOS at 0.007 ppt and 1 ppt respectively.

The City believes that PFAS have been in the groundwater basins from which the City draws water in very low concentrations for many years. Recent technological advances enabled water agencies to detect PFAS compounds at such low concentrations. The City's goal is to remain below the Notification Levels, which are lower than the Response Level. Many of the City's wells with detections of PFAS also extract water from the same aquifers that are contaminated by other known anthropogenic chemicals and are currently being treated by existing treatment facilities. Beginning fall 2019, the Board approved the expenditure of approximately $850,000 to test new treatment technologies, assess the feasibility of resurrecting an abandoned treatment plant to treat a well field with high levels of PFAS and develop a long-term water treatment strategy. The Board's review and approval of contracts within the original approved project is ongoing.

The Water Utility will continue to monitor the progress of the proposed standard changes and will advocate for standards that protect human health and are based on the best available science.

REGULATORY, LEGISLATIVE FACTORS, AND RATES (CONTINUED)

CLEAN WATER ACT

In April 2020, the US EPA and US Army published the Navigable Waters Protection Rule to define “Waters of the United Sates.” The published rule streamlined the definition so that it includes four simple categories of jurisdictional waters, provides clear exclusions for many water features that traditionally have not been regulated, and defines terms in the regulatory text that have never been defined before. This definition was different from that of the 2015 Clean Water Rule which would have expanded the scope of Federal jurisdiction. However, in June 2021, the USEPA and Department of the Army announced their intent to initiate a new rulemaking process that restores the protections in place prior to the 2015 rule and develops a new rule to establish a durable definition of “Waters of the US.” This rulemaking process follows a review conducted by the agencies as directed by the January 20, 2021 Executive Order 13990 on “Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis.”

FIVE-YEAR WATER RATE PLAN

On May 22, 2018, the City Council approved a new five-year Water Rate Plan, which includes system average annual rate increases. The first annual rate increase was effective July 1, 2018 with the following four years effective on July 1 of each year. The approved five-year Water Rate Plan includes annual reviews of the adopted rates by City Council. The system average rate increase effective July 1, 2018 was 4.50%, followed by system average rate increases of 5.75% in years two through four, and a system average rate increase of 6.50%, effective July 1, 2022, in the final year of the rate plan. The Water Rate Plan included a redesign of water rates over a five-year period to better align with its cost of serving customers and its revenue requirement. The water rate restructuring was designed to provide financial stability and correct the imbalance of costs versus revenue recovery by increasing fixed cost recovery through monthly service charges to reflect the nature of underlying costs. Pursuant to City Council direction, the first annual review of rates was conducted in February 2020 and the second annual review of rates was conducted in January 2021.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Water Utility’s finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager – Business Systems and Customer Service, Riverside Public Utilities, 3750 University Avenue, 3rd floor, Riverside, CA 92501. Additional financial information can also be obtained by visiting www.RiversidePublicUtilities.com.

WATER UTILITY:
FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30, 2021	June 30, 2020
	(in thousands)	
NON-CURRENT ASSETS:		
Utility plant:		
Utility plant, net of accumulated depreciation (Note 3)	$ 499,636	$ 499,485
Restricted assets:		
Cash and cash equivalents at fiscal agent (Note 2)	20,108	28,826
Other non-current assets:		
Regulatory assets	934	994
Other long-term assets	3,225	3,525
Total other non-current assets	4,159	4,519
Total non-current assets	523,903	532,830
CURRENT ASSETS:		
Unrestricted assets:		
Cash and cash equivalents (Note 2)	42,947	37,978
Accounts receivable, less allowance for doubtful accounts 2021 $514; 2020 $559	14,420	9,979
Accrued interest receivable	85	114
Prepaid expenses	238	225
Other current assets	300	300
Total unrestricted current assets	57,990	48,596
Restricted assets:		
Cash and cash equivalents (Note 2)	7,435	7,293
Water Conservation Programs - cash and cash equivalents (Note 2)	3,039	2,790
Water Conservation Programs receivable	152	164
Total restricted current assets	10,626	10,247
Total current assets	68,616	58,843
Total assets	592,519	591,673
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to pension (Note 6)	4,921	26,619
Deferred outflow related to other postemployment benefits (Note 7)	871	644
Changes in derivative values	3,442	5,092
Loss on refunding	5,294	5,608
Total deferred outflows of resources	14,528	37,963
Total assets and deferred outflows of resources	$ 607,047	$ 629,636

See accompanying notes to the financial statements

STATEMENTS OF NET POSITION

NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	June 30, 2021 (in thousands)	June 30, 2020 (in thousands)
NET POSITION:		
Net investment in capital assets	$ 291,541	$ 291,659
Restricted for:		
Debt service (Note 8)	7,435	7,284
Water Conservation Programs	3,164	2,902
Unrestricted	6,220	(1,210)
Total net position	308,360	300,635
LONG-TERM OBLIGATIONS, LESS CURRENT PORTION (Note 4)	250,728	261,353
OTHER NON-CURRENT LIABILITIES:		
Net other postemployment benefits liability (Note 7)	4,550	4,382
Net pension liability (Note 6)	12,203	31,840
Compensated absences (Note 5)	1,120	549
Derivative instrument (Note 4)	5,683	7,774
Regulatory liability	3,689	3,248
Total other non-current liabilities	27,245	47,793
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest payable	1,408	1,489
Water Conservation Programs payable	28	10
Current portion of long-term obligations (Note 4)	7,942	7,228
Total current liabilities payable from restricted assets	9,378	8,727
CURRENT LIABILITIES:		
Accounts payable and other accruals	3,964	3,090
Current portion of long-term obligations (Note 4)	1,649	1,542
Unearned revenue	2,347	42
Customer deposits	1,013	913
Compensated absences (Note 5)	1,599	1,740
Total current liabilities	10,572	7,327
Total liabilities	297,923	325,200
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pension (Note 6)	533	3,702
Deferred inflows related to other postemployment benefits (Note 7)	231	99
Total deferred inflows of resources	764	3,801
Total net position, liabilities and deferred inflows of resources	$ 607,047	$ 629,636

See accompanying notes to the financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Fiscal Year Ended June 30 2021	2020
	(in thousands)	
OPERATING REVENUES:		
Residential sales	$ 44,781	$ 39,001
Commercial sales	23,704	21,244
Other sales	2,357	1,885
Water conveyance revenue	2,964	3,255
Water Conservation Programs	1,067	1,023
Other operating revenue	5,379	3,759
Total operating revenues before uncollectibles	80,252	70,167
Estimated uncollectibles, net of bad debt recovery	5	(447)
Total operating revenues, net of uncollectibles	80,257	69,720
OPERATING EXPENSES:		
Operations	32,037	36,091
Maintenance	6,301	5,394
Purchased energy	6,523	5,583
Water Conservation Programs	805	360
Depreciation	16,346	16,010
Total operating expenses	62,012	63,438
Operating income	18,245	6,282
NON-OPERATING REVENUES (EXPENSES):		
Investment (loss) income	(1)	2,073
Interest expense and fiscal charges	(9,731)	(9,857)
Gain on sale of assets	120	69
Other	3,002	2,756
Total non-operating revenues (expenses)	(6,610)	(4,959)
Income before capital contributions and transfers	11,635	1,323
Capital contributions	3,062	3,129
Transfers out - contributions to the City's general fund	(6,972)	(6,518)
Total capital contributions and transfers	(3,910)	(3,389)
Change in net position	7,725	(2,066)
NET POSITION, BEGINNING OF YEAR	300,635	302,701
NET POSITION, END OF YEAR	$ 308,360	$ 300,635

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

	For the Fiscal Year Ended Ended June 30, 2021	2020
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 78,233	$ 68,456
Cash paid to suppliers and employees	(45,397)	(45,674)
Other receipts	1,138	974
Net cash provided by operating activities	33,974	23,756
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers out - contributions to the City's general fund	(6,972)	(6,518)
Payment on pension obligation bonds	(672)	(619)
Pension obligation bond issuance costs	-	(76)
Proceeds from pension obligation bond, used to pay into employee pension plan	-	20,566
Cash paid to employee pension plan from proceeds of pension obligation bond	-	(20,490)
Cash received (paid) on advances from (to) other funds of the City	-	139
Net cash used for non-capital financing activities	(7,644)	(6,998)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of utility plant	(16,509)	(19,061)
Proceeds from the sale of utility plant	132	68
Principal paid on long-term obligations	(6,557)	(5,737)
Interest paid on long-term obligations	(9,844)	(10,955)
Capital contributions	3,062	2,530
Net cash used provided (used) by capital and related financing activities	(29,716)	(33,155)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment securities	-	268
Income from investments	28	2,097
Net cash provided by investing activities	28	2,365
Net decrease in cash and cash equivalents	(3,358)	(14,032)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR **(including $38,909 and $49,881 at June 30, 2020 and June 30, 2019 respectively, reported in restricted accounts)**	76,887	90,919
CASH AND CASH EQUIVALENTS, END OF YEAR **(including $30,582 and $38,909 at June 30, 2021 and June 30, 2020 respectively, reported in restricted accounts)**	$ 73,529	$ 76,887
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 18,245	$ 6,282
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	16,346	16,010
Increase (decrease) in allowance for uncollectible accounts	(45)	389
(Increase) in accounts receivable	(4,384)	(1,780)
(Increase) decrease in prepaid expenses	(13)	2
Increase in accounts payable and other accruals	869	240
Increase in compensated absences	430	262
Increase in unearned revenue	2,305	3
Increase in Water Conservation Programs payable	18	6
Increase in customer deposits	100	124
Changes in net pension liability and related deferred outflows and inflows of resources	(1,108)	1,047
Changes in other postemployment benefits liability and related deferred outflows and inflows of resources	73	197
Other receipts	1,138	974
Net cash provided by operating activities	$ 33,974	$ 23,756
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions - capital assets	-	599
Reduction of note payable including interest, offset by rent credit	1,864	1,782

See accompanying notes to the financial statements

WATER UTILITY:
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Water Utility exists under, and by virtue of, the City of Riverside (the City) Charter enacted in 1883. The Water Utility is responsible for the production, transmission and distribution of water for sale in the City, except for certain areas served by another water utility. The accompanying financial statements present only the financial position and the results of operations of the Water Utility, which is an enterprise fund of the City, and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Water Utility on a separate fund basis. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

BASIS OF ACCOUNTING

The Water Utility uses the accrual basis of accounting as required for enterprise funds with accounting principles generally accepted in the United States of America as applicable to governments. The accounting records of the Water Utility are also in conformity with the Uniform System of Accounts prescribed by the California Public Utilities Commission. The Water Utility is not subject to the regulations of the California Public Utilities Commission.

The Water Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Water Utility are charges to customers for water sales and services. Operating expenses for the Water Utility include the cost of water sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Department is evaluating the impact of this standard.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during a reporting period. Accordingly, actual results could differ from those estimates.

REVENUE RECOGNITION

The Water Utility customers are billed monthly. Unbilled water service charges, including the Water Conservation Programs, are recorded at year-end and are included in accounts receivable. Unbilled accounts receivable totaled $3,743 at June 30, 2021, and $3,378 at June 30, 2020.

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

WATER UTILITY PLANT AND DEPRECIATION

The Water Utility defines capital assets as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. Utility plant assets are valued at historical costs or estimated historical cost, if actual historical cost is not available. Costs include labor; materials; allocated indirect charges such as engineering, supervision, construction and transportation equipment; retirement plan contributions and other fringe benefits. Contributed plant assets are valued at estimated fair value on the date contributed. The cost of relatively minor replacements is included in maintenance expense. Intangible assets that cost more than one hundred thousand dollars with useful lives of at least three years are capitalized and are recorded at cost.

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

Supply, pumping and treatment plant	20-50 years
Transmission and distribution plant	25-50 years
General plant and equipment	5-50 years
Intangibles	5-15 years

RESTRICTED ASSETS

Proceeds of revenue bonds yet to be used for capital projects, as well as certain resources set aside for debt service, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants. Proceeds from lease purchase financing yet to be used for the acquisition of capital equipment are also classified as restricted assets because their use is legally restricted for a specific purpose. Generally, the Water Utility will first apply restricted resources when expenses incurred for which both restricted and unrestricted resources are available.

In June 2004, the Water Utility began collecting a surcharge for Water Conservation Programs. This surcharge was approved by the City Council and was phased in over a three-year period with a 0.5 percent, 1.0 percent and 1.5 percent surcharge effective June 1, 2004, 2005 and 2006, respectively, to be in effect for services rendered on or after June 1, 2004 through May 31, 2014. On April 22, 2014, the City Council approved continuation of the 1.5 percent surcharge effective for the next ten years. The programs and services offered include conservation, education, and water use efficiency programs; and research, development and demonstration programs to advance science and technology with respect to water conservation. The activity associated with the surcharge is reflected in the accompanying financial statements on the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows.

CASH AND INVESTMENTS

In accordance with the Water Utility policy, the Water Utility's cash and investments, except for cash and investments with fiscal agents, are invested in a pool managed by the Treasurer of the City. Cash accounts of all funds are pooled for investment purposes to enhance safety and liquidity, while maximizing interest earnings. The Water Utility does not own specific, identifiable investments of the pool. The pooled interest earned is allocated monthly based on the month end cash balances.

The Water Utility values its cash and investments in accordance with provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires governmental entities to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation includes a hierarchy of inputs with three distinct levels. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Water Utility does not value any of its investments using level 3 inputs.

City-wide information concerning cash and investments as of June 30, 2021, including authorized investments, fair value measurement and application, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments can be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

DESIGNATED CASH RESERVES

The Riverside Public Utilities Cash Reserve Policy establishes several designated cash reserves in the Water Utility for strategic purposes. Designated reserves are set aside for specific purposes determined by the Board of Public Utilities and City Council. Designated reserves may be held for capital or operating purposes.

Designated cash reserve balances as of June 30, 2021 and 2020 were as follows: Property Reserve $5,203 and $5,151, Recycled Water Reserve $1,151 and $1,140, Customer Deposits $770 and $703, and Capital Repair and Replacement Reserve $2,340 and $2,317, respectively. The combined total for these reserves was $9,464 and $9,311 at June 30, 2021 and 2020, respectively and is included as a component of unrestricted cash and cash equivalents in the accompanying Statements of Net Position.

DERIVATIVES

The Water Utility accounts for derivative instruments using GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This Statement requires the Water Utility to report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferred inflows and outflows of resources on the Statements of Net Position. Changes in fair value of derivative instruments not meeting the criteria for an effective hedge, or that are associated with investments are to be reported in the non-operating revenues section of the Statements of Revenue, Expenses and Changes in Net Position.

The Water Utility has determined that its interest rate swaps associated with variable rate obligations are derivative instruments under GASB 53. See Note 4 Long-Term Obligations for further discussion related to the Water Utility's interest rate swaps.

BOND PREMIUM/DISCOUNTS AND GAINS/LOSSES ON REFUNDING

Bond premium/discounts and gains/losses on refunding (including gains/losses related to interest rate swap transactions) are deferred and amortized over the term of the new bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Gains/losses on refunding are reported as deferred inflows or outflows of resources.

CUSTOMER DEPOSITS

The City holds customer deposits as security for the payment of utility bills and plan check fee deposits for future water connection. The Water Utility's portion of these deposits as of June 30, 2021 and 2020 was $1,013 and $913, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

The accompanying financial statements include accruals for salaries, fringe benefits and compensated absences due to employees at June 30, 2021 and 2020. The Water Utility treats compensated absences due to employees as an expense and a liability of which a current portion is included in accounts payable and other accruals in the accompanying Statements of Net Position. The amount accrued for compensated absences was $2,719 at June 30, 2021, and $2,289 at June 30, 2020.

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

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

INSURANCE PROGRAMS

The Water Utility participates in a self-insurance program for workers' compensation and general liability coverage that is administered by the City. The Water Utility pays an amount to the City based on actuarial estimates of the amounts needed to fund prior and current year claims and incidents that have been incurred but not reported. The City maintains property insurance on most City property holdings, including the Utility Plant with a limit of $1 billion.

City-wide information concerning risks, insurance policy limits and deductibles and designation of general fund balance for risks for the year ended June 30, 2021, may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

Although the ultimate amount of losses incurred through June 30, 2021 is dependent upon future developments, management believes that amounts paid to the City are sufficient to cover such losses. Premiums paid to the City by the Water Utility were $417 and $460 for the years ended June 30, 2021 and 2020, respectively. Any losses above the City's reserves would be covered through increased rates charged to the Water Utility in future years.

EMPLOYEE RETIREMENT PLAN

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Riverside California Public Employees' Retirement System plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Further details of employee retirement plan can be found in Note 6.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB refers to the benefits, other than pensions, that the City provides as part of an employee's retirement benefits. The net OPEB obligation is defined as the liability of employers contributing to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust. Further details for OPEB can be found in Note 7.

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

When applicable, the Statements of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense or expenditure until that time. Deferred outflows of resources consist of changes in derivative values, loss on refunding, and deferred outflows related to pension and OPEB which include pension contributions subsequent to the measurement date, difference between actual and actuarial determined contribution, changes in assumptions and net differences between projected and actual earnings on pension plan investments.

Conversely, deferred inflows of resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of deferred inflows related to pension and OPEB which include changes in assumptions, differences between expected and actual experience, and net differences between projected and actual earnings on pension plan investments.

REGULATORY ASSETS AND DEFERRED REGULATORY CHARGES

In accordance with regulatory accounting criteria set forth in GASB Codification (GASB Statement No. 62), enterprise funds that are used to account for rate-regulated activities are permitted to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that the Water Utility is recovering or expects to recover or refund such amounts in rates charged to its customers. Accordingly, regulatory assets and/or deferred regulatory charges related to debt issuance costs have been recognized in the Statements of Net Position.

NET POSITION

The Water Utility's net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources, which is classified into the following three components:

Net investment in capital assets – this component consists of capital assets (net of accumulated depreciation) reduced by the outstanding balance of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds.

Restricted – this component represents restricted assets less liabilities and deferred inflows related to those assets. Restricted assets are recorded when there are limitations imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

Unrestricted – this component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

CONTRIBUTIONS TO THE CITY'S GENERAL FUND

Pursuant to the City of Riverside Charter and the voter approval of Measure A on June 4, 2013, the Water Utility may transfer up to 11.5 percent of prior year's gross operating revenues, including adjustments, to the City's general fund. In fiscal years ended June 30, 2021 and 2020, $6,972 and $6,518, respectively was transferred representing 11.5 percent.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

For the Statements of Cash Flows, cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less, and all bond construction proceeds available for capital projects held at fiscal agent. Pooled cash and investments in the City's Treasury represent monies in a cash management pool. Such accounts are similar in nature to demand deposits and are classified as cash equivalents for the purpose of presentation in the Statements of Cash Flows.

BUDGETS AND BUDGETARY ACCOUNTING

The Water Utility presents, and the City Council adopts, a biennial budget. The proposed budget includes estimated expenses and forecasted revenues. The City Council normally adopts the Water Utility's budget in June biennially via resolution, however due to the impact of COVID-19, the City adopted an emergency fiscal year 20/21 budget.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year's financial statements to conform with the current year's presentation. Such reclassifications have no effect on the net position or the changes in net position.

NOTE 2. CASH AND INVESTMENTS

Cash and investments at June 30, 2021 and 2020, consist of the following (in thousands):

	June 30, 2021	June 30, 2020
	Fair Value	
Equity interest in City Treasurer's investment pool	$ 53,421	$ 48,061
Cash and cash equivalents at fiscal agent	20,108	28,826
Total cash and investments	$ 73,529	$ 76,887

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

	June 30, 2021	June 30, 2020
Unrestricted cash and cash equivalents	$ 42,947	$ 37,978
Restricted cash and cash equivalents	10,474	10,083
Restricted cash and cash equivalents at fiscal agent	20,108	28,826
Total cash and investments	$ 73,529	$ 76,887

The investment types in the tables below related to the Water Utility's investments in the City Treasurer's investment pool represent the Water Utility's prorated share of the investment types in the investment pool and do not represent ownership interests in the individual investments.

The Water Utility categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Water Utility has the following recurring fair value measurements as of June 30, 2021 and 2020:

Investment Type	June 30, 2021 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 20,108	$ -	$ -	$ -	$ 20,108
City Treasurer's investment pool [1]					
Money market funds	513	-	-	-	513
Joint powers authority pools	8,825	8,825	-	-	-
Local agency investment fund	9,705	-	-	-	9,705
Mortgage pass-through securities	2,169	-	2,169	-	-
Asset-backed securities	1,638	-	1,638	-	-
US Treasury obligations	11,714	-	11,714	-	-
Federal agency obligations	8,701	-	8,701	-	-
Medium-term corporate notes	7,695	-	7,695	-	-
Supranational securities	1,849	-	1,849	-	-
Negotiable certificate of deposit	612	-	612	-	-
Total	$ 73,529	$ 8,825	$ 34,378	$ -	$ 30,326

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Investment Type	June 30, 2020 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments not Subject to Fair Value Hierarchy
Held by fiscal agent					
Money market funds	$ 28,826	$ -	$ -	$ -	$ 28,826
City Treasurer's investment pool [1]					
Money market funds	365	-	-	-	365
Joint powers authority pools	11,690	11,690	-	-	-
Local agency investment fund	9,709	-	-	-	9,709
Mortgage pass-through securities	2,125	-	2,125	-	-
Asset-backed securities	331	-	331	-	-
US Treasury obligations	13,350	-	13,350	-	-
Federal agency obligations	5,538	-	5,538	-	-
Medium-term corporate notes	4,415	-	4,415	-	-
Supranational securities	279	-	279	-	-
Negotiable certificate of deposit	259	-	259	-	-
Total	$ 76,887	$ 11,690	$ 26,297	$ -	$ 38,900

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments distribution by maturities as of June 30, 2021 and 2020, are as follows:

Investment Type	June 30, 2021 Fair Value	Remaining Maturity (In Months) 12 Months or less	13 to 36 Months	37 to 60 Months
Held by fiscal agent				
Money market funds	$ 20,108	$ 20,108	$ -	$ -
City Treasurer's investment pool [1]				
Money market funds	513	513	-	-
Joint powers authority pools	8,825	8,825	-	-
Local agency investment fund	9,705	9,705	-	-
Mortgage pass-through securities	2,169	721	1,332	116
Asset-backed securities	1,638	-	465	1,173
US Treasury obligations	11,714	1,787	7,490	2,437
Federal agency obligations	8,701	992	3,190	4,519
Medium-term corporate notes	7,695	1,188	1,458	5,049
Supranational securities	1,849	-	-	1,849
Negotiable certificate of deposit	612	612	-	-
Total	$ 73,529	$ 44,451	$ 13,935	$ 15,143

Investment Type	June 30, 2020 Fair Value	Remaining Maturity (In Months) 12 Months or less	13 to 36 Months	37 to 60 Months
Held by fiscal agent				
Money market funds	$ 28,826	$ 28,826	$ -	$ -
City Treasurer's investment pool [1]				
Money market funds	365	365	-	-
Joint powers authority pools	11,690	11,690	-	-
Local agency investment fund	9,709	9,709	-	-
Mortgage pass-through securities	2,125	-	1,448	677
Asset-backed securities	331	-	-	331
US Treasury obligations	13,350	2,473	6,209	4,668
Federal agency obligations	5,538	523	2,166	2,849
Medium-term corporate notes	4,415	346	2,593	1,476
Supranational securities	279	-	-	279
Negotiable certificate of deposit	259	129	130	-
Total	$ 76,887	$ 54,061	$ 12,546	$ 10,280

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Presented below is the actual rating as of June 30, 2021 and 2020 for each investment type:

Investment Type	June 30, 2021 Fair Value	Rating as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 20,108	$ -	$ -	$ 20,108	$ -
City Treasurer's investment pool [1]					
Money market funds	513	179	-	-	334
Joint powers authority pools	8,825	8,825	-	-	-
Local agency investment fund	9,705	-	-	-	9,705
Mortgage pass-through securities	2,169	2,169	-	-	-
Asset-backed securities	1,638	1,331	-	-	307
US Treasury obligations	11,714	11,714	-	-	-
Federal agency obligations	8,701	8,354	-	-	347
Medium-term corporate notes	7,695	-	2,795	4,274	626
Supranational securities	1,849	1,247	-	-	602
Negotiable certificate of deposit	612	-	-	-	612
Total	$ 73,529	$ 33,819	$ 2,795	$ 24,382	$ 12,533

Investment Type	June 30, 2020 Fair Value	Rating as of Year End AAA	AA	A	Unrated
Held by fiscal agent					
Money market funds	$ 28,826	$ -	$ -	$ 28,826	$ -
City Treasurer's investment pool [1]					
Money market funds	365	33	-	-	332
Joint powers authority pools	11,690	11,690	-	-	-
Local agency investment fund	9,709	-	-	-	9,709
Mortgage pass-through securities	2,125	-	-	-	2,125
Asset-backed securities	331	-	-	-	331
US Treasury obligations	13,350	-	13,350	-	-
Federal agency obligations	5,538	-	5,092	-	446
Medium-term corporate notes	4,415	-	1,998	2,417	-
Supranational securities	279	279	-	-	-
Negotiable certificate of deposit	259	-	-	-	259
Total	$ 76,887	$ 12,002	$ 20,440	$ 31,243	$ 13,202

[1] Additional information on investment types, fair value measurement, interest rate risk and credit risk may be found in the notes to the City's financial statements in the City's Annual Comprehensive Financial Report.

NOTE 3. UTILITY PLANT

The following is a summary of changes in utility plant during the fiscal years ended June 30, 2021 and 2020 (in thousands):

	Balance As of 6/30/2019	Additions	Retirements/ Transfers	Balance As of 6/30/2020	Additions	Retirements/ Transfers	Balance As of 6/30/2021
Source of supply	$ 68,886	$ 6,885	$ (343)	$ 75,428	$ 2,674	$ -	$ 78,102
Pumping	32,817	215	-	33,032	2,130	-	35,162
Treatment	44,614	38	-	44,652	116	-	44,768
Transmission and distribution	522,408	8,951	(361)	530,998	4,746	(224)	535,520
General	16,728	15	-	16,743	-	(285)	16,458
Intangible	4,162	9	-	4,171	-	-	4,171
Depreciable utility plant	689,615	16,113	(704)	705,024	9,666	(509)	714,181
Less accumulated depreciation							
Source of supply	(20,452)	(1,671)	343	(21,780)	(1,898)	-	(23,678)
Pumping	(13,604)	(702)	-	(14,306)	(710)	-	(15,016)
Treatment	(15,092)	(1,276)	-	(16,368)	(1,278)	-	(17,646)
Transmission and distribution	(181,205)	(11,136)	361	(191,980)	(11,282)	209	(203,053)
General	(12,787)	(470)	-	(13,257)	(454)	285	(13,426)
Intangible	(2,198)	(755)	-	(2,953)	(724)	-	(3,677)
Accumulated depreciation	(245,338)	(16,010)	704	(260,644)	(16,346)	494	(276,496)
Net depreciable utility plant	444,277	103	-	444,380	(6,680)	(15)	437,685
Land	20,841	-	-	20,841	-	-	20,841
Intangible, non-amortizable	10,841	82	-	10,923	52	-	10,975
Construction in progress	19,392	19,464	(15,515)	23,341	16,459	(9,665)	30,135
Nondepreciable utility plant	51,074	19,546	(15,515)	55,105	16,511	(9,665)	61,951
Total utility plant	$ 495,351	$ 19,649	$ (15,515)	$ 499,485	$ 9,831	$ (9,680)	$ 499,636

NOTE 4. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations during the fiscal years ended June 30, 2021 and 2020 (in thousands):

	Balance As of 6/30/2019	Additions	Reductions	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Due Within One Year
Revenue bonds	$ 231,639	$ -	$ (6,760)	$ 224,879	$ -	$ (7,573)	$ 217,306	$ 6,640
Pension obligation bonds	3,028	20,626	(619)	23,035	-	(672)	22,363	1,075
Direct Borrowings:								
Leased purchases	1,884	-	(218)	1,666	-	(221)	1,445	227
Note payable	20,323	483	(1,282)	19,524	-	(1,386)	18,138	1,499
Contracts payable - Water stock acquisition rights	937	82	-	1,019	52	(4)	1,067	150
Total long-term obligations	$ 257,811	$ 21,191	$ (8,879)	$ 270,123	$ 52	$ (9,856)	$ 260,319	$ 9,591

Long-term debt consists of the following (in thousands):

CONTRACTS PAYABLE

	June 30, 2021	June 30, 2020
Water Stock Acquisitions: Payable to various water companies	$ 1,067	$ 1,019
Total contracts payable	1,067	1,019

PENSION OBLIGATION BONDS PAYABLE

	June 30, 2021	June 30, 2020
$31,960 2017 Taxable Pension Obligation Bonds Series A: fixed rate bonds issued by the City due in annual installments from $2,910 to $3,580 through June 2027, with coupons from 1.3 to 3.1 percent. The Water utility's proportional share of the outstanding debt is 10.7 percent.	$ 2,141	$ 2,469
$201,080 2020 Taxable Pension Obligation Bonds Series A (Miscellaneous): fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Water Utility's proportional share of the outstanding debt is 10.2 percent.	20,222	20,566
Total pension obligation bonds payable	22,363	23,035

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

REVENUE BONDS PAYABLE

	June 30, 2021	June 30, 2020
$31,895 2009 Water Refunding/Revenue Series A Bonds: fixed rate bonds due in annual principal installments from $2,270 to $2,360 through October 1, 2020, interest from 4.0 to 5.0 percent	$ -	$ 2,360
$67,790 2009 Water Revenue Series B Bonds: fixed rate, federally taxable, Build America Bonds due in annual principal installments from $2,475 to $4,985 from October 1, 2021 through October 1, 2039, interest from 3.3 to 4.1 percent	67,790	67,790
$59,000 2011 Water Revenue/Refunding Series A Bonds: variable rate bonds due in annual principal installments from $2,375 to $3,950 through October 1, 2035. Interest rate is subject to weekly repricing (net interest rate, including swaps, at June 30, 2021 was 3.2 percent). Partially refunded $26,900 on April 1, 2019 with 2019A Water Refunding Bonds.	24,050	24,050
$114,229 2019 Water Revenue Refunding Series A Bonds: fixed rate bonds due in annual principal installments from $1,680 to $8,455 through October 1, 2048, interest of 5.0 percent	106,990	110,965
Total water revenue bonds payable	198,830	205,165
Total water revenue bonds, pension obligation bonds and contracts payable	222,260	229,219
Unamortized bond premium	18,476	19,714
Total water revenue bonds, pension obligation bonds and contracts payable, including bond premium	240,736	248,933
Less current portion	(7,865)	(7,157)
Total long-term water revenue bonds, pension obligation bonds and contracts payable	$ 232,871	$ 241,776

The Water Utility is obligated to pay its share of the City's pension obligation bonds, which the City issued in 2005 and refinanced a portion in May 2017. The Water Utility's proportional share of the outstanding principal amount of the bonds was $22,363 and $23,035 as of June 30, 2021 and 2020, respectively. The bond proceeds were deposited with CalPERS to fund the unfunded actuarial accrued liability for non-safety employees. For more discussion relating to the City's pension obligation bond issuance, see the notes to the City's financial statements in the City's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

In fiscal year ended June 30, 2020, the City issued $432,165 2020 Taxable Pension Obligation Bonds Series A. The bonds were issued to reduce the City's unfunded pension liability in both the City's Miscellaneous and Safety CalPERS plans. It is estimated the issuance will save the City's General Fund $7.6M in pension costs in FY 2022 with a projected overall savings of $178.5 million through the life of the bonds. The fixed rate bonds issued by the City due in annual installments from $1,285 to $14,625 through June 2045, with coupons from 1.6 to 3.9 percent. The Water Utility's proportional share of the miscellaneous plan is 10.2 percent.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

Remaining pension obligation bond debt service payments will be made from revenues of the Water Fund. Annual debt service requirements to maturity as of June 30, 2021 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 1,075	$ 692	$ 1,767
2023	1,363	670	2,033
2024	1,640	642	2,282
2025	1,815	605	2,420
2026	1,867	562	2,429
2027-2031	5,326	2,200	7,526
2032-2036	4,956	1,414	6,370
2037-2041	3,916	501	4,417
2042-2046	405	20	425
Total	$ 22,363	$ 7,306	$ 29,669

All water revenue bonds are covenanted per the Amended and Restated Resolution No. 17664 (Water) Master Resolution that upon the occurrence and continuation of an event of default, the owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and accreted value of the bonds due and payable should the City fail to pay its debts as they become due or upon the entry of any decree or order of bankruptcy of the City.

Remaining revenue bond debt service payments will be made from revenues of the Water Fund. Annual debt service requirements to maturity as of June 30, 2021 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 6,640	$ 8,793	$ 15,433
2023	6,915	8,491	15,406
2024	7,215	8,167	15,382
2025	7,540	7,823	15,363
2026	7,875	7,463	15,338
2027-2031	44,900	31,365	76,265
2032-2036	53,675	20,917	74,592
2037-2041	46,400	8,598	54,998
2042-2046	10,225	3,189	13,414
2047-2051	7,445	571	8,016
Premium	18,476	-	18,476
Total	$ 217,306	$ 105,377	$ 322,683

The Water Utility has a number of debt issuances (revenue bonds) outstanding that are collateralized by the pledging of water revenues. The amount and term of the remainder of these commitments are indicated in the revenue bonds payable and annual debt service requirements to maturity tables presented within this Note 4. The purpose of the debt issuances was for the financing of various Water Utility capital improvement projects. For June 30, 2021 and 2020, debt service payments as a percentage of the pledged gross revenue, net of certain expenses where so required by the debt agreement, are indicated in the table below.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

The debt service coverage ratios also approximate the relationship of the debt service to pledged revenue for the remainder of the term of the commitment.

Fiscal Year Ended	Description of Pledged Revenues	Annual Amount of Pledged Revenue (net of expenses) [1, 2]	Annual Debt Service Payments	Debt Service Coverage Ratio
June 30, 2021	Water revenues	$ 37,614	$ 16,692	2.25
June 30, 2020	Water revenues	$ 28,518	$ 15,810	1.80

[1] Excludes GASB 68 Accounting and Financial Reporting for Pension non-cash adjustments of ($1,107) and $1,046 for June 30, 2021 and 2020, respectively.

[2] Excludes GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions non-cash adjustments of $73 and $197 for June 30, 2021 and 2020, respectively.

LINE OF CREDIT

On February 1, 2019, the City entered into a subordinate line of credit agreement with U.S. Bank, National Association. The Subordinate Line of Credit is a tool approved through the Electric and Water Utility Five-Year Rate Plan to manage rate increases by enabling the Water Utility to reduce cash levels while maintaining compliance with the Riverside Public Utilities Cash Reserve Policy. Under the terms and conditions of the agreement, the City may borrow up to $25,000 for purposes of the capital or operating financial needs of the Water System. There were no borrowings against the line as of June 30, 2021.

INTEREST RATE SWAPS ON REVENUE BONDS

The Water Utility has one cash flow hedging derivative instrument, which is a pay-fixed swap. The swap was employed as a hedge against debt that was refunded in 2008 and 2011. At the time of the refunding, hedge accounting ceased to be applied. The balance of the deferral account for the swap is included as part of the deferred loss on refunding associated with the new bonds. The swap was also employed as a hedge against the new debt. Hedge accounting was applied to that portion of the hedging relationship, which was determined to be effective. The negative fair value of the interest rate swaps related to the new hedging relationship has been recorded and deferred on the Statements of Net Position.

A summary of the derivative activity for the year ended June 30, 2021 is as follows:

	Notional Amount	Fair Value as of 6/30/2021	Change in Fair Value for Fiscal Year
2011 Water Refunding/Revenue Bonds Series A	$ 24,050	$ (5,683)	$ 2,091

***Objective*:** In order to lower borrowing costs as compared to fixed-rate bonds, the Water Utility entered into an interest rate swap agreement in connection with its $59,000 2011 Water Refunding/Revenue Series A Bonds.

***Terms*:** Per the existing swap agreement, the Water Utility pays the counterparty a fixed payment and receives a variable payment computed as 62.68 percent of the London Interbank Offering Rate (“LIBOR”) one-month index plus 12 basis points. The swap has a notional amount equal to the principal amount stated above. The notional value of the swap and principal amount of the associated debt decline by $1,475 to $3,950 until the debt is completely retired in fiscal year 2036.

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

The bonds and the related swap agreement for the 2011 Water Refunding/Revenue Series A Bonds mature on October 1, 2035. As of June 30, 2021, rates were as follows:

Interest rate swap:	Terms	Rates
Fixed payment to counterparty	Fixed	3.20000%
Variable payment from counterparty	62.68 LIBOR + 12bps	(0.57363%)
Net interest rate swap payments		2.62637%
Variable-rate bond coupon payments		0.55643%
Synthetic interest on bonds		3.18280%

***Fair value*:** As of June 30, 2021, in connection with the swap agreement, the transactions had a total negative fair value of ($5,683). Because the coupons on the Water Utility's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was developed by a pricing service using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

***Credit risk*:** As of June 30, 2021, the Water Utility was not exposed to credit risk because the swap had a negative fair value. The swap counterparty, J.P. Morgan Chase & Co. was rated A- by Standard & Poor's (S&P). To mitigate the potential for credit risk, the swap agreement requires the fair value of the swap to be collateralized by the counterparty with U.S. Government securities if the counterparty's rating decreases to negotiated trigger points. Collateral would be posted with a third-party custodian. At June 30, 2021, there is no requirement for collateral posting for the outstanding swap.

***Basis risk*:** As noted above, the swap exposes the Water Utility to basis risk should the relationship between LIBOR and the variable interest rates converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

***Termination risk*:** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, a swap may be terminated by the Water Utility if the counterparty's credit quality falls below "BBB-" as issued by S&P. The Water Utility or the counterparty may terminate a swap if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination a swap has a negative fair value, the Water Utility would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2021, the debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are summarized as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Interest	Interest Rate Swaps, Net	Total
2022	$ -	$ 138	$ 651	$ 789
2023	-	138	651	789
2024	-	138	651	789
2025	-	138	651	789
2026	-	138	651	789
2027-2031	6,675	642	3,033	10,350
2032-2036	17,375	238	1,121	18,734
Total	$ 24,050	$ 1,570	$ 7,409	$ 33,029

NOTE PAYABLE

Note payable consists of several agreements with Hillwood Enterprises, L.P. and related entities (collectively Hillwood) for their development of logistic centers located in the City of San Bernardino. As a part of these agreements, the Water Utility leases land to Hillwood and also purchased land from Hillwood with a subsequent lease-back to the entity. In addition, the agreements require Hillwood to relocate wells located on the properties as well as terminate an existing lease. In consideration of the cost of the land purchase, well relocations and lease termination, the Water Utility will make payments to Hillwood in the form of a credit with Hillwood's rental payments to the Water Utility for the first 15 years of the leases. These agreements resulted in a total liability to the Water Utility of $18,138, as of June 30, 2021.

Estimated annual rent credits, which are adjusted annually based on Consumer Price Index (CPI), to be applied to the land purchase and well relocation agreements commencing in 2014 with an effective interest rate of 3.15 percent, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 926	$ 267	$ 1,193
2023	994	242	1,236
2024	1,065	216	1,281
2025	1,139	188	1,327
2026	1,217	158	1,375
2027-2030	5,456	285	5,741
Total	$ 10,797	$ 1,356	$ 12,153

Estimated annual rent credits, which are adjusted annually based on CPI, to be applied to the well relocation agreement commencing in 2018 with an effective interest rate of 3.00 percent, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 273	$ 116	$ 389
2023	282	107	389
2024	290	98	388
2025	300	89	389
2026	309	79	388
2027-2031	1,700	243	1,943
2032-2033	662	19	681
Total	$ 3,816	$ 751	$ 4,567

NOTE 4. LONG-TERM OBLIGATIONS (CONTINUED)

Annual rent credits to be applied for the lease termination agreement commencing in 2018, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2022	$ 300	$ -	$ 300
2023	300	-	300
2024	300	-	300
2025	300	-	300
2026	300	-	300
2027-2031	1,500	-	1,500
2032-2033	525	-	525
Total	$ 3,525	$ -	$ 3,525

LEASE PURCHASE FINANCING

In fiscal year ended June 30, 2017, the Water Utility participated in the City's lease purchase financing program for the acquisition of water system heavy vehicles and equipment. The heavy vehicles and equipment lease financing is for a ten-year term of annual payments with an interest rate of 2.36 percent. Gross proceeds of $2,305 were received for the financing. The total liability with the current portion included in accounts payable and other accruals as of June 30, 2021 and 2020 was $1,445 and $1,666, respectively. The annual lease payments for the life of the lease are $260 annually through fiscal year ending June 30, 2027. As of June 30, 2021 total outstanding lease payments are $1,558, with $1,445 representing principal and $113 representing interest.

NOTE 5. COMPENSATED ABSENCES

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probably that virtually all of these balances will be liquidated by either paid time-off or payments upon termination or retirement.

Below is a summary of changes in Compensated absences for the Water Utility during the fiscal year.

	Balance As of 6/30/2019	Additions	Reductions	Balance As of 6/30/2020	Additions	Reductions	Balance As of 6/30/2021	Due Within One Year
Compensated absences	$ 2,027	$ 1,802	$ (1,540)	$ 2,289	$ 1,776	$ (1,346)	$ 2,719	$ 1,599

NOTE 6. EMPLOYEE RETIREMENT PLAN

PLAN DESCRIPTION

The City contributes to CalPERS, an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by CalPERS. Benefit provisions and all other requirements are established by state statute and City ordinance. A copy of CalPERS' annual financial report may be obtained online at www.calpersca.gov. The Water Utility, including Water Conservation Programs, participates in the City's Miscellaneous (non-safety) Plan (the Plan).

FUNDING POLICY

The City has contributed at the actuarially determined rate provided by CalPERS' actuaries. Participants are required to contribute 8 percent of their annual covered salary. The City has a multiple tier retirement plan with benefits varying by plan. All permanent full-time and selected part-time employees are eligible for participation in CalPERS. Benefits vest after five years of service and are determined by a formula that considers the employee's age, years of service and salary. Under the Plan, the City pays the employees' contribution to CalPERS for employees hired on or before specific dates as follows:

- 1st Tier –
  - The retirement formula is 2.7% at age 55 for employees hired on or before October 18, 2011. Effective January 1, 2018 for unrepresented employees (Sr. Management, Management, Professional, Para-professional, Supervisory, Confidential, and Executive units, excluding the Chief of Police and the Fire Chief), the employees were required to pay 2% of their pensionable income, with the City contributing the other 6%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2019), 2% (2020) and 2% (2021). As of 2021, employees are contributing the entire 8% of their pensionable income.

  - The retirement formula is 2.7% at age 55 for SEIU and SEIU Refuse employees hired before June 7, 2011. Currently, employees are required to pay 7% of their pensionable income with the City contributing the other 1%. Effective January 1, 2019, employees were required to pay an additional portion of their pensionable income. This portion is a two-year increase of 1% (2019) and 1% (2020). As of 2020, employees are contributing the entire 8% of their pensionable income.

  - The retirement formula is 2.7% at age 55 for IBEW and IBEW Supervisory employees hired on or before October 18, 2011. Effective November 1, 2017 employees were required to pay 2% of their total pensionable income with the City paying the remaining 6%. Effective each November 1st, employees will be required to pay an additional portion of their pensionable income. This portion is a three-year increase of 2% (2018), 2% (2019) and 2% (2020). As of November 2020, employees are contributing the entire 8% of their pensionable income.

- 2nd Tier - The retirement formula is 2.7% at age 55, and:
  - Miscellaneous employees, IBEW, and IBEW Supervisory hired on or after October 19, 2011 pay their share (8%) of contributions.

  - SEIU and SEIU Refuse employees hired on or after June 7, 2011 pay their share (8%) of contributions.

- 3rd Tier – The retirement formula is 2% at age 62 for new members hired on or after January 1, 2013 and the employee must pay the normal cost to CalPERS which is currently at 7.75%. Classic members (CalPERS members prior to 12/31/12) hired on or after January 1, 2013 may be placed in a different tier.

The contribution requirements of plan members and the City are established and may be amended by CalPERS.

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

BENEFITS PROVIDED

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit Level III, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

EMPLOYEES COVERED

As of measurement date June 30, 2020 and 2019, the following employees, City-wide, were covered by the benefit terms of the Plan:

	Measurement Date	
	June 30, 2020	**June 30, 2019**
Inactive employees or beneficiaries currently receiving benefits	2,301	2,252
Inactive employees entitled to but not yet receiving benefits	1,427	1,411
Active employees	1,559	1,606

CONTRIBUTIONS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NET PENSION LIABILITY

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. For fiscal year ended June 30, 2021, the net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. For fiscal year ended June 30, 2020, the net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

ACTUARIAL ASSUMPTIONS

The total pension liabilities in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increase	Varies by entry age and service	Varies by entry age and service
Mortality Rate Table[1]	Derived using CalPERS' membership data for all funds.	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

[1] The mortality table used w as developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS w ebsite.

CHANGES IN ASSUMPTIONS

There was no changes in assumptions in for the measurement date of June 30, 2020.

DISCOUNT RATE

The discount rate used to measure the Plan's total pension liability was 7.15 percent for measurement date as of June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LONG-TERM DISCOUNT RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

June 30, 2020 Measurement Date

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

June 30, 2019 Measurement Date

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

CHANGES IN THE NET PENSION LIABILITY

The changes in the Water Utility’s, including Water Conservation Programs, proportionate share of the net pension liability as of June 30, 2021 (measurement date June 30, 2020) and 2020 (measurement date June 30, 2019) for the Plan are as follows:

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

June 30, 2021	Net Pension Liability	Proportion of the Plan
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	$ 12,203	10.16%
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	31,840	10.90%
Changes - Increase / (Decrease)	(19,637)	-0.74%
June 30, 2020		
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	$ 31,840	10.90%
Proportion - Reporting date June 30, 2019 (Measurement Date June 30, 2018)	30,737	11.03%
Changes - Increase / (Decrease)	1,103	-0.13%

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Water Utility's, including Water Conservation Programs, proportionate share of the net pension liability of the Plan, calculated using the discount rate of 7.15 percent, as well as what the Water Utility's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Measurement Date June 30, 2020			Measurement Date June 30, 2019		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Water Utility's proportionate share of the Plan's net pension laibility	$ 32,609	$ 12,203	$ (4,593)	$ 52,946	$ 31,840	$ 14,479

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

PENSION EXPENSES AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSION

For the fiscal years ended June 30, 2021 and 2020, the Water Utility, including Water Conservation Programs, recognized pension expense of $1,563 and $5,016, respectively. At June 30, 2021 and 2020, the Water Utility, including Water Conservation Programs, reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,671	$ -	$ 24,459	$ -
Change in assumptions	-	(350)	1,581	(1,723)
Differences between expected and actual experience	718	(183)	579	(1,403)
Net difference between projected and actual earnings on pension plan investments	1,532	-	-	(576)
Total	$ 4,921	$ (533)	$ 26,619	$ (3,702)

Deferred outflows of resources related to contributions subsequent to the measurement date reported in prior year was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2022	$ (430)
2023	721
2024	802
2025	624
2026	-
Therafter	-
Total	$ 1,717

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City's defined benefit OPEB plan, Retiree Health Plan, provides continuation of medical (including prescription drugs) and dental coverage benefits to retirees and surviving spouses in the form of an implied rate subsidy. The Retiree Health Benefits plan is a single employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

BENEFITS PROVIDED

Eligibility for continuation of coverage requires retirement from the City and CalPERS with at least 5 years of City service. The retiree is responsible for 100% of the premium cost for coverage, which is based on the blended experience of both the active and retired employees. The City is not required by law or contractual agreement to provide funding other than the pay-as-you-go amount necessary to provide current benefit to eligible retirees and beneficiaries. Retiree and spousal coverage terminates when the retiree becomes covered under another employer health plan, or when the retiree reaches Medicare eligibility age, which is currently age 65. However, retiree benefit continues to the surviving spouse if the retiree elects the CalPERS survivor annuity.

As of measurement date June 30, 2020, the following employees, City-wide, were covered by the benefit terms:

	Measurement Date June 30, 2020	**Measurement Date June 30, 2019**
Inactive plan members or beneficiaries currently receiving benefits	274	274
Inactive plan members entitled to but not yet receiving benefits	-	-
Active plan members	2,138	2,138

ACTUARIAL ASSUMPTIONS

The total OPEB liability was determined by actuarial valuation as of June 30, 2020 and 2019, using the following actuarial assumptions:

	Miscellaneous - Current Year	Miscellaneous - Prior Year
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Pay-as-you-go for	Pay-as-you-go for
Actuarial Assumptions		
Discount rate	3.51% as of July 1, 2019 and 2.66% as of June 30, 2020 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.	3.51% per annum. This discount rate is the maximum of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond
Inflation rate	3% per annum	3% per annum
Payroll Increases:	3.0%, plus merit increases based on the CalPERS experience study as of December 2017	3.0%, plus merit increases based on the CalPERS experience study as of December 2017
Merit Increases:	Merit increases from the CalPERS pension plan experience study as of December 2017. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.	Merit increases from the CalPERS pension plan experience study as of December 2017. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.
Mortality	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019	SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2019

Heathcare Trend Rates

Fiscal Year End	Future Year Trend	Fiscal Year End	Future Year Trend
2020	-	2020	6.50%
2021	6.25%	2021	6.25%
2022	6.00%	2022	6.00%
2023	5.75%	2023	5.75%
2024	5.50%	2024	5.50%
2025	5.25%	2025	5.25%
2026	5.00%	2026	5.00%
2027	4.75%	2027	4.75%
2028 +	4.50%	2028 +	4.50%

CHANGES OF ASSUMPTIONS

In 2020, the discount rate was changed from 3.51 percent to 2.66 percent.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES

The following presents the Water Utility's, including Water Conservation Programs, proportionate share of the City's total OPEB liability, calculating using the healthcare trend rate of 6.25% and 6.50% for measurement date as of June 30, 2020 and June 30, 2019 respectively, as well as what the Water Utility's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2020			Measurement Date June 30, 2019		
	1% Decrease	Current healthcare cost trend rate	1% Increase	1% Decrease	Current healthcare cost trend rate	1% Increase
Water Utility's proportionate share of total OPEB laibility	$ 3,977	$ 4,550	$ 5,236	$ 3,877	$ 4,382	$ 4,985

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN DISCOUNT RATES

The following presents the Water Utility's, including Water Conservation Programs, proportionate share of the City's total OPEB liability, calculating using the discount rate of 2.66% and 3.51% for measurement date as of June 30, 2020 and 2019 respectively, as well as what the Water Utility's total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Measurement Date June 30, 2020			Measurement Date June 30, 2019		
	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Water Utility's proportionate share of total OPEB laibility	$ 5,000	$ 4,550	$ 4,144	$ 4,845	$ 4,382	$ 3,972

CHANGE IN TOTAL OPEB LIABILITY

For fiscal year ended June 30, 2021 and 2020, the Water Utility's, including Water Conservation Programs, recognized total OPEB expense of $73 and $197 respectively. The following table shows the change in the Water Utility's, including Water Conservation Programs, proportionate share of the City's total OPEB liability for the year ended June 30, 2021 (measurement date June 30, 2020) and the year ended June 30, 2020 (measurement date June 30, 2019):

June 30, 2021	Total OPEB Liability	Proportion of the City
Proportion - Reporting date June 30, 2021 (Measurement Date June 30, 2020)	$ 4,550	8.70%
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	$ 4,382	8.76%
Changes - Increase / (Decrease)	168	-0.06%
June 30, 2020		
Proportion - Reporting date June 30, 2020 (Measurement Date June 30, 2019)	$ 4,382	8.76%
Proportion - Reporting date June 30, 2019 (Measurement Date June 30, 2018)	3,524	9.19%
Changes - Increase / (Decrease)	858	-0.43%

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2021, the Water Utility, including Water Conservation Programs, reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual expense	$ 17	$ (178)
Changes of assumptions	692	(53)
Contributions subsequent to measurement date	162	-
Total	$ 871	$ (231)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2022	$ 76
2023	76
2024	76
2025	76
2026	76
Therafter	98
Total	$ 478

NOTE 8. RESTRICTED NET POSITION

Pursuant to applicable bond indentures, a reserve for debt service has been established by restricting assets and reserving a portion of net position. Bond indentures for the Water Utility's water revenue and refunding bonds require debt service reserves that equate to the maximum annual debt service required in future years and bond service reserves of three months interest and nine months principal due in the next fiscal year. Variable rate revenue and refunding bonds require 110 percent of the monthly accrued interest to be included in the reserve. Certain issues have no debt service reserve requirements (2009A & B, 2011A and 2019A).

NOTE 9. CONSTRUCTION COMMITMENTS

As of June 30, 2021, the Water Utility had commitments (encumbrances) of approximately $7,526 with respect to unfinished capital projects, of which $5,212 is expected to be funded by bonds, and $2,314 to be funded by unrestricted reserves.

NOTE 10. LITIGATION

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

NOTE 10 - LITIGATION (CONTINUED)

CITY OF RIVERSIDE V. BLACK & DECKER (U.S.), INC.

The Water Utility is a plaintiff in a lawsuit against several entities that either owned or leased a property site in the City of Colton and City of Rialto that is contaminated by perchlorate. The lawsuit was filed March 31, 2009. On May 24, 2018, the State trial court dismissed the action, with prejudice, for failure to join the federal Department of Defense, with instructions to refile the lawsuit in federal court and include the Department of Defense as a party. The City has appealed such dismissal, and on May 6, 2020, the appellate court overturned the trail court's dismissal. The appellate court remanded the case back to the trial court and the parties are now waiting for the trial court to set a trial date.

PONGS V. CITY OF RIVERSIDE ("PONGS I")

On December 16, 2019, a lawsuit entitled *Pongs v. City of Riverside* was filed against the City challenging the City's Water Rate WA-12, "Agricultural Water", alleging that the City is overcharging customers for service under this rate in violation of Article XIIID, Section 6 of the California Constitution. The plaintiff is seeking that the court invalidate Water Rate WA-12 and refund all to all WA-12 customers monies collected under that rate. A hearing date for the first phase of the trial, on liability, has been scheduled for November 17, 2021.

PONGS ET AL. V. CITY OF RIVERSIDE ET AL. ("PONGS II")

On January 8, 2021, a lawsuit entitled *Pongs et al. v. City of Riverside et al.* was filed against the City by two minority shareholders of the Gage Canal Company, alleging that the City had breached certain fiduciary duties and a contract related to the City's operation of the Gage Canal, an irrigation canal owned by the City and operated by the Gage Canal Company. The plaintiffs are seeking over $9M in damages and that the court compel certain actions by the City. No trial date has been set for this action.

SIMPSON V. CITY OF RIVERSIDE

On December 19, 2019, a class action lawsuit entitled *Simpson v. City of Riverside* was filed against the City alleging that the City is overcharging customers for water utility service in violation of Article XIIID, Section 6 of the California Constitution, on the grounds that the City is transferring 11.5% of water utility revenues to the City's general fund. The transfer, also known as the "General Fund Transfer", was approved by voters on June 4, 2013, as a general tax. The plaintiff is seeking refunds for all customers for monies collected in violation and also that the court set aside the voter's 2013 approval of the General Fund Transfer. No trial date has been set for this action.

CITY OF RIVERSIDE V. V. 3M COMPANY, ET AL.

The Water Utility is a plaintiff in a lawsuit against several entities over contamination of its water supply wells with synthetic per- and polyfluoroalkyl substances ("PFAS"). The lawsuit was filed July 26, 2021 as part of a multidistrict litigation proceeding consolidated before a federal judge in Charleston, South Carolina. No trial date has been set.

CITY OF RIVERSIDE V. V. SHELL OIL COMPANY, ET AL.

The Water Utility is a plaintiff in a lawsuit against several entities over contamination of its water supply wells with 1, 2, 3, -Trichloropropane ("TCP"). The lawsuit was filed December 4, 2020, in the superior court in San Francisco. No trial date has been set.

WATER UTILITY:
KEY HISTORICAL OPERATING DATA

FISCAL YEAR	2020/21	2019/20	2018/19	2017/18	2016/17
WATER SUPPLY (ACRE FEET)					
Potable water production[1]	72,215	64,827	64,379	69,778	64,407
Percentage pumped[2]	100.00%	100.00%	100.00%	100.00%	100.00%
System peak day (gallons)[3]	91,900,000	89,600,000	90,200,000	83,000,000	81,000,000
WATER USE					
Number of meters as of year end					
Residential	59,782	59,598	59,456	59,601	59,453
Commercial/Industrial[4]	6,080	6,068	6,028	5,705	5,640
Other[4]	336	365	319	334	335
Total	66,198	66,031	65,803	65,640	65,428
CCF* sales					
Residential	16,149,357	14,610,481	14,157,606	15,564,143	14,219,498
Commercial/Industrial[4]	10,069,176	9,126,132	9,191,682	9,573,518	8,683,382
Other[4]	835,300	787,119	805,022	900,596	844,041
Subtotal	27,053,833	24,523,732	24,154,310	26,038,257	23,746,921
Wholesale	1,571,549	1,002,289	1,673,411	1,476,117	1,593,808
Total	28,625,382	25,526,021	25,827,721	27,514,374	25,340,729

*(CCF equals 100 cubic feet)

WATER FACTS					
Average annual CCF per residential customer	270	245	238	261	240
Average price ($/CCF) per residential customer	$2.77	$2.67	$2.50	$2.39	$2.46
Debt service coverage ratio (DSC)[5, 6,7]	2.25	1.80	1.68	2.16	2.04
Employees[8]	165	165	159	159	174

[1] Water pumping figures have been adjusted to include retail and w holesale potable w ater production.

[2] No purchased w ater.

[3] System peak day has been adjusted to reflect production for retail customers.

[4] Changes in fiscal years 18/19 & 19/20 reflect reclassification of certain Commercial/Industrial accounts and Other accounts in connection w ith current Water Rate Plan.

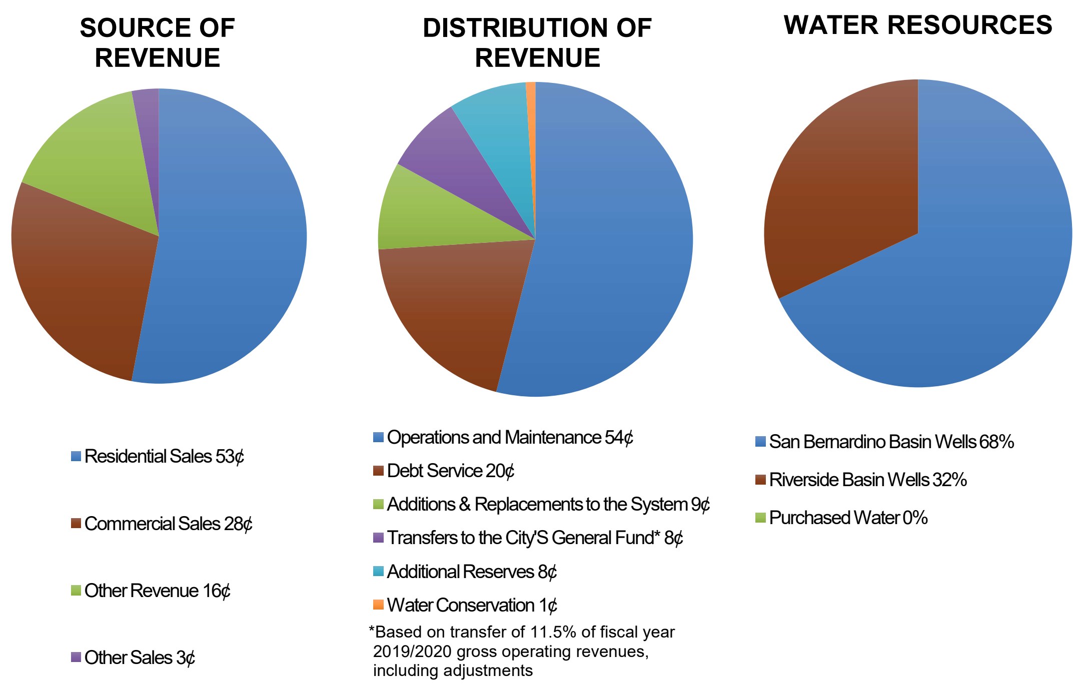
[5] Interest expense used to calculate DSC is net of federal subsidy on Build America Bonds.

[6] Excludes GASB 68 Accounting and Financial Reporting for Pension non-cash adjustments of ($1,107), $1,046, ($482), $3,149, and ($85), for fiscal years 20/21 through FY16/17, respectively.

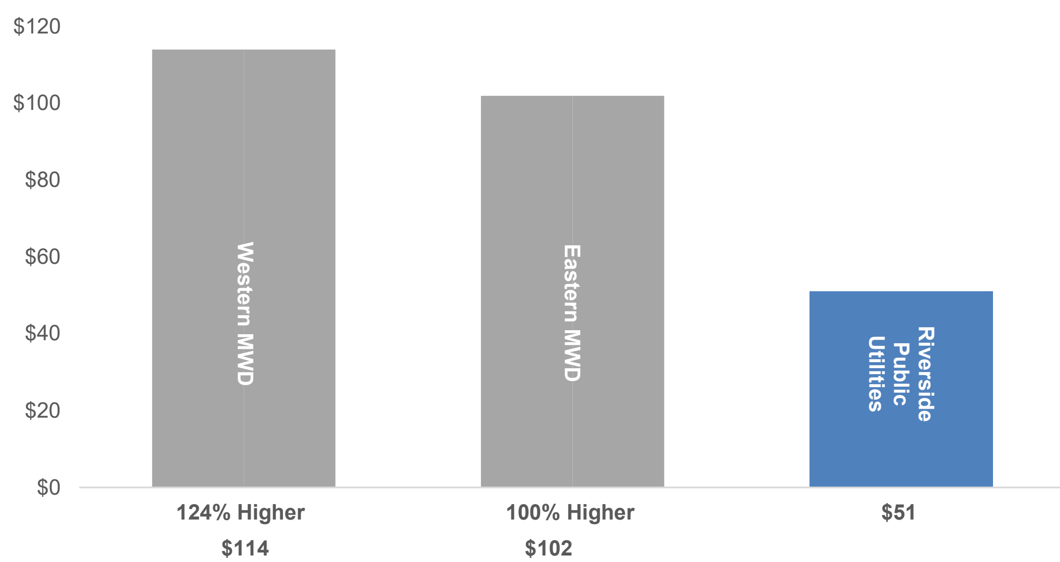
[7] Excludes GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions non-cash adjustments of $73, $197, $118 and $265, for fiscal years 20/21 through FY 17/18, respectively.

[8] Approved positions.

2020/2021 WATER REVENUE AND RESOURCES

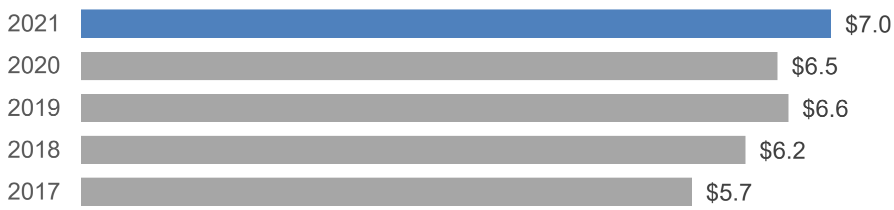


RESIDENTIAL WATER RATE COMPARISON - 21 CCF PER MONTH (AS OF JUNE 30, 2021)

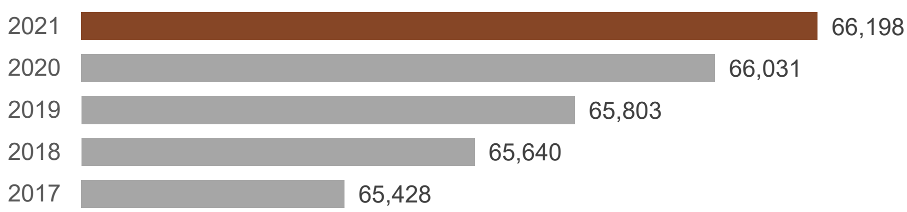


WATER KEY OPERATING INDICATORS

General Fund Transfer (In Millions)

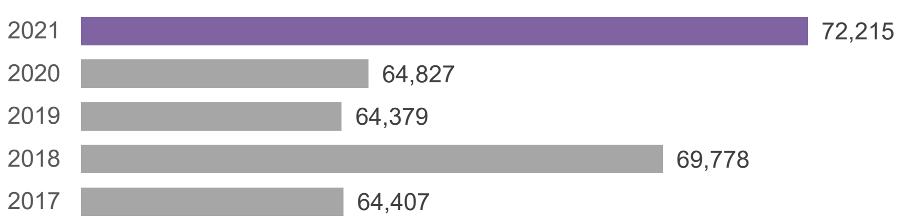


Number of Meters At Year End

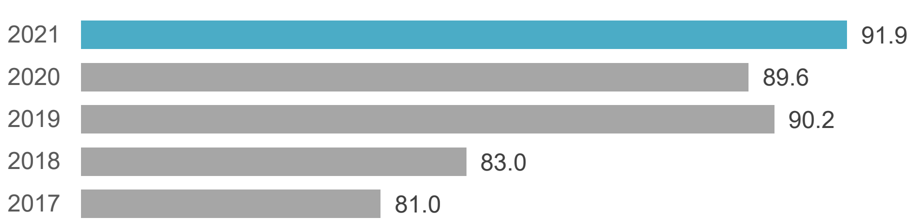


Total Operating Revenue (In Millions)

Potable Water Production (In Acre Feet)



Peak Day Demand (In Millions of Gallons)



WATER FACTS AND SYSTEM DATA

Established	1913
Service Area Population	324,243
Service Area Size (square miles)	74.24
System Data	
Smallest Pipeline	2.0”
Largest Pipeline	72.0”
Miles of Pipeline	991
Number of Domestic Wells	56
Number of Active Reservoirs	16
Total Reservoir Capacity (gallons)	108,500,000
Number of Treatment Plants	6
Number of Treatment Vessels	84
Miles of Canal	14
Number of Fire Hydrants	8,012
Daily Average Production (gallons)	66,800,000
2020-2021 Peak Day (gallons) 08/14/20, 101 Degrees	91,900,000
Historical Peak (gallons) 08/9/05, 99 Degrees	118,782,000
Bond Ratings	
Fitch Ratings	AA+
Moody’s	Aa2
S&P Global Ratings	AAA


WATER | ENERGY | LIFE
CITY OF
RIVERSIDE
PUBLIC UTILITIES

RIVERSIDE PUBLIC UTILITIES
3750 University Avenue
3rd Floor
Riverside, CA 92501
(951) 826-2135

RiversidePublicUtilities.com

WATER | ENERGY | LIFE

CITY OF RIVERSIDE

PUBLIC UTILITIES

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Resolution for a full and complete statement of the provisions thereof.

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Definitions

Unless the context otherwise requires, the terms defined in the Resolution will, for all purposes of the Resolution and of any Supplemental Resolution and of any certificate, opinion or other document mentioned therein, have the meanings specified below, to be equally applicable to both the singular and plural forms of any of the terms defined below. Unless otherwise defined in the Resolution, all terms used therein will have the meanings assigned to such terms in the Law.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate thereof on each date specified therein. The Accreted Value at any date to which reference is made will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

"Accreted Value Table" means the table denominated as such, and to which reference is made in, a Supplemental Resolution for any Capital Appreciation Bonds issued pursuant to such Supplemental Resolution.

"Assumed Debt Service" means, with respect to any Excluded Principal Payment for any Fiscal Year (or other designated 12 month period) on or after the Excluded Principal Payment date the sum of the amount of principal and interest which would be payable in each such Fiscal Year (or other designated 12 month period) if that Excluded Principal Payment were amortized for a period specified by the City at the time of issuance of such Bonds or Parity Debt (no greater than 30 years from the date of such Excluded Principal Payment) on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the City could borrow (as of the time of calculation) for such period, as certified by a certificate of a financial advisor or investment banker delivered to the City at the time of issuance of such Bonds or Parity Debt, which may rely conclusively on such certificate, within 30 days of the date of calculation.

"Authorized Investments" means any investments in which the City may legally invest sums subject to its control, as certified to each Fiscal Agent, and includes any Designated Investments.

"Bond" or "Bonds" means the City of Riverside Water Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Resolution.

"Bond Counsel" means a firm of lawyers nationally recognized in the area of tax-exempt bonds.

"Bond Obligation" means, as of any date of calculation: (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond; and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date).

"Bond Register" means the Bond Register as defined in the Resolution.

"Bond Service Account" means the Water Revenue Bonds, Bond Service Account established pursuant to the Resolution in the Water Revenue Fund.

"Business Day" means, for purposes of the 2022A Bonds, any day other than: (i) a Saturday or Sunday; (ii) a day on which banks located: (A) in the city in which the corporate trust office of the Fiscal Agent is located; (B) with respect to 2022A Bonds for which a Credit Support Instrument is in place, in the city in which drawings under the Credit Support Instrument are to be honored is located; (C) with respect to 2022A Bonds for which a Tender Agent is in place, in the city in which the corporate trust office of the Tender Agent at which the 2022A Bonds may be tendered for purchase by the Owners thereof is located; or (D) with respect to 2022A Bonds for which a Remarketing Agent is in place, in the city in which the principal office of the Remarketing Agent for a 2022A Bond is located, are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

"Capital Appreciation Bonds" means any Bonds the interest on which is compounded and not scheduled to be paid until maturity or on prior redemption.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the City means, respectively, a written certificate, statement, request, requisition or order signed by the Treasurer or any other Person authorized by the City Council to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the Resolution, each such instrument will include the statements provided for in the Resolution.

"Charter" means the Charter of the City, as it may be amended from time to time.

"City" means the City of Riverside, California.

"City Clerk" means the City Clerk of the City.

"City Council" or "Council" means the City Council of the City.

"Closing Certificate of the City" means a Certificate of the Treasurer of the City (or the Treasurer's designee) delivered at the time of the initial issuance of the 2022A Bonds, substantially in the form attached to the Eleventh Supplemental Resolution, that among other things, provides certain terms of the 2022A Bonds to be issued pursuant to the Eleventh Supplemental Resolution, all as authorized pursuant to the terms of the Resolution.

"Closing Date" means the date of initial delivery of the 2022A Bonds against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed and delivered by the City in connection with the issuance of the 2022A Bonds.

"Construction Costs" means the cost of acquiring, constructing, reconstructing, replacing, extending and improving the Water System and any facilities related thereto.

"Credit Facility" means a letter of credit, liquidity facility or other credit facility issued by a financial institution or other form of credit enhancement, including, but not limited to, municipal bond insurance and guarantees, delivered to the Treasurer or the Fiscal Agent for a Series or portion of a Series of Bonds, which provides for payment, in accordance with the terms of such Credit Facility, of principal or Accreted Value, premium and/or interest of such Series or portion of a Series of Bonds and/or the purchase price of such Series or portion of a Series of Bonds. A Credit Facility may be comprised of two or more credit facilities issued by two or more financial institutions.

"Current Interest Bonds" means the Bonds of any Series, other than Capital Appreciation Bonds, which pay interest at least annually to the Owners thereof excluding the first payment of interest thereon.

"Designated Investments" means, with respect to the 2022A Bonds and subject to such further or other parameters as may be specified in the Closing Certificate of the City, the following:

(a) investment agreements, guaranteed investment contracts, funding agreements, or any other form of obligation or corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed in full by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest Rating Categories by two or more Rating Agencies;

(b) repurchase agreements with financial institutions or banks insured by the FDIC or FSLIC, or any broker dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation, provided that: (i) the overcollateralization is at 103% or 104%, computed weekly, consisting of securities of the types outlined in the California Government Code Section 53601; (ii) a third party custodian, the Fiscal Agent or the Federal Reserve Bank has possession of such obligations; (iii) the Fiscal Agent has perfected a first priority security interest in such obligations; and (iv) failure to maintain the requisite collateral percentage will require the Fiscal Agent to liquidate the collateral;

(c) forward delivery or forward purchase agreements with underlying securities of the types outlined in the California Government Code 53601;

(d) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California;

(e) any other investments which are rated "AA" or better by the Rating Agencies which the City deems to be prudent investments and are not prohibited by law; and

(f) unsecured certificates of deposit, time deposits and bankers' acceptance (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's Investors Service and or certificates of deposit (including those of the Fiscal Agent, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase "A-1" or better by S&P, Moody's Investors Service and Fitch.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Eleventh Supplemental Resolution" means the resolution of the City Council approving the 2022A Bonds, and any amendments, modifications or supplements thereto.

"Excluded Principal Payment" means each payment of principal of Bonds or Parity Debt which the City designates (in the Supplemental Resolution or other document delivered on a date not later than the date of issuance of such Bonds or Parity Debt) to be an Excluded Principal Payment. No such determination will affect the security for such Bonds or Parity Debt or the obligation of the City to pay such payments from Net Operating Revenues or from the applicable reserve account, if any.

"Federal Securities" means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States of America or securities or receipts evidencing direct ownership interests in the foregoing obligations or specific portions (such as principal or interest) of the foregoing obligations which are held in safekeeping by a custodian on behalf of the owners of such receipts.

"Final Compounded Amount" means the Accreted Value of any Capital Appreciation Bond on its maturity date.

“Fiscal Agent” means U.S. Bank Trust Company, National Association, the fiscal agent appointed pursuant to the Eleventh Supplemental Resolution, and any successor appointed in accordance with the Resolution.

“Fiscal Year” means the year period beginning on July 1st and ending on the next following June 30th.

“Fitch” means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Fitch,” unless otherwise provided in a Supplemental Resolution for a Series of Bonds, will refer to any other nationally recognized rating agency selected by the City and not objected to by the Fiscal Agent.

“Fixed Rate Bonds” means any 2022A Bonds in a Long-Term Interest Rate Period bearing interest at Long-Term Interest Rates extending to the day immediately preceding the Maturity Date or Dates of the 2022A Bonds.

“Gross Operating Revenues” means: (i) all revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction; and (ii) all Subordinate Swap Receipts.

“Initial Amount” means the principal amount of a Capital Appreciation Bond on the date of issuance and delivery to the original purchaser thereof.

“Information Services” means Financial Information, Incorporated’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250-77 Center Drive, Charlotte, North Carolina 28217, Attention: Called Bond Department; Kenny Standard & Poor’s, 55 Water Street, New York, New York 10041; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the City may designate in a Request of the City delivered to any Fiscal Agent.

“Interest Account” means the sub-account by that name established pursuant to the Resolution in the Bond Service Account.

“Law” means collectively the City Charter, Ordinance No. 5001 of the City Council, as it may be amended from time to time, and the Resolution.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any Series and maturity, the amount required by the Resolution to be deposited by the Treasurer in the Principal Account for the payment of Term Bonds of such Series and maturity.

“Maximum Annual Debt Service” means, as of any date of calculation, the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Debt in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purpose of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments will be excluded from such calculation and Assumed Debt Service will be included in such calculation;

(b) if the Parity Debt or Bonds are Variable Rate Indebtedness and: (i) are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues subordinate to the lien of the Parity Debt or Bonds; or (ii) are not secured by any Credit Facility, the interest rate on such Parity Debt or Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to an interest rate calculated by multiplying 1.20 times the interest rate on the Parity Debt or Bonds on the date of calculation or, if such Parity Debt or Bonds are not currently Outstanding, 1.20 times the interest rate that such Parity Debt or Bonds would bear if they were Outstanding on such date, as certified by a certificate of a financial advisor or investment banker delivered to the City;

(c) if the Parity Debt or Bonds are Variable Rate Indebtedness and are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues on a parity with the lien of the Parity Debt or Bonds, the interest rate on such Parity Debt or Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the greater of the maximum rate on the Credit Facility and the maximum rate permitted on the Parity Debt or Bonds;

(d) principal and interest payments on Parity Debt and Bonds will be excluded to the extent such payments are to be paid from amounts on deposit as of the date of calculation with the Treasurer, any Fiscal Agent or any other fiduciary in an escrow irrevocably dedicated therefor and to the extent that such interest payments are to be paid from the proceeds of Parity Debt or Bonds held by the Treasurer, the Fiscal Agent or any other fiduciary as capitalized interest specifically to pay such interest;

(e) in determining the principal amount due in each Fiscal Year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such Parity Debt and Bonds, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds or Parity Debt on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date; and

(f) interest deemed to be payable on any Bonds with respect to which a Subordinate Swap is in force will be based on the net economic effect on the City expected to be produced by the terms of such Bonds and such Subordinate Swap, including but not limited to the effects that: (i) such Bonds would, but for such Subordinate Swap, be treated as Variable Rate Indebtedness instead will be treated as Bonds bearing interest at a fixed interest rate; and (ii) such Bonds would, but for such Subordinate Swap, be treated as Bonds bearing interest at a fixed interest rate instead will be treated as Variable Rate Indebtedness; and accordingly, the amount of interest deemed to be payable on any Bonds with respect to which a Subordinate Swap is in force will be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Bonds plus the Subordinate Swap Payments minus the Subordinate Swap Receipts, and for the purpose of calculating as nearly as practicable the Subordinate Swap Payments and the Subordinate Swap Receipts under such Bonds, the following assumptions will be made:

(1) if a Subordinate Swap has been entered into by the City with respect to Bonds resulting in the payment of a net variable interest rate with respect to such Bonds and Subordinate Swap by the City, the interest rate on such Bonds for future periods when the actual interest rate cannot yet be determined will be assumed (but only during the period the Subordinate Swap is in effect) to be equal to the sum of: (i) the fixed rate or rates stated in such Bonds; minus (ii) the fixed rate paid by the Subordinate Swap Provider to the City; plus (iii) the lesser of: (A) the interest rate cap, if any, provided by a Subordinate Swap Provider with respect to such Subordinate Swap (but only during the period that such interest rate cap is in effect); and (B) the applicable variable interest rate calculated in accordance with paragraph (b) or (c) above, as applicable; and

(2) if a Subordinate Swap has been entered into by the City with respect to Bonds resulting in the payment of a fixed interest rate with respect to such Bonds and Subordinate Swap by the City, the interest on such Bonds will be included in the calculation of payments (but only during the period the Subordinate Swap is in effect) by including for each Fiscal Year (or other designated 12 month period) an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Subordinate Swap.

Notwithstanding any other paragraph of the definition of Maximum Annual Debt Service, except as set forth in clause (f) above, no amounts payable under any Subordinate Swap (including Termination Payments) will be included in the calculation of Maximum Annual Debt Service.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation id dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Moody's," unless otherwise provided in a Supplemental Resolution for a Series of Bonds, will refer to any other nationally recognized securities rating agency selected by the City and not objected to by the Fiscal Agent.

"Municipal Obligations" means municipal obligations, rated in the highest Rating Category by each of the Rating Agencies, meeting the following conditions:

(a) the municipal obligations are not to be redeemable prior to maturity, or the trustee with respect to such obligations has been given irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by Federal Securities, which Federal Securities, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Federal Securities for other Federal Securities satisfying all criteria for Federal Securities, may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Federal Securities (plus any cash in the escrow fund) are sufficient, without reinvestment, to meet the liabilities of the municipal obligations; and

(d) the Federal Securities serving as security for the municipal obligations are held by an escrow agent or trustee.

"Net Operating Revenues" means Gross Operating Revenues, less Operating and Maintenance Expenses.

"Nominee" means the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant to the Eleventh Supplemental Resolution.

"Operating and Maintenance Expenses" means those expenses of operating and maintenance of the Water System and includes any necessary contribution to retirement of Water System employees.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Resolution) all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent for that Series under the Resolution except: (1) Bonds theretofore cancelled by the Fiscal Agent for that Series or surrendered to the Fiscal Agent for that Series for cancellation; (2) Bonds with respect to which all liability of the City has been discharged in accordance with the Resolution, including Bonds (or portions of Bonds) referred to under the caption "MISCELLANEOUS—Money Held for Particular Bonds;" (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Fiscal Agent for that Series pursuant to the Resolution; and (4) Bonds no longer outstanding under the Resolution as provided in the Supplemental Resolution pursuant to which such Bonds were issued.

"Owner" or "Bondholder" or "Bondowner," whenever used in the Resolution with respect to a Bond, means the Person in whose name such Bond is registered.

"Parity Debt" means: (1) any indebtedness or other obligation of the City for borrowed money; or (2) any obligations of the City for deferred purchase price, in each case having an equal lien and charge upon the Net Operating Revenues with the Bonds and therefore payable on a parity with the Bonds (whether or not any Bonds are Outstanding).

"Participants" means with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

"Principal Account" means the sub-account by that name established pursuant to the Resolution in the Bond Service Account.

“Rating Agencies” means Fitch, Moody’s and Standard & Poor’s with respect to the 2022A Bonds, and/or such other securities rating agencies providing a rating with respect to a Series of Bonds.

“Rating Category” means: (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Record Date” means the close of business on the 15th day of each month preceding an interest payment date.

“Redemption Account” means the account by that name established pursuant to the Resolution in the Water Revenue Fund.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Resolution.

“Refunding Bonds” means all Bonds whether, issued in one or more Series, authorized pursuant to the Resolution, to the extent the proceeds thereof are used or allocated to pay or to provide for the payment of Bonds or Parity Debt.

“Renewal and Replacement Account” means the Water Revenue Bonds, Renewal and Replacement Account established pursuant to the Resolution in the Water Revenue Fund.

“Representation Letter” means a representation letter from the City to the Securities Depository as described in the Resolution.

“Resolution” means Resolution No. 17664 as originally adopted by the City Council on January 8, 1991, as amended, modified or supplemented from time to time by any Supplemental Resolution.

“Securities Depository” means DTC, or, in accordance with then-current guidelines of the U.S. Securities and Exchange Commission, such other securities depository as the City may designate in a Certificate of the City delivered to the Fiscal Agent.

“Serial Bonds” means the Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

“Series,” whenever used in the Resolution with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Resolution.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term “Standard & Poor’s,” unless otherwise provided in a Supplemental Resolution for a Series of Bonds, will refer to any other nationally recognized securities rating agency selected by the City and not objected to by the Fiscal Agent.

“State” means the State of California.

“Subordinate Bonds” means any indebtedness or other obligation of the City (other than Subordinate Swaps and Subordinate Swap Policy Agreements), designated by the City on the date of issuance or incurrence as “Subordinate Bonds,” in each case having an equal lien and charge upon the Net Operating Revenues with the

Subordinate Swaps and the Subordinate Swap Policy Agreements and therefore payable on a parity with the Subordinate Swaps and the Subordinate Swap Policy Agreements (whether or not any Subordinate Swaps or Subordinate Swap Policy Agreements have been executed and delivered).

"Subordinate Obligations" means the Subordinate Swaps, the Subordinate Swap Policy Agreements and the Subordinate Bonds.

"Subordinate Payments" means all amounts required to be paid when due by the City under the Subordinate Obligations.

"Subordinate Providers" means the Subordinate Swap Providers, the Subordinate Swap Policy Providers and the owners of the Subordinate Bonds.

"Subordinate Swap" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Subordinate Swap Provider to the extent authorized under the Law in connection with, or incidental to, the issuance of any Bonds (without regard to when issued), that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device; provided, however, that the written agreement with respect to each Subordinate Swap will provide that payments by the City thereunder will be secured by the subordinate lien on Net Operating Revenues created under the Resolution with respect to Subordinate Swaps (and other Subordinate Obligations).

"Subordinate Swap Payments" means: (i) the amounts periodically required to be paid when due by the City to all Subordinate Swap Providers under all Subordinate Swaps; and (ii) Termination Payments.

"Subordinate Swap Policy" means any insurance policy or similar agreement insuring payment of the City's obligations under a particular Subordinate Swap.

"Subordinate Swap Policy Agreement" means any agreement between the City and a Subordinate Swap Policy Provider obligating the City to reimburse such Subordinate Swap Policy Provider for amounts paid under the related Subordinate Swap Policy.

"Subordinate Swap Policy Provider" means, with respect to any Subordinate Swap Policy, the issuer or provider of a Subordinate Swap Policy.

"Subordinate Swap Provider" means, with respect to each Subordinate Swap, the entity (other than the City and, if applicable, the Fiscal Agent) that is a party thereto, and its permitted successors and assigns, whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is or are rated at least equivalent to "A2" and "A" from at least two nationally recognized credit rating agencies, or whose payment obligations under the Subordinate Swap are enhanced by a credit support provider or other similar entity whose senior long-term debt obligations, other senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is or are rated at least equivalent to "A2" and "A" from at least two nationally recognized credit rating agencies and whose credit enhancement of the Subordinate Swap Provider's obligations under the Subordinate Swap are pursuant to a guaranty or other form of credit enhancement (including, but not limited to, contingent swap counterparty arrangements, transfer/novation arrangements or option arrangements acceptable to the Treasurer or any duly authorized designee of the Treasurer designated by the Treasurer in writing to act on behalf of such officer for such purpose (such acceptance to be evidenced by the execution and delivery of any such Subordinate Swap)).

"Subordinate Swap Receipts" means the amounts periodically required to be paid by all Subordinate Swap Providers to the City under all Subordinate Swaps.

"Supplemental Resolution" means any resolution duly executed and delivered, supplementing, modifying or amending the Resolution in accordance with the Resolution.

"Surplus Account" means the Water Revenue Bonds, Surplus Account established pursuant to the Resolution in the Water Revenue Fund.

"Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2022A Bonds, executed and delivered by the City on the occasion of the delivery of the first to be delivered of the 2022A Bonds, as the same may be supplemented or amended, including any and all exhibits attached thereto.

"Term Bonds" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Termination Payments" means any payments due and payable by the City to a Subordinate Swap Provider in connection with the termination of a Subordinate Swap.

"Treasurer" means the Treasurer of the City who may also be a Fiscal Agent for a Series of Bonds if so designated in the Supplemental Resolution authorizing the issuance of such Series.

"Variable Rate Indebtedness" means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness.

"Water Revenue Fund" means the revenue fund pertaining to the Water System into which all Gross Operating Revenues are deposited.

"Water System" means the water public utility system of the City and will include all works and rights owned, controlled or operated by the City, within or without the City, for supplying the City and its inhabitants with water, including all facilities related thereto and all additions, extensions and improvements thereof.

"2022A Bonds" means the City of Riverside Water Revenue Bonds, Issue of 2022A.

"2022 Construction Fund" means the Water Revenue Bonds, Issue of 2022A, Construction Fund established pursuant to the Eleventh Supplemental Resolution.

"2022 Rebate Account" means the Water Revenue Bonds, Issue of 2022A, Rebate Account established pursuant to the Eleventh Supplemental Resolution.

Content of Certificates and Opinions

Every certificate or opinion provided for in the Resolution with respect to compliance with any provision of the Resolution will include: (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions in the Resolution relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement: (a) that, in the opinion of such Person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter; or (b) that he or she had made or caused to be made his or her examination or investigation with respect to the subject matter in accordance with specified professional standards; and (4) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer or employee of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or an independent consultant, unless such officer or employee knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer or employee of the City, unless such counsel, accountant or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer or employee of the City, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Resolution, but different officers, employees, counsel, accountants or independent consultants may certify to different matters, respectively.

THE BONDS

Transfer of Bonds

Any 2022A Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of the Resolution, by the Person in whose name it is registered, in Person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent for such 2022A Bond.

Whenever any 2022A Bonds surrendered for transfer, the City will execute and the Fiscal Agent will authenticate and deliver a new 2022A Bond or Bonds, of the same Series, tenor and maturity and for a like aggregate- principal amount; provided that, unless otherwise provided in any Supplemental Resolution, the Fiscal Agent is not required to register a transfer of any 2022A Bonds within 15 days before the date of selection of Bonds for redemption, or of any 2022A Bond or portion of a 2022A Bond so selected for redemption. The Fiscal Agent may require the 2022A Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Exchange of Bonds

2022A Bonds may be exchanged at the designated office of the Fiscal Agent for that Series for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor and maturity; provided that, unless otherwise provided in any Supplemental Resolution, a Fiscal Agent is not required to exchange 2022A Bonds within 15 days before the date of selection of 2022A Bonds for redemption, or exchange any Bond or portion of a Bond so selected for redemption. The Fiscal Agent will require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

Bond Register

The Fiscal Agent will keep or cause to be kept, at its designated office sufficient books for the registration and transfer of the 2022A Bonds of that Series, will at all times be open to inspection during normal business hours by the City; and, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2022A Bonds as provided in the Resolution.

Temporary Bonds

The 2022A Bonds may be issued in temporary form exchangeable for definitive 2022A Bonds when ready for delivery. Any temporary 2022A Bond may be printed, lithographed or typewritten, will be of such denomination as may be determined by the City, will be in registered form and may contain such reference to any of the provisions of the Resolution as may be appropriate. A temporary 2022A Bond may be in the form of a single 2022A Bond payable in installments, each on the date, in the amount filled at the rate of interest established for the 2022A Bonds maturing on such date. Every temporary 2022A Bond will be executed by the City and authenticated by the Fiscal Agent upon the same conditions and in substantially the same manner as the definitive 2022A Bonds. If the City issues temporary 2022A Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary 2022A Bonds may be surrendered, for cancellation, in exchange therefor at the designated office of the Fiscal Agent and the Fiscal Agent will authenticate and deliver in exchange for such temporary 2022A Bonds an equal aggregate principal amount of definitive 2022A Bonds of authorized denominations, tenor and maturity or maturities. Until so exchanged, the temporary 2022A Bonds will be entitled to the same benefits under the Resolution as definitive 2022A Bonds authenticated and delivered thereunder.

Bonds Mutilated, Lost, Destroyed or Stolen

If any 2022A Bond becomes mutilated, the City at the expense of the Owner of said 2022A Bond, will execute, and the Fiscal Agent for such 2022A Bond will thereupon authenticate and deliver, a new 2022A Bond of like tenor and amount in exchange and substitution for the 2022A Bond so mutilated, but only upon surrender to the Fiscal Agent of the 2022A Bond so mutilated. Every mutilated 2022A Bond so surrendered to the Fiscal Agent for that 2022A Bond will be cancelled by it and destroyed. If any 2022A Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and the Fiscal Agent and, if such evidence be satisfactory to both the Fiscal Agent and the City and indemnity satisfactory to them is given, the City at the expense of the Owner, will execute, and the Fiscal Agent will thereupon authenticate and deliver, a new 2022A Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such 2022A Bond has matured or been called for redemption, instead of issuing a substitute 2022A Bond, the Fiscal Agent may pay the same without surrender thereof upon receipt of the aforementioned indemnity). The City may require payment of a sum not exceeding the actual cost of preparing each new 2022A Bond, issued under the Resolution and of the expenses which may be incurred by the City and the Fiscal Agent in the premises. Any 2022A Bond issued under the provisions of the Resolution in lieu of any 2022A Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the City whether or not the 2022A Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be entitled to the benefits of the Resolution with all other Bonds secured by the Resolution.

Neither the City nor the Fiscal Agent will be required to treat both the original 2022A Bond and any substitute 2022A Bond as being Outstanding for the purpose of determining the principal amount of 2022A Bonds which may be issued under the Resolution or for the purpose of determining any percentage of 2022A Bonds Outstanding thereunder, but both the original and substitute 2022A Bond will be treated as one and the same.

Book-Entry System

(A) General. The 2022A Bonds will be initially issued registered in the name of "Cede & Co.," as nominee for DTC and registered Owner of the 2022A Bonds, and held in the custody of the Securities Depository. The 2022A Bonds initially will be issued in the form of a separate single fully registered 2022A Bond (which may be typewritten) for each of the maturities of a Series of the 2022A Bonds. The City will cause the delivery of a separate single fully registered bond for each maturity date of such 2022A Bonds in an authorized denomination corresponding to that total principal amount of the 2022A Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2022A Bond will be registered in the Bond Register in the name of the Nominee, as nominee of the Securities Depository, and ownership of the Bonds or any portion thereof may not thereafter be transferred except as provided in clause (E) below.

With respect to book-entry 2022A Bonds, the City and the Fiscal Agent have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry 2022A Bonds. Without limiting the immediately preceding sentence, the City and the Fiscal Agent have no responsibility or obligation with respect to: (i) the accuracy of the records of the Securities Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry 2022A Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to book-entry 2022A Bonds, including any notice of redemption; (iii) the selection by the Securities Depository and its Participants of the beneficial interests in book-entry 2022A Bonds to be redeemed in the event that the City redeems the 2022A Bonds in part; or (iv) the payment by the Securities Depository or any Participant or any other person of any amount of principal of, premium, if any, or interest on book-entry 2022A Bonds. The City and the Fiscal Agent may treat and consider the person in whose name each book-entry 2022A Bond is registered in the Bond Register as the absolute Owner of such book-entry 2022A Bond for the purpose of payment of principal of, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or his respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the Bonds. Upon delivery by the Securities Depository to the City and the Fiscal Agent of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Resolution with respect to Record Dates, the word Nominee in the Eleventh Supplemental Resolution refers to such nominee of the Securities Depository.

(B) Delivery of Representation Letter. In order to qualify the book-entry 2022A Bonds for the Securities Depository's book-entry system, the City will execute and deliver to the Securities Depository a Representation Letter. The execution and delivery of a Representation Letter does not in any way impose upon the City or the Fiscal Agent any obligation whatsoever with respect to persons having interests in such book-entry 2022A Bonds other than the Owners, as shown on the Bond Register. In addition to the execution and delivery of a Representation Letter, the City and the Fiscal Agent, if necessary, will take such other actions, not inconsistent with the Eleventh Supplemental Resolution, as are reasonably necessary to qualify book-entry 2022A Bonds for the Depository's book-entry program.

(C) Selection of Securities Depository. In the event that: (i) the Securities Depository determines not to continue to act as securities depository for book-entry 2022A Bonds; or (ii) the City determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the 2022A Bonds or the City, then the City will discontinue the book-entry system with the Securities Depository. If the City determines to replace the Securities Depository with another qualified securities depository, the City will prepare or direct the preparation of a new single, separate, fully registered 2022A Bond for each of the maturity dates of such book-entry 2022A Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in clause (E) below. If the City fails to identify another qualified securities depository to replace the Securities Depository, then the Bonds will no longer be restricted to being registered in such Bond Register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Bonds designate, in accordance with the provisions of the Eleventh Supplemental Resolution.

(D) Payments To Securities Depository. Notwithstanding any other provision of the Resolution to the contrary, so long as all Outstanding 2022A Bonds are held in book-entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2022A Bonds and all notices with respect to such 2022A Bonds will be made and given, respectively to the Nominee, as provided in the Representation Letter or as otherwise instructed by the Securities Depository and agreed to by the Fiscal Agent notwithstanding any inconsistent provisions therein.

(E) Transfer of 2022A Bonds to Substitute Depository.

(i) The 2022A Bonds will be initially issued as provided in the Eleventh Supplemental Resolution. Registered ownership of such 2022A Bonds, or any portions thereof, may not thereafter be transferred except: (a) to any successor of the Securities Depository or its Nominee, or of any substitute depository designated pursuant to clause (b) below (a "Substitute Depository"); provided that any successor of the Securities Depository or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it; (b) to any Substitute Depository, upon: (1) the resignation of the Securities Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that the Securities Depository (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or (c) to any person as provided below, upon: (1) the resignation of the Securities Depository or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that the Securities Depository or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clauses (i)(a) or (b) above, upon receipt of all Outstanding 2022A Bonds by the Fiscal Agent, together with a written request of the City to the Fiscal Agent designating the Substitute Depository, a single new 2022A Bond, which the City will prepare or cause to be prepared, will be issued for each maturity of 2022A Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the City. In the case of any transfer pursuant to clause (i)(c) above, upon receipt of all Outstanding 2022A Bonds by the Fiscal Agent, together with a written request of the City to the Fiscal Agent, new 2022A Bonds, which the City will prepare or cause to be prepared, will be issued in such denominations and registered in the names of such persons as are requested in such written request of the City, subject to the limitations of the Eleventh Supplemental Resolution, provided that the Fiscal Agent is not required to deliver such new 2022A Bonds within a period of less than 60 days from the date of receipt of such written request from the City.

(iii) In the case of a partial redemption or an advance refunding of any 2022A Bonds evidencing a portion of the principal maturing in a particular year, the Securities Depository or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such 2022A Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Fiscal Agent, all in accordance with the Representation Letter. The Fiscal Agent will not be liable for such Securities Depository's failure to make such notations or errors in making such notations and the records of the Fiscal Agent as to the outstanding principal amount of such 2022A Bonds will be controlling.

(iv) The City and the Fiscal Agent are entitled to treat the person in whose name any 2022A Bond is registered as the Owner thereof for all purposes of the Eleventh Supplemental Resolution and any applicable laws, notwithstanding any notice to the contrary received by the City or the Fiscal Agent; and the City and the Fiscal Agent have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2022A Bonds. Neither the City nor the Fiscal Agent have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including the Securities Depository or its successor (or Substitute Depository or its successor), except to the Owner of any 2022A Bonds, and the Fiscal Agent may rely conclusively on its records as to the identity of the Owners of the 2022A Bonds.

Payments and Notices to the Nominee

Notwithstanding any other provision of the Eleventh Supplemental Resolution to the contrary, so long as any 2022A Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such 2022A Bond and all notices with respect to such 2022A Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Securities Depository.

Establishment and Application of Construction Fund

(A) Pursuant to the Eleventh Supplemental Resolution, the Fiscal Agent will establish, maintain and hold in trust a separate fund designated as the "Water Revenue Bonds, Issue of 2022A, Construction Fund" and, if the 2022A Bonds are issued in multiple Series, such subaccounts therein as the City directs the Fiscal Agent to establish, maintain and hold in trust.

The moneys in the 2022 Construction Fund will be used and withdrawn by the Fiscal Agent, at the direction of the Chief Financial Officer/Treasurer, to pay the Construction Costs of any facility or facilities necessary or convenient for the storage, transmission or distribution of water; or incidental to, or in connection with, the operation of the Water System; or to pay or reimburse the City for interest on all or a portion of the 2022A Bonds during the construction period (or a portion of the construction period) for the improvements to the Water System funded by the 2022A Bonds. Moneys on deposit in the 2022 Construction Fund will be invested in Authorized Investments. Following the calculation of any rebate amount in each year, the Fiscal Agent will, from interest, profit or other income derived from the investment of moneys held in the 2022 Construction Fund: (i) transfer to the 2022 Rebate Account such amounts as may be necessary to satisfy the requirements of the Eleventh Supplemental Resolution; and (ii) transfer to an account of the Fiscal Agent the amount, if any, determined by the City to be deposited in the Interest Account and applied to the payment of interest on the 2022A Bonds (or the applicable portion thereof).

(B) Disbursements will be made from the 2022 Construction Fund and the 2022 Construction Fund only upon receipt by the Fiscal Agent of a duly executed Requisition of the City (upon which the Fiscal Agent may conclusively rely), which Requisition will state: (i) the item number of such payment; (ii) the name and address of the Person to whom each such payment is due, which may be the City in the case of reimbursement for costs theretofore paid by the City; (iii) the respective amounts to be paid; and (iv) the purpose by general classification for which each obligation to be paid was incurred.

REVENUES

Pledge of Net Operating Revenues for Bonds and for Subordinate Obligations

The Bonds of each Series are special limited obligations of the City and are secured by a pledge of and will be a charge upon and will be payable, as to the principal thereof, interest thereon, and any premiums upon redemption thereof, solely from and secured by a lien upon the Net Operating Revenues and other funds, assets and security described under the Resolution and under the Supplemental Resolution creating that Series. The City by the Resolution has pledged, placed a charge upon and assigned all Net Operating Revenues to secure the payment of the principal of, premium, if any, and interest on the Bonds and Parity Debt in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, and the Net Operating Revenues constitute a trust fund for the security and payment of the interest and any premium on and principal of the Bonds and Parity Debt. There are by the Resolution pledged to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Treasurer in the Bond Service Account, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

The Subordinate Obligations are special limited obligations of the City and are secured by a pledge of and will be a charge upon and will be payable solely from and secured by a lien upon the Net Operating Revenues; provided, however, that such pledge and lien will be junior and subordinate to the pledge and lien created for the benefit, security and protection of the Owners of the Bonds and the owners of the Parity Debt. The City by the Resolution pledges, places a charge upon and assigns the Net Operating Revenues to secure the payment of Subordinate Obligations in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution (including that the pledge and lien on the Net Operating Revenues are junior and subordinate to the pledge and lien created for the benefit, security and protection of the Owners of the Bonds and the owners of the Parity Debt), and the Net Operating Revenues constitute a trust fund for the security and payment of the Subordinate Obligations (on a basis junior and subordinate to the pledge and lien created for the benefit of the Owners of the Bonds' and the owners of the Parity Debt). There are by the Resolution pledged to secure the payment of the Subordinate Obligations in accordance with their respective terms amounts (excluding proceeds of the Bonds) held by the Treasurer in the Bond Service Account, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

Out of Gross Operating Revenues there will be applied as set forth in the Resolution all sums required for the payment of the Operating and Maintenance Expenses and, thereafter, to the following: the principal of (including any premium thereon) and interest on the Bonds and all Parity Debt, together with any sinking fund payments of the Bonds and Parity Debt and any reserve fund with respect thereto; the payment of amounts due under the Subordinate Obligations; and the excess earnings or rebate requirements with respect to the Bonds. All remaining Gross Operating Revenues, after making the foregoing allocations, will be surplus and may be used for any lawful purpose. The pledges of Net Operating Revenues made in the Resolution will be irrevocable until there are no longer Bonds Outstanding and all amounts due under the Subordinate Obligations have been paid.

Establishment of Funds and Accounts; Application

(A) Pursuant to the Law, there is by the Resolution continued and there will be maintained by the Treasurer in accordance with the terms of the Resolution the Water Revenue Fund (sometimes called "Water Revenue Fund"), in which there are created, renamed or continued, as the case may be, the following accounts and sub-accounts:

a. Water Revenue Bonds, Bond Service Account (sometimes called "Bond Service Account"), in which there are established the following sub-accounts:

(i) Water Revenue Bonds, Principal Account (sometimes called the "Principal Account"); and

(ii) Water Revenue Bonds, Interest Account (sometimes called the "Interest Account");

b. Water Revenue Bonds, Renewal and Replacement Account (sometimes called the "Renewal and Replacement Account"); and

c. Water Revenue Bonds, Surplus Account (sometimes called the "Surplus Account").

(B) All funds and accounts established or continued under the Resolution or by any Supplemental Resolution will be held by the Treasurer or, if applicable, a Fiscal Agent, and will be accounted for separate and apart from all other funds and moneys of the Treasurer or such Fiscal Agent until all Bonds have been paid in full or discharged in accordance with the Resolution and any Supplemental Resolution and all Subordinate Obligations have been paid in full in accordance with their respective terms.

Water Revenue Fund

The Gross Operating Revenues will be deposited in the Water Revenue Fund, and payments from said fund will be made only as provided by the Law, and the Resolution or any Supplemental Resolution relating to the Bonds.

Operating and Maintenance Expenses

As soon as practicable in each month, the Treasurer will provide for the payment of the Operating and Maintenance Expenses for that month, prior to the payment or provision for payment of: (i) the interest on and the principal of the Bonds and any Parity Debt and prior to the establishment and maintenance of any reserves therefor; and (ii) amounts becoming due under Subordinate Obligations.

Bond Service Account

Upon delivery of the Bonds to the purchasers thereof, the amount specified pursuant to the Resolution will be placed in the Bond Service Account.

Thereafter, following the transfers required by the Resolution, there will be set aside and transferred within the Water Revenue Fund to the Bond Service Account for transfer to the Interest Account and to the Principal Account, as applicable, the following amounts at the following times:

(A) <u>Interest Account</u>. As soon as practicable in each month an amount equal to: (a) with respect to the Outstanding Current Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness), such amount as will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of such Series of Bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds constituting Variable Rate Indebtedness) is on deposit in such account; (b) 110% of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness; provided, however, that the amount of such deposit into the Interest Account for any month may be reduced (but only to the extent the amount payable by the City was or will be reduced) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of such deposit into the Interest Account for any month will be increased (but only to the extent the amount payable by the City was or will be increased) by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness was less than the actual amount of interest accrued during that month on said

Outstanding Variable Rate Indebtedness; and (c) only after all deposits have been made for such month in the Principal Account as provided in the Resolution and the Reserve Accounts as provided in the Resolution, all Subordinate Payments becoming due and payable under all Subordinate Obligations for that month (or if amount of such Subordinate Payments is not then known, the amount, estimated by the Treasurer in his or her reasonable judgment, to become due and payable under all Subordinate Obligations during that month). No deposit need be made into the Interest Account if the amount contained therein is at least equal to: (i) the interest to become due and payable on the interest payment dates falling within the next six months upon all of the Bonds issued under the Resolution and then Outstanding (but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates); and (ii) the payments becoming due and payable under all Subordinate Obligations during that month as provided in clause (c) above. If the City will issue or incur any Parity Debt, the payments required to be placed in any debt service account to pay interest on such Parity Debt will rank and be made pari passu with the payments required to be placed in the Interest Account with respect to the Bonds.

(B) Principal Account. As soon as practicable in each month an amount equal to at least: (a) one-sixth of the aggregate semi-annual amount of Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next six months; plus (b) one-twelfth of the aggregate yearly amount of Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having annual maturity dates or annual Mandatory Sinking Account Payments due within the next twelve months; provided that if the City Council irrevocably determines by resolution that any principal payments on the Bonds of any Series will be refunded on or prior to their respective due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside toward such principal to be so refunded or paid. If, during the twelve-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding a Mandatory Sinking Account Payment date, the Treasurer has purchased Term Bonds of a Series and maturity subject to such Mandatory Sinking Account Payment with moneys in the Principal Account, or, during said period and, prior to giving said notice of redemption, the City has deposited Term Bonds of such Series and maturity with the Fiscal Agent for such Series for cancellation, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Treasurer or the Fiscal Agent for such Series from the Redemption Account, such Term Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce amounts required to be deposited in the Principal Account. All Term Bonds purchased from the Principal Account or deposited by the City with the Fiscal Agent for such Series will be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed by the Treasurer or the Fiscal Agent for such Series from amounts in the Redemption Account will be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. No deposit need be made into the Principal Account so long as there will be in such fund moneys sufficient to pay the Bond Obligations of all Bonds issued under the Resolution and then Outstanding and maturing by their terms or subject to mandatory redemption within the next twelve months. If the City will issue or incur any Parity Debt, the payments required to be placed in any debt service fund or sinking fund to pay the principal of, or mandatory sinking fund payments with respect to, such Parity Debt will rank and be made pari passu with the payments required to be placed in the Principal Account.

Application of Funds and Accounts

(A) Bond Service Account.

(i) Interest Account. Amounts in the Interest Account will be used and withdrawn by the Treasurer solely for the purpose of: (a) paying interest on the Bonds as it will become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity); (b) making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of interest payments on any Bonds made by such providers; and (c) paying amounts due under Subordinate Obligations.

(ii) Principal Account.

(a) All amounts in the Principal Account will be used and withdrawn by the Treasurer solely for the purposes of paying the Bond Obligation of the Bonds when due and payable at maturity or upon redemption and making payments to providers of any Credit Facility for any Bonds with respect to reimbursement to such providers of payments of principal of Bonds made by such providers.

(b) Notwithstanding clause (a), moneys in the Principal Account may be applied to the purchase of Bonds maturing or subject to mandatory sinking fund redemption: (1) within the next six months in the case of Bonds subject to semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments; or (2) within the next twelve months in the case of Bonds subject to annual maturity dates or annual Mandatory Sinking Account Payments (but only to the extent of amounts deposited in the Principal Account in respect of such Bonds), at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as is directed by the City, except that the purchase price (excluding accrued interest, in the case of Current Interest Bonds) will not exceed the principal amount or Accreted Value thereof. All Bonds purchased pursuant to the foregoing provisions will be delivered to the Fiscal Agent for such Bonds and cancelled and destroyed by that Fiscal Agent and a certificate of destruction will be delivered to the Treasurer by the Fiscal Agent for such Series.

(B) Renewal and Replacement Account. Amounts on deposit in the Renewal and Replacement Account will be applied to the acquisition and construction of renewals and replacements to the Water System to the extent provision therefore has not been made from other sources.

Establishment, Funding and Application of Redemption Account

The Treasurer will establish, maintain and hold in trust a special account within the Water Revenue Fund designated as the "Redemption Account." All moneys deposited with the Treasurer for the purpose of optionally redeeming Bonds will, unless otherwise directed by the City, be deposited in the Redemption Account. All amounts deposited in the Redemption Account will be used and withdrawn by the Treasurer solely for the purpose of redeeming Bonds of any Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Resolution pursuant to which the Series of Bonds was created; provided that, at any time prior to the Fiscal Agent for such Series giving notice of redemption, the Treasurer will, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Interest Account) as is directed by the City except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from amounts in the Redemption Account will be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the City.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the Treasurer or any Fiscal Agent and established pursuant to the Resolution will be invested solely in Authorized Investments maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Treasurer or such Fiscal Agent.

Unless otherwise provided in a Supplemental Resolution with respect to any fund or account created pursuant to that Supplemental Resolution, all interest, profits and other income received from the investment of moneys in any fund or account will be transferred to the Water Revenue Fund when received. Notwithstanding anything to the contrary contained in the Resolution, an amount of interest received with respect to any Authorized Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Authorized Investment will be credited to the fund or account from which such accrued interest was paid.

Unless otherwise provided in a Supplemental Resolution with respect to any fund or account created pursuant to that Supplemental Resolution, the Treasurer and any Fiscal Agent may commingle any of the accounts established pursuant to the Resolution into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Treasurer or any Fiscal Agent under the Resolution will be accounted for separately as required by the Resolution. The Treasurer or any Fiscal Agent may sell at the best price obtainable, or present for redemption, any Authorized Investment so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited.

The Treasurer and each Fiscal Agent will keep proper books of record and accounts containing complete and correct entries of all transactions made by each, respectively, relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to, or to be used to make payments on the Bonds. Such records will specify the account to which each investment (or portion thereof) held by the Treasurer and each Fiscal Agent is to be allocated and will set forth, in the case of each Authorized Investment: (a) its purchase price; (b) identifying information, including par amount, coupon rate, and payment dates; (c) the amount received at maturity or its sale price, as the case may be, including accrued interest; (d) the amounts and dates of any payments made with respect thereto; and (e) the dates of acquisition and disposition or maturity.

COVENANTS OF THE CITY

Covenants

The City has made the following covenants with the Owners and the Subordinate Providers (to be performed by the City or its proper officers, agents or employees) which covenants are necessary and desirable for the protection and security of the Owners and the Subordinate Providers; provided, however, that said covenants do not require or obligate the City to use any of its funds other than the Water Revenue Fund. Said covenants will be in effect subject to certain provisions of the Resolution, so long as any of the Bonds issued under the Resolution are Outstanding and unpaid, so long as any of the Subordinate Obligations are unpaid or so long as provision for the full payment and discharge of the Bonds at maturity or upon redemption thereof prior to maturity through the setting apart in the Bond Service Account or in the Redemption Account or in a special trust fund to insure the payment or redemption thereof (as the case may be) of money sufficient for that purpose has not been made.

Punctual Payment

The City has covenanted in the Resolution that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued under the Resolution, together with the premium thereon, if any, on the dates, at the place and in the manner mentioned in the Bonds in accordance with the Resolution, and that the payments into the Bond Service Account and any reserve fund or account will be made, all in strict conformity with the terms of the Bonds and of the Resolution and any Supplemental Resolutions, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Resolution and any Supplemental Resolutions and of the Bonds issued under the Resolution, and that time of such payment and performance is of the essence of the City's contract with the Owners of the Bonds.

The City has covenanted in the Resolution that it will duly and punctually pay or cause to be paid all amounts when due under the Subordinate Obligations, on the dates, at the place or places and in the manner mentioned therein in accordance with the Resolution, and that the payments into the Bond Service Account will be made, all in strict conformity with the terms of the Subordinate Obligations and of the Resolution and any Supplemental Resolutions, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Resolution and any Supplemental Resolutions, and that time of such payment and performance is of the essence of the City's contract with the Subordinate Providers.

Discharge Claims

The City has covenanted in the Resolution that in order to fully preserve and protect the priority and security of the Bonds and the subordinate priority and security of the Subordinate Obligations, the City will pay from the Water Revenue Fund and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the revenues prior or superior to the lien of the Bonds or the lien of the Subordinate Obligations and impair the security of the Bonds or the Subordinate Obligations. The City will also pay from the Water Revenue Fund all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Water System or upon any part thereof or upon any of the revenues therefrom.

Commence Acquisition and Construction

As soon as funds are available therefor, the City will commence the accomplishment of the purposes for which each Series of Bonds are issued and will continue the same to completion with all practical dispatch and in an economical manner.

Operate Water System in Efficient and Economical Manner

The City has covenanted and agreed in the Resolution to operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

Against Sale; Eminent Domain

The City has covenanted in the Resolution that the Water System will not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Water Revenue Fund sufficient in amount to permit payment therefrom of the principal of and interest on and the premiums, if any, due upon the call and redemption thereof, of the Bonds and any Parity Debt and of any amounts due with respect to the Subordinate Obligations, and also to provide for such payments into any reserve account as are required under the terms of the Resolution or any Supplemental Resolutions or any Parity Debt documents. The Net Operating Revenues will not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used, nor will any charge be placed thereon, except as authorized by the terms of the Resolution or any Supplemental Resolutions. The City has further covenanted in the Resolution that it will not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Operating Revenues to pay the principal of and interest on the Bonds or any Parity Debt and to pay all amounts due under the Subordinate Obligations or which otherwise would impair the rights of the Owners or the Subordinate Providers with respect to the Net Operating Revenues or the operation of the Water System. If any substantial part of the Water System is sold, the payment therefor will, at the option of the City Council, either be used for the acquisition, construction and financing of additions to and extension and improvements of the Water System or will be placed in the Bond Service Account or the Redemption Account and will be used to pay or call and redeem Outstanding Bonds in the manner provided in the Resolution or any Supplemental Resolutions.

The City has covenanted in the Resolution that any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain or sale under threat thereof, if and to the extent that such right can be exercised against such property of the City, will either be used for the acquisition and/or construction of improvements and extensions of the Water System or will be placed in the Bond Service Account or the Redemption Account and will be used to pay or call and redeem Outstanding Bonds in the manner provided in the Resolution.

Insurance

The City has covenanted in the Resolution that it will at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self-insurance (or a combination thereof) all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the Water System will be used for repairing or rebuilding the damaged or destroyed Water System, and to the extent not so applied, will be applied to the retirement of any Outstanding Bonds.

The City will also (by self-insuring or by maintenance with responsible insurers, to the extent available from responsible insurers at reasonable rates, or by a combination thereof) provide for worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City and the Owners.

Records and Accounts

The City will keep proper books of records and accounts of the Water System separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the Water System. Said books will at all times be subject to the inspection of the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The City will cause the books and accounts of the Water System to be audited annually by an independent certified public accountant or firm of certified public accountants, and will make available for inspection by the Owners at the office of the City Clerk, and at the office of the Treasurer and at the office of each Fiscal Agent, a copy of the report of such accountant or accountants.

No Free Service

Except to the extent that the City is required under agreements and/or contracts existing on the effective date of the Resolution, no water or other service from the Water System may be furnished or rendered free to any public agency (such term to include the United States of America, the State of California, the City, and any other municipal or public corporation, district or public agency) or any private corporation or Person. Except to the extent that the City is required under agreements and/or contracts existing on the effective date of the Resolution, no such water or other service will be rendered to any such public agency or any private corporation or Person at rates lower than those charged other Persons for similar service, except that charges to the City for water used for facilities of the City may be made at rates lower than those charged private Persons. No building or other real property of the Water System will be furnished free to any such public agency or any private Person or corporation, but each of the foregoing will pay the reasonable rental value of any property so used. Reasonable and proper charges for service rendered or quarters furnished to the Water System will be paid to the City from the Water Revenue Fund. The City will maintain and enforce valid regulations for the payment of bills for water service. Such regulations will at all times during such period provide that the City will, to the extent permitted by law, discontinue water service to any user whose water bill has not been paid within the time fixed by said regulations.

Establishment and Application of 2022 Rebate Account

(A) Establishment. Pursuant to the Eleventh Supplemental Resolution, the Fiscal Agent will establish when required, maintain and hold in trust a separate account designated as the "Water Revenue Bonds, Issue of 2022A, Rebate Account" and to the extent that multiple Series of 2022A Bonds are issued on a tax-exempt basis, such subaccounts therein as directed by the City. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the applicable Series of 2022A Bonds will not be adversely affected, the City will cause to be deposited in the 2022 Rebate Account such amounts as are required to be deposited therein pursuant to the Eleventh Supplemental Resolution and the Tax Certificate. All money at any time deposited in the 2022 Rebate Account will be held by the Fiscal Agent in trust for payment to the United States Treasury. All amounts on deposit in the 2022 Rebate Account for the 2022A Bonds will be governed by the Eleventh Supplemental Resolution and the Tax Certificate for the 2022A Bonds, unless and to the extent that the City delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the 2022A Bonds will not be adversely affected, if such requirements are not satisfied. Notwithstanding anything to the contrary in the Eleventh Supplemental Resolution or in the Tax Certificate, the Fiscal Agent: (i) will be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the City; (ii) has no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate; (iii) may rely conclusively on the City's calculations and determinations and certifications relating to rebate matters; and (iv) has no responsibility to independently make any calculations or determinations or to review the City's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the City will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148 1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The City will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing requirement.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the written Request of the City, an amount will be deposited to the 2022 Rebate Account by the Fiscal Agent from any Net Operating Revenues legally available for such purpose (as specified by the City in the aforesaid written Request), if and to the extent required so that the balance in the 2022 Rebate Account equals the amount of Rebatable Arbitrage so calculated in accordance with clause (i) above. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the 2022 Rebate Account exceeds the amount required to be on deposit therein, upon written Request of the City, the Fiscal Agent will withdraw the excess from the 2022 Rebate Account and then credit the excess to the Bond Service Account.

(iii) Payment to the Treasury. The Fiscal Agent will pay, as directed by Request of the City, to the United States Treasury, out of amounts in the 2022 Rebate Account: (A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) Not later than 60 days after the payment of all of the 2022A Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148 3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the 2022 Rebate Account, the amount in the 2022 Rebate Account is not sufficient to make such payment when such payment is due, the City will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provisions will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T (prepared by the City), or will be made in such other manner as provided under the Code.

(B) Disposition of Unexpended Funds. Any funds remaining in the 2022 Rebate Account after redemption and payment of the 2022A Bonds and the payments described in clause (A) above being made may be withdrawn by the City and utilized in any manner by the City.

(C) Survival of Defeasance. Notwithstanding anything in the Eleventh Supplemental Resolution to the contrary, the obligation to comply with the foregoing 2022 Rebate Account requirements thereof will survive the defeasance or payment in full of the 2022A Bonds.

Tax Covenants

Notwithstanding any other provision of the Eleventh Supplemental Resolution, absent an opinion of bond counsel that the exclusion from gross income of the interest on the 2022A Bonds will not be adversely affected for federal income tax purposes, the City has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows.

(A) Private Activity. The City will not take or refrain from taking any action and the City will make no use of the proceeds of the 2022A Bonds or of any other moneys or property which would cause the 2022A Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(B) Arbitrage. The City will make no use of the proceeds of the 2022A Bonds or of any other amounts or property, regardless of the source, and the City will not take or refrain from taking take any action, which would cause the 2022A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(C) Federal Guarantee. The City will make no use of the proceeds of the 2022A Bonds, and the City will not take or omit to take any action, that would cause the 2022A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(D) Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code which is necessary to preserve the exclusion of interest on such Series of 2022A Bonds pursuant to Section 103(a) of the Code.

(E) Hedge Bonds. The City will make no use of the proceeds of the 2022A Bonds or any other amounts or property, regardless of the source, and the City will not take any action or refrain from taking any action, that would cause the 2022A Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on such Series of 2022A Bonds for federal income tax purposes.

(F) Miscellaneous. The City will not take any action or refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the 2022A Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference in the Eleventh Supplemental Resolution.

(G) No Effect on Taxable Bonds. The tax covenants in the Eleventh Supplemental Resolution are not applicable to, and nothing that is contained therein will be deemed to prevent the City from issuing 2022A Bonds of a Series or revenue bonds or executing and delivering contracts that are payable on a parity with the 2022A Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

(H) Elections. The City has directed and authorized the Chief Financial Officer/Treasurer (or any duly authorized designee thereof) to make elections permitted or required pursuant to the provisions of the Code or the Treasury Regulations, as the Chief Financial Officer/Treasurer or such designee (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2022A Bonds, in the Tax Certificate relating to the tax-exempt Series of 2022A Bonds, or similar or other appropriate certificate, form or document.

(I) Tax Certificate. The City has covenanted that in connection with the delivery of the 2022A Bonds it will execute and deliver the Tax Certificate, in such form and substance as is provided and accepted by Bond Counsel. All representations, warranties and covenants made by the City in the Tax Certificate, as the same may be amended or supplemented in accordance with its terms, have been incorporated into and made a part of the Eleventh Supplemental Resolution as though the same had been fully set forth therein.

Notwithstanding any other provisions of the Resolution to the contrary, upon the City's failure to observe, or refusal to comply with, any of the foregoing covenants, no person other than the Owners of the tax-exempt Series of 2022A Bonds will be entitled to exercise any right or remedy provided to the Owners under the Resolution on the basis of the City's failure to observe, or refusal to comply with, such covenant.

Continuing Disclosure

The City has covenanted and agreed that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be delivered by the City in connection with the issuance of the 2022A Bonds. Notwithstanding any other provision of the Resolution, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default under the Resolution.

THE FISCAL AGENT

Appointment; Duties of Fiscal Agent

(A) The Chief Financial Officer/Treasurer (or the Chief Financial Officer/Treasurer's designee) is authorized, empowered and directed by the Resolution to appoint a Fiscal Agent with respect to the 2022A Bonds. The Fiscal Agent will signify its acceptance of the duties and obligations under the Resolution by executing and delivering to the City a written acceptance in which the Fiscal Agent agrees to perform said duties and obligations as set forth in the Resolution.

The City has agreed in the Resolution, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities it may incur in the exercise and performance of its powers and duties under the Resolution which are not due to its negligence or willful misconduct.

The City has acknowledged in the Resolution that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City has specifically waived receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City with periodic transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Resolution; provided that the Fiscal Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of $0.00; and (b) has not had any activity since the last reporting date.

The obligation of the City described above will survive resignation or removal of the Fiscal Agent under the Eleventh Supplemental Resolution and payment of the 2022A Bonds and discharge of the Eleventh Supplemental Resolution.

(B) The City may remove any Fiscal Agent at any time with or without cause and will remove any Fiscal Agent if at any time such Fiscal Agent ceases to be eligible in accordance with paragraph (E) below, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of such Fiscal Agent or its property is appointed, or any public officer takes control or charge of such Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to such Fiscal Agent, and thereupon appoints a successor Fiscal Agent by an instrument in writing.

(C) Each Fiscal Agent may at any time resign by giving 90 days prior written notice of such resignation to the City by giving the Owners notice of such resignation by mail at the addresses shown on the registration books maintained by such Fiscal Agent and by giving prior written notice of such resignation by mail to the Subordinate Providers. Upon receiving such notice of resignation, the City will promptly appoint a successor Fiscal Agent by an instrument in writing.

(D) Any removal or resignation of a Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent. If no successor Fiscal Agent has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent. Any successor Fiscal Agent appointed under the Resolution, will signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Fiscal Agent a written acceptance thereof, and thereupon such successor Fiscal Agent, without any further act, deed or conveyance, will become vested with all the rights, powers, duties and obligations of such predecessor Fiscal Agent, with like effect as if originally named Fiscal Agent in the Resolution. Upon request of the successor Fiscal Agent, the City and the predecessor Fiscal Agent will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such rights, powers, duties and obligations.

(E) Unless otherwise provided in a Supplemental Resolution any Fiscal Agent appointed under the provisions of the Resolution in succession to a Fiscal Agent will be either the Treasurer or a trust company or bank having the powers of a trust company and having a corporate trust office in the State. Any such bank or trust company will have a combined capital and surplus of at least $100,000,000 and be subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the regulations of any supervising or examining authority above referred to, then for the purpose of the Resolution the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Each successor will be a bank or a trust company doing business in and having an office in the city where the predecessor did business and had an office.

Upon merger, consolidation, or reorganization of a Fiscal Agent, the City will appoint a new Fiscal Agent, which may be the corporation resulting from such reorganization. In case at any time a Fiscal Agent ceases to be eligible in accordance with the provisions of paragraph (E) above, such Fiscal Agent will resign immediately in the manner and with the effect specified in the Resolution.

If, by reason of the judgment of any court, a Fiscal Agent for a Series of Bonds or any successor Fiscal Agent is rendered unable to perform its duties under the Resolution, and if no successor Fiscal Agent be then appointed, all such duties and all of the rights and powers of such Fiscal Agent will be assumed by and vest in the Treasurer in trust for the benefit of the Bondholders of such Series.

Retention and Dissemination of Available Information

The Fiscal Agent for the 2022A Bonds will retain in its possession all reports, certificates and other documents received by it with respect to the 2022A Bonds, all of which will be subject at all reasonable times during regular business hours with reasonable prior notice to inspection by the City, the Securities Depository with respect to the 2022A Bonds and any other Person that the City reasonably determines to be a beneficial owner of 2022A Bonds held by such Securities Depository, and the agents and representatives of any thereof. Upon receipt by the Fiscal Agent of a written request of any Person described in the immediately preceding sentence, the Fiscal Agent will provide to such Person a copy of any such report, certificate or other document, provided that such Person will bear the direct cost of reproduction and delivery thereof. The Fiscal Agent will, at the cost of and at the written instruction of the City, disseminate all material written information received by the Fiscal Agent pursuant to the Resolution, to one or more officially recognized central information facilities or repositories with respect to information regarding obligations similar to the 2022A Bonds specified to the Fiscal Agent by the City.

Liability of Fiscal Agent

(A) The recitals of facts in the Resolution, in the Supplemental Resolution pursuant to which a Fiscal Agent is appointed and in the Bonds of such Series contained will be taken as statements of the City, and the Fiscal Agent for such Series assumes no responsibility for the correctness of the same (other than the certificate of authentication of such Fiscal Agent on each Bond), and makes no representations as to the validity or sufficiency of the Resolution or of the Bonds, as to the sufficiency of the Net Operating Revenues or the priority of the lien of the Resolution thereon, or as to the financial or technical feasibility of any Project and will not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly in the Resolution or in the Bonds assigned to or imposed upon it. Each Fiscal Agent will, however, be responsible for its representations contained in its certificate of authentication on the Bonds. A Fiscal Agent will not be liable in connection with the performance of its duties under the Resolution, except for its own negligence, willful misconduct or breach of the express terms and conditions of the Resolution. A Fiscal Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds of a Series for which it has been appointed Fiscal Agent and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if such Fiscal Agent was not the Fiscal Agent for such Series of Bonds. Each Fiscal Agent may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City and make disbursements for the City and enter into any commercial or business arrangement therewith, without limitation.

(B) A Fiscal Agent will not be liable for any error of judgment made in good faith by a responsible officer unless it is proven that such Fiscal Agent was negligent in ascertaining the pertinent facts. A Fiscal Agent may execute any of the rights or powers of the Resolution and perform the duties required of it under the Resolution by or through attorneys, agents, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty under the Resolution, but such Fiscal Agent will be answerable for the negligence or misconduct of any such attorney-in-fact, agent, or receiver selected by it; provided that such Fiscal Agent will not be answerable for the negligence or misconduct of any attorney-in-law, agent or receiver selected by it with due care.

(C) No provision of the Resolution requires a Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Resolution or under the Supplemental Resolution pursuant to which it was appointed, or in the exercise of its rights or powers.

(D) A Fiscal Agent is not required to ascertain, monitor or inquire as to the performance or observance by the City of the terms, conditions, covenants or agreements set forth in the Resolution or in the Supplemental Resolution pursuant to which it was appointed, other than the covenants of the City to make payments with respect to the Bonds when due as set forth in the Resolution and to file with such Fiscal Agent when due, such reports and certifications as the City is required to file with each Fiscal Agent under the Resolution.

(E) No permissive power, right or remedy (if any) conferred upon a Fiscal Agent imposes a duty to exercise such power, right or remedy.

(F) A Fiscal Agent will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but a Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if a Fiscal Agent determines to make such further inquiry or investigation, it will be entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(G) Whether or not therein expressly so provided, every provision of the Resolution relating to the conduct or affecting the liability of or affording protection to any Fiscal Agent will be subject to the provisions described above.

Right of Fiscal Agent to Rely on Documents

A Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. A Fiscal Agent may consult with counsel, including, without limitation, counsel of or to the City, with regard to legal questions, and the written opinion of such counsel addressed to the particular Fiscal Agent will be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith unless it is proven that a Fiscal Agent was negligent in ascertaining the pertinent facts.

Whenever in the administration of the duties imposed upon it by the Resolution a Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be specifically prescribed in the Resolution) may be deemed to be conclusively proved and established by a Certificate of the City, and such Certificate will be full warrant to a Fiscal Agent for any action taken or suffered in good faith under the provisions of the Resolution in reliance upon such Certificate. A Fiscal Agent may also rely conclusively on any report or certification of any certified public accountant, investment banker, financial consultant, or other expert selected by the City or selected by such Fiscal Agent with due care in connection with matters required to be proven or ascertained in connection with its administration of the duties created by the Resolution.

MODIFICATION OR AMENDMENT OF THE RESOLUTION

Amendments Permitted

(A) (1) The Resolution and the rights and obligations of the City, the Owners of the Bonds, the Subordinate Providers and any Fiscal Agent may be modified or amended from time to time and at any time by filing with each Fiscal Agent (or if such modification or amendment is only applicable to a Series of Bonds, to such Fiscal Agent) a Supplemental Resolution, adopted by the City Council with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Resolution is only applicable to a Series of Bonds, the Bonds of that Series) then Outstanding and, if the modification or amendment affects certain specified provisions of the Resolution in a material adverse manner to one or more Subordinate Providers, then with the written consent of the affected Subordinate Swap Providers and Subordinate Swap Policy Providers and the affected owners of a majority in aggregate amount of the Subordinate Bonds owned by the affected owners; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under the Resolution.

(2) No such modification or amendment may: (a) extend the fixed maturity of any Bond, or reduce the amount of Bond Obligation thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected; (b) reduce the aforesaid percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Operating Revenues and other assets pledged under the Resolution prior to or on a parity with the lien created by the Resolution for the benefit of the Owners of the Bonds, or deprive the Owners of the Bonds of such lien created by the Resolution on such Net Operating Revenues and other assets (in each case, except as expressly provided in the Resolution), without the consent of the Owners of all of the Bonds then Outstanding; (c) extend or reduce the amount payable by the City under any Subordinate Obligation without the consent of the affected Subordinate Swap Provider, affected Subordinate Swap Policy Provider or affected owner of a Subordinate Bond; (d) permit the creation of any lien on the Net Operating Revenues prior to or on a parity with the subordinate lien created by the Resolution for the benefit of the Subordinate Providers, or deprive the Subordinate Providers of such lien created by the Resolution on such Net Operating Revenues (in each case, except as expressly provided in the Resolution), without the consent of the affected Subordinate Swap Providers, affected Subordinate Swap Policy Providers and affected owners of a majority in aggregate amount of the Subordinate Bonds owned by the affected owners; or (e) modify any rights or duties of the Fiscal Agent without its consent.

It is not necessary for the consent of the Bondholders to approve the particular form of any Supplemental Resolution, but it will be sufficient if such consent approves the substance thereof. Promptly after the adoption by the City Council of any Supplemental Resolution pursuant to the Resolution, the Fiscal Agent for each Series of Bonds that may be affected by any such modification or amendment will mail a notice provided by the City, setting forth in general terms the substance of such Supplemental Resolution to the Owners of the Bonds at the addresses shown on the registration books of the Fiscal Agent. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Resolution.

(B) The Resolution and the rights and obligations of the City, of each Fiscal Agent and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Resolution, which the City Council may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Resolution thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Resolution to or conferred upon the City, in each case which will not materially and adversely affect the interests of the Owners of any of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Resolution, or in regard to matters or questions arising under the Resolution, as the City Council may deem necessary or desirable, and which will not materially and adversely affect the interests of the Owners of any of the Bonds;

(3) to modify, amend or supplement the Resolution in such manner as to permit the qualification of the Resolution under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially and adversely affect the interests of the Owners of any of the Bonds;

(4) to provide for the issuance of a Series of Bonds with such interest rate, payment, maturity and other terms as the City may deem desirable; subject to the provisions of the Resolution;

(5) to provide for the issuance of Bonds in book-entry form or bearer form, provided that no such provision materially and adversely affects the interests of the Owners of any of the Bonds;

(6) if the City has covenanted in a Supplemental Resolution to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make-such provisions as are necessary or appropriate to ensure such exclusion; and

(7) for any other purpose that does not materially and adversely affect the interests of the Owners of any of the Bonds.

Effect of Supplemental Resolution

From and after the time any Supplemental Resolution becomes effective pursuant to the Resolution, the Resolution will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Resolution of the City, each Fiscal Agent, all Owners of Bonds Outstanding and all Subordinate Providers will thereafter be determined, exercised and enforced under the Resolution subject in all respects to such modification and amendment, and all of the terms and conditions of any such Supplemental Resolution will be deemed to be part of the terms and conditions of the Resolution for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds

Bonds delivered after any Supplemental Resolution becomes effective pursuant to the Resolution may, and if a Fiscal Agent so determines will, bear a notation by endorsement or otherwise in form approved by the City Council and such Fiscal Agent as to any modification or amendment provided for in such Supplemental Resolution, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his or her Bond for such purpose at the Corporate Trust Office of such Fiscal Agent or at such additional offices as such Fiscal Agent may select and designate for that purpose, a suitable notation will be made on such Bond. If a Supplemental Resolution so provides, new Bonds so modified as to conform, in the opinion of the Treasurer and the Fiscal Agent for such Series, to any modification or amendment contained in such Supplemental Resolution, will be prepared and executed by the City and authenticated by such Fiscal Agent, and upon demand of the Owners of any Bonds then outstanding will be exchanged at the Corporate Trust Office of such Fiscal Agent, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same Series, tenor and maturity.

Amendment of Particular Bonds

The foregoing provisions will not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him or, her, provided that due notation thereof is made on such Bonds.

DEFEASANCE

Discharge of Resolution

Except as may be provided in any Supplemental Resolution creating a Series of Bonds, Bonds of any Series may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligation of and interest on all Bonds Outstanding of the Series, as and when the same become due and payable;

(b) by depositing with the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem all Bonds Outstanding of the Series; or

(c) by delivering to the Fiscal Agent for such Series, for cancellation by it, all Bonds then Outstanding of the Series.

If the City pays all Series for which any Bonds are Outstanding and also pays or causes to be paid all other sums payable to any provider of a Credit Facility under the Resolution by the City and all sums payable to all Subordinate Providers by the City, then and in that case, at the election of the City (evidenced by a Certificate of the City, filed with each Fiscal Agent, signifying the intention of the City to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the Resolution and the pledge of Net Operating Revenues and other assets made under the Resolution and all covenants, agreements and other obligations of the City under the Resolution will cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the City, the Treasurer will cause an accounting for such period or periods as the City may request to be prepared and filed with the City and will cause to be executed and delivered to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Discharge of Liability on Bonds

Upon the deposit with the Treasurer or the Fiscal Agent for a Series, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Resolution) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, irrevocable notice of such redemption will have been given as provided in the Resolution or provision satisfactory to such Fiscal Agent will have been made for the giving of such notice, then all liability of the City in respect of such Bond will cease, terminate and be completely discharged; provided that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on such Bond, and the City will remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to certain provisions of the Resolution and the continuing duties of the Fiscal Agent for such Series under the Resolution.

The City may at any time surrender to the Fiscal Agent for a Series for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Treasurer

Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust by the Treasurer or the Fiscal Agent for a Series, an escrow agent or other fiduciary, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Treasurer in the accounts and sub-accounts established pursuant to the Resolution and will be one or more of the following:

(a) lawful money of the United States of America in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the Resolution or provision satisfactory to the Fiscal Agent for such Series has been made for the giving of such notice, the amount to be deposited or held will be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) non-callable Federal Securities or Municipal Obligations, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Fiscal Agent of such Series for which payment is being made (upon which opinion such Fiscal Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in the Resolution or provision satisfactory to the Fiscal Agent for such Series will have been made for the giving of such notice;

provided, in each case, that the Fiscal Agent for such Series will have been irrevocably instructed (by the terms of the Resolution or by Request of the City) to apply such money to the payment of such Bond Obligation or Redemption Price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution

Any moneys held by the Fiscal Agent of a Series, an escrow agent or other fiduciary in trust for the payment of the principal or Accreted Value of, premium, if any, or interest on, any Bond of such Series and remaining unclaimed for two years after such principal or Accreted Value of, premium, if any, or interest on such Bond of such Series has become due and payable (whether at maturity or upon call for redemption as provided in the Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when such Bond became so due and payable, will, upon Request of the City, be released from the trusts created by the Resolution and transferred to the Treasurer, and all liability of the Fiscal Agent for such Series, an escrow agent or other fiduciary with respect to such moneys will thereupon cease; provided, however, that before the release of such trust as aforesaid, such Fiscal Agent may (at the cost of the City) first mail to the Owners of any Bonds of such Series remaining unpaid at the addresses shown on the registration books maintained by such Fiscal Agent a notice, in such form as may be deemed appropriate by such Fiscal Agent, with respect to the Bonds of such Series so payable and not presented and with respect to the provisions relating to the repayment to the Treasurer of the moneys held for the payment thereof. All moneys held by or on behalf of the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary for the payment of Bond Obligation of or interest or premium on Bonds of such Series, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary will not be required to pay Owners any interest on, or be liable to the Owners or any other Person (other than the City) for any interest earned on, moneys so held. Any interest earned thereon will belong to the City and will be deposited monthly by the Treasurer into the Bond Service Account.

DEFAULTS AND REMEDIES

Events of Default

Each of the following events is an Event of Default under the Resolution:

(a) Default by the City in the due and punctual payment of the principal of, premium, if any, or Accreted Value on any Bond (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Bond;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under the Resolution (other than covenants, conditions or agreements for the exclusive benefit of one or more of the Subordinate Providers) or in the Bonds for a period of 90 days after written notice from the Owners of 25% in aggregate amount of Bond Obligation then Outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) Destruction or damage to any substantial part of the Water System to the extent of impairing its efficient operation or adversely affecting to a substantial degree the Net Operating Revenues and failure for any reason promptly to repair, replace or reconstruct the same (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction, the lack of funds therefor or for any other reason);

(e) (1) Failure of the City generally to pay its debts as the same become due; (2) commencement by the City of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law; (3) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the Water System or any substantial part of the City's property, or to the taking possession by any such official of the Water System or any substantial part of the City's property; (4) making by the City of any assignment for the benefit of creditors; or (5) taking of corporate action by the City in furtherance of any of the foregoing;

(f) The entry of any: (1) decree or order for relief by a court having jurisdiction over the City or its property in an, involuntary case under the Federal bankruptcy laws, as now or later constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law; (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Water System or any substantial part of the City's property; or (3) order for the termination or liquidation of the City of its affairs; or

(g) Failure of the City within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of paragraphs (c) and (d) above are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Resolution, the City will not be deemed in default during the continuance of such disability. The term "force majeure" as used in the Resolution includes without limitation acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of California or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City will, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the City, and the City will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to it.

Bondholders' Committee

If an Event of Default has occurred and is continuing, the Owners of 25% in aggregate amount of Bond Obligation may call a meeting of the Bondholders for the purpose of electing a Bondholders' committee (a "Bondholders' Committee"). At such meeting the Owners of not less than a majority in aggregate amount of Bond Obligation must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting, the Owners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Owners, to the Bondholders' Committee. The Owners present in person or by proxy at such meeting, or at any adjourned meeting thereof: (a) will prescribe the manner in which the successors of the persons elected to the Bondholders' Committee will be elected or appointed; (b) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it in the Resolution; and (c) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee is declared by the Resolution to be trustee for the Owners of all Bonds then Outstanding, and are empowered to exercise in the name of the Bondholders' Committee as trustee all the rights and powers conferred in the Resolution on any Owner; provided, however, that whenever any provision of the Resolution requires the consent, approval or concurrence of the Owners of a specified percentage of Bond Obligation, in order to exercise the right or power conferred in the Resolution on the Owners to which such percentage obtains, the Bondholders' Committee either will be elected by or their election will be approved by or concurred in, and such committee will then represent, the Owners of such specified percentage of the Bond Obligation. A certificate of the election of the Bondholders' Committee, including the names and addresses of its chairman and other members, will be filed with the City Clerk.

Acceleration

Upon the occurrence and continuation of an Event of Default described in paragraphs (e), (f) or (g) under the caption "—Events of Default," the Bondholders' Committee or, if there is none, the Owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, declare the entire unpaid principal and Accreted Value of the Bonds due and payable and, thereupon, the entire unpaid principal and Accreted Value of the Bonds will forthwith become due and payable. Upon any such declaration the City will forthwith pay to the Owners of the Bonds the entire unpaid principal and Accreted Value of, premium, if any, and accrued interest on the Bonds, but only from Net Operating Revenues and other moneys specifically pledged for such purpose in the Resolution. If at any time after such a declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Resolution, the principal and Accreted Value of all Bonds that have matured or been called for redemption pursuant to any sinking fund provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Bondholders' Committee or, if there is none, the Owners of 25% in aggregate amount of Bond Obligation may, by written notice to the City, rescind or annul such declaration and its consequences. No such rescission or annulment will extend to or affect any subsequent default or impair any right consequent thereon.

Receiver

Upon the occurrence and continuation of an Event of Default for a period of 60 days, the Bondholders' Committee or, if there is none, the Owners of 25% in aggregate amount of Bond Obligation will be entitled to the appointment of a receiver upon application to any court of competent jurisdiction in the State of California. Any receiver so appointed may enter and take possession of the Water System, operate, maintain and repair the same, to the extent permitted by law impose and prescribe rates, fees and other charges, and receive and apply all Net Operating Revenues thereafter arising therefrom in the same manner as the City itself might do. No bond will be required of such receiver.

Other Remedies; Rights of Bondholders

Upon the occurrence and continuation of an Event of Default the Owners may proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Resolution.

No remedy conferred by the Resolution upon or reserved to the Owners is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to any other remedy given to the Bondholders under the Resolution or now or later existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Resolution by the Owners will extend to or affect any subsequent default or Event of Default or impair any rights or remedies consequent thereon.

Unconditional Right to Receive Principal, Accreted Value, Premium and Interest

Nothing in the Resolution will, however, affect or impair the right of any Owner to enforce, by action at law, payment of the principal and Accreted Value of, premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as provided in the Resolution, or the obligation of the City to pay the principal and Accreted Value of, premium, if any, and interest on each of the Bonds issued under the Resolution to the respective holders thereof at the time and place, from the source and in the manner in the Resolution and in the Bonds expressed.

MISCELLANEOUS

Liability of City Limited to Net Operating Revenues

Notwithstanding anything in the Resolution or in the Bonds, the City is not required to advance any moneys derived from any source other than the Net Operating Revenues and other money, assets and security pledged under the Resolution for any of the purposes in the Resolution mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds, the payment of amounts due under the Subordinate Obligations, or for any other purpose of the Resolution.

The general fund of the City is not liable for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, or the payment of any Subordinate Obligations, nor is the credit or taxing power of the City pledged for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, or the payment of any Subordinate Obligations. The Owner of any Bond or any Subordinate Provider 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 any Bonds and any premiums upon the redemption of any thereof prior to maturity 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 and other funds, security or assets which are pledged to the payment of the Bonds, interest thereon and any premiums upon redemption. Amounts payable under the Subordinate Obligations 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 (as provided in the Resolution).

Successor Is Deemed Included in All References to Predecessor

Whenever in the Resolution either the City, the Treasurer or any Fiscal Agent is named or referred to, such reference will include the successors or assigns thereof, and all the covenants and agreements in the Resolution contained by or on behalf of the City or any Fiscal Agent will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to City, Fiscal Agents, Bondholders and Subordinate Providers

Nothing in the Resolution or in the Bonds or the Subordinate Obligations expressed or implied is intended or may be construed to give to any Person other than the City, each Fiscal Agent, the Owners of the Bonds and the Subordinate Providers, as applicable, any legal or equitable right, remedy or claim under or in respect of the Resolution or any covenant, condition or provision therein or contained in the Resolution, as applicable; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the City, each Fiscal Agent, the Owners of the Bonds and the Subordinate Providers, as applicable.

Waiver of Notice

Whenever in the Resolution the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Destruction or Delivery of Cancelled Bonds

Whenever in the Resolution provision is made for the cancellation by a Fiscal Agent and the delivery to the Treasurer of any Bonds, such Fiscal Agent may, in its sole discretion, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Treasurer, if the Treasurer so requires), and deliver a certificate of such destruction to the Treasurer.

Severability of Invalid Provisions

If any one or more of the provisions contained in the Resolution or in the Bonds is for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Resolution and such invalidity, illegality or unenforceability will not affect any other provision of the Resolution, and the Resolution will be construed as if such invalid or illegal or unenforceable provision had never been contained in the Resolution. The City Council has declared that it would have adopted the Resolution and each and every other section, paragraph, sentence, clause or phrase of the Resolution and authorized the issuance of the Bonds and the execution and delivery or issuance of the Subordinate Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Resolution may be held illegal, invalid or unenforceable.

Evidence of Rights of Bondholders

Any request, consent or other instrument required or permitted by the Resolution to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and will be signed or executed by such Bondholders in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, will be sufficient for any purpose of the Resolution and will be conclusive in favor of the Fiscal Agent for such Series and of the City if made in the manner provided in the Resolution.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds will be proved by the bond registration books held by the Fiscal Agent for such Series. The Fiscal Agent of a Series may establish a record date as of which to measure consent of the Bondholders of such Series in order to determine whether the requisite consents are received.

Except as may be provided in the Supplemental Resolution authorizing a Series of Bonds, any request, consent, or other instrument or writing of the Owner of any Bond of such Series will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Fiscal Agent for such Series or the City in accordance therewith or reliance thereon.

Disqualified Bonds

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Resolution, Bonds which are owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds (except for any remarketing or other underwriting agent), will be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of the Resolution if the pledgee establishes to the satisfaction of the Fiscal Agent for such Series the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the

Bonds. In case of a dispute as to such right, any decision by such Fiscal Agent taken upon the advice of counsel will be full protection to such Fiscal Agent.

Money Held for Particular Bonds

The money held by the Treasurer or a Fiscal Agent for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on the City's books and held in trust by the Treasurer for the Owners of the Bonds entitled thereto, subject, however, to certain provisions of the Resolution.

Funds and Accounts

Any fund required by the Resolution to be established and maintained by the Treasurer or a Fiscal Agent may be established and maintained in the accounting records of the Treasurer or a Fiscal Agent, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or an account; but all such records with respect to all such funds will at all times be maintained in accordance with customary standards of the industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every holder thereof.

Proceedings Constitute Contract

The provisions of the Resolution will constitute a contract between the City and the Bondholders of such Bonds, and the provisions of the Resolution and the Bonds will be enforceable by any Bondholder for the equal benefit and protection of all Bondholders similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may later be authorized under the laws of the State in any court of competent jurisdiction. The provisions of the Resolution also constitute a contract between the City and each Subordinate Provider, and the provisions of the Resolution will be enforceable by any such Provider by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may later be authorized under the laws of the State in any court of competent jurisdiction; provided, however, that no such action by such a Provider may in any manner adversely affect the benefits, securities or protections granted to Owner of Bonds or owners of Parity Debt under the Resolution.

No remedy conferred by the Resolution upon any Bondholder is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by any law of the State. No waiver of any default or breach of duty or contract by any Bondholder will affect any subsequent default or breach of duty or contract or impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondholders may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to reinforce any right or exercise any remedy will be brought or taken and the Bondholder will prevail, said Bondholder will be entitled to receive from the Water Revenue Fund reimbursement for reasonable costs, expenses, outlays and attorney's fees and should said suit, action or proceeding be abandoned, or be determined adversely to the Bondholder then, and in every such case, the City and the Bondholder will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds of any Series, the Resolution will be irrepealable, but will be subject to modification to the extent and in the manner provided in the Resolution, but to no greater extent and in no other manner.

Future Contracts

Nothing contained in the Resolution will be deemed to restrict or prohibit the City from making contracts or creating bonded or other indebtedness payable from the general fund of the City, as the case may be, or from taxes or any source other than the Gross Operating Revenues, and from and after the sale of the Bonds of any Series, the general fund of the City will not include the Gross Operating Revenues and no contract or other obligation payable from the general fund of the City will be payable from the Gross Operating Revenues, except as provided in the Resolution.

Waiver of Personal Liability

No City Council member, officer, agent or employee of the City or any Fiscal Agent will be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or for the payment of amounts due under the Subordinate Obligations or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Resolution will relieve any such City Council member, officer, agent or employee of the City or any Fiscal Agent from the performance of any official duty provided by law or by the Resolution.

Governing Law

The Resolution will be construed and governed in accordance with the laws of the State of California.

Business Day

Except as specifically set forth in a Supplemental Resolution, any payments or transfers which would otherwise become due on any day which is not a Business Day will become due or be made on the next succeeding Business Day and no interest will accrue for such period.

Amendments to the Resolution

The Resolution has been amended to add subsection (g) the definition of "Maximum Annual Debt Service" as follows:

"(g) if interest on such Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Bonds or Parity Debt shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America."

The definition of "Net Operating Revenues" was amended and restated to read as follows:

"Net Operating Revenues" means Gross Operating Revenues, less Operating and Maintenance Expenses, plus, for the purposes of determining compliance with Section 6.10 only, the amounts on deposit as of the date of determination in any unrestricted funds of the Water System designated by the City Council by resolution and available for the purpose of paying Operating and Maintenance Expenses and/or debt service on the Bonds."

The following paragraph is hereby added to the end of the provision described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2022A BONDS—Rate Covenant" in the Remarketing Statement:

"For purposes of calculating the interest due under (b) above, if interest on such Bonds or Parity Debt is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program, then interest payments with respect to such Bonds or Parity Debt shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America."

The above amendments will not take effect while any Subordinate Swaps and Subordinate Swap Policy are in effect without the consent of the Subordinate Swap Providers (to the extent required by the

Subordinate Swaps) or the Subordinate Swap Policy Providers (to the extent required by the Subordinate Swaps.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the issuance of the 2022A Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Riverside (the "City") in connection with the City's issuance of its $58,025,000 Water Revenue Bonds, Issue of 2022A (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 17664 of the City adopted by the City Council on January 8, 1991, as amended and supplemented, including as amended and supplemented by Resolution No. 23924, adopted by the City Council on November 8, 2022 (collectively, the "Resolution"). The City covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the audited financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that the City may from time to time, if required by Federal or State legal requirements, modify the basis to be followed in preparing its financial statements. The notice of any such modification shall include a reference to the specific Federal or State law or regulation describing such accounting basis.

"Beneficial Owner" shall mean any person that: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the City or any person or entity appointed by the City which such person or entity agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate. The initial Dissemination Agent shall be the City.

"Financial Obligation" shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards

Board, or any successor to the duties and responsibilities of either of them, and any applicable utility accounting requirements of the Federal Energy Regulatory Commission.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Notice Event" means any of the following events with respect to the Bonds, whether relating to the City or otherwise:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties; and

(xvi) incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

"Official Statement" means the Official Statement dated November 16, 2022 of the City relating to the Bonds.

"Owner" shall mean a registered owner of the Bonds.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of each Fiscal Year of the City (which Fiscal Year presently ends on June 30), commencing with the report for Fiscal Year 2021-22, provide to the MSRB an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year of the City changes, the City shall give notice of such change in the same manner as for a Notice Event under Section 5.

If not provided as part of the Annual Report by the date provided in subsection (a) above, the City shall provide Audited Financial Statements, when and if available, to the MSRB.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent, if other than the City. If by such date the Dissemination Agent, if other than the City, has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the City or the Dissemination Agent, if any, as the case may be, has not furnished any Annual Report to the MSRB by the date required in subsection (a), the City or the Dissemination Agent, as applicable, shall provide, a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The City (or, in the event that the City shall appoint a Dissemination Agent other than the City hereunder, the Dissemination Agent) shall file the Annual Report with the MSRB on or before the date required in subsection (a). In addition, if the City shall have appointed a Dissemination Agent other than the City hereunder, the Dissemination Agent shall file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the City's Water Utility for the most recently completed Fiscal Year, prepared in accordance with GAAP.

2. Principal amount of the Bonds outstanding as of the end of the immediately preceding Fiscal Year.

3. Updated information comparable to the information in the table entitled "Water System General Statistics" as it appears in the Official Statement.

4. Updated information comparable to the information in the table entitled "Number of Metered Customers Billed" as it appears in the Official Statement.

5. Updated information comparable to the information in the table entitled "Water Sales and Distribution" as it appears in the Official Statement.

6. Updated information comparable to the information in the table entitled "Summary of Operations and Debt Service Coverage" as it appears in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, that have been submitted to the MSRB; provided, that if any document included by reference is a final official statement, it must be available from the MSRB; and provided further, that the City shall clearly identify each such document so incorporated by reference.

SECTION 5. Reporting of Notice Events.

(a) If a Notice Event occurs, the City shall provide, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event, notice of such Notice Event to: (i) the MSRB; and (ii) the Fiscal Agent.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The City will cause the Fiscal Agent to promptly advise the City whenever, in the course of performing its duties as Fiscal Agent under the Resolution, the Fiscal Agent has actual notice of an occurrence which, if material, would require the City to provide notice of a Notice Event hereunder; provided, however, that the failure of the Fiscal Agent so to advise the City shall not constitute a breach by the Fiscal Agent of any of its duties and responsibilities under this Disclosure Certificate or the Resolution.

(d) Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Reports or notice of Notice Event hereunder, in addition to that which is required by this Disclosure Certificate. If the City chooses to do so, the City shall have no obligation under this Disclosure Certificate to update such additional information or include it in any future Annual Reports or notice of a Notice Event hereunder.

SECTION 6. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City and that, under certain circumstances, compliance with this Disclosure Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the City under such laws.

SECTION 7. Fiscal Year. The City's current Fiscal Year is from July 1 through June 30 and the City shall promptly notify: (i) the MSRB; and (ii) the Fiscal Agent of each change in its Fiscal Year. Annual Reports shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

SECTION 8. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

SECTION 9. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 10. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations wider this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 11. Transmission of Notices, Documents and Information. Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Market Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall he accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

SECTION 13. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Owner or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

SECTION 14. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than the City) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Owners or Beneficial Owners of the Bonds, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, if any, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 1, 2022

CITY OF RIVERSIDE

By:____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF RIVERSIDE, CALIFORNIA

Name of Issue: WATER REVENUE BONDS, ISSUE OF 2022A

Date of Issuance: December 1, 2022

NOTICE IS HEREBY GIVEN that the City of Riverside, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated December 1, 2022, in connection with the Bonds. The City anticipates that the Annual Report will be filed by __________.

Dated: __________

CITY OF RIVERSIDE, CALIFORNIA

By:____

Title:____

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

December 1, 2022

City of Riverside
Riverside, California

Re: $58,025,000 City of Riverside, California Water Revenue Bonds, Issue of 2022A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Riverside, California (the "City") of its $58,025,000 aggregate principal amount of the City's Water Revenue Bonds, Issue of 2022A (the "Bonds"). The Bonds are being issued pursuant to the Charter of the City (the "Charter"), Ordinance No. 5001 adopted by the City Council on April 20, 1982, as amended (the "Ordinance"), and Resolution No. 17664 adopted by the City Council on January 8, 1991, as amended and supplemented, including as amended and supplemented by Resolution No. 23924 adopted by the City Council on November 8, 2022 (collectively, the "Resolution").

In rendering the opinions that set forth below, we have examined the Constitution and statutes of the State of California, the Charter, the Ordinance and the Resolution, certified copies of the proceedings of the City and other information submitted to us relative to the issuance and sale by the City of the Bonds. We have examined originals, or copies identified to our satisfaction as being true copies of the Charter, the Ordinance, the Resolution and the Tax Certificate relating to the Bonds, opinions of counsel to the City, certificates of the City and others, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

In connection with our representation we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth in the Resolution, we are of the opinion that:

1. The Bonds constitute the valid and binding special revenue obligations of the City.

2. The Resolution was duly adopted at meetings of the City Council of the City.

3. The Resolution creates a valid pledge of and lien and charge upon the Net Operating Revenues and certain amounts held under the Resolution to secure the payment of the principal of and interest on the Bonds. The general fund of the City is not liable for the payment of the Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the Bonds, any premium thereon upon redemption prior to maturity or their interest.

4. Other Parity Debt of the City has been and may from time to time hereafter be issued under the Resolution which is payable from Net Operating Revenues on a parity basis with the Bonds.

5. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Resolution, interest

on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest on the Bonds is exempt from State of California personal income tax.

7. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by the City and others and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions that are expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Resolution and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to maters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the Securities, payment of principal, interest and other payments on the Securities to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

*Neither the issuer of the Securities (the "**Issuer**") nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the "**Agent**") take any responsibility for the information contained in this Appendix.*

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the securities (the "**Securities**"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the

Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information contained on this Internet site is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of

such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF RIVERSIDE, CALIFORNIA • WATER REVENUE BONDS, ISSUE OF 2022A

CITY OF
RIVERSIDE

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com