



# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** NOVEMBER 20, 2015

**ITEM NO:** 9

File ID – 15-3692 – D

**SUBJECT:** REVISIONS TO REAL PROPERTY FINANCIAL MANAGEMENT POLICY TO REFLECT COMMERCIAL OPERATION OF THE MISSION SQUARE OFFICE COMPLEX

**ISSUE:**

The issue for the Board of Public Utilities (Board) consideration is to adopt revisions to the Riverside Public Utilities Real Property Financial Management Policy to reflect commercial operation of the Mission Square office complex.

**RECOMMENDATION:**

That the Board of Public Utilities adopt revisions to the Riverside Public Utilities Real Property Financial Management Policy to reflect commercial operation of the Mission Square office complex.

**BACKGROUND:**

On November 21, 2014 the Board of Public Utilities adopted its Real Property Financial Management Policy (Policy). The Policy serves as a guide for the Board when carrying out its Charter prescribed duties. The guiding principles within the Policy are:

- Maximization of ratepayer value guides all decisions; and
- Stewardship which includes acquisition, use, and disposition shall be done in conformance with California law.

The Policy contains eight sections, including: Purpose; Powers and Duties of the Board of Public Utilities; Classification; Evaluation and Assessment; Financial Valuation; Portfolio Management; Legal Considerations; and, Examples.

On October 13, 2015, the City of Riverside, acting on behalf of Riverside Public Utilities closed escrow on the Mission Square Office Complex located at 3750 University Avenue. The Mission Square Office Complex is a six story 125,000 square foot office building and 500 space four level parking structure. When developing the financial pro-forma to evaluate the purchase opportunity, staff relied upon a number of assumptions regarding the continued commercial operation of portions of the building and parking structure.

Staff recommends revisions to the Policy to reflect the commercial operation of the Mission Square Office Complex. The addition of the following language to the Portfolio Management section of the Policy is recommended and reflected in redline and clean copy versions of the Policy and attached to this report:

**Commercial Operation of Mission Square Office Complex**

On October 13, 2015, RPU closed escrow on the purchase of the Mission Square office building and parking structure (MS Complex). In developing the financial pro-forma for the purchase versus lease decision, staff relied on a number of assumptions regarding the continued commercial operation of the building.

RPU will continue to operate the MS Complex as a commercial operation, in line with the financial pro-forma developed during the Board/Council deliberative process. Office space leases for non-RPU use shall be at market rates. RPU shall use a commercial broker to the extent possible to represent its interest during lease negotiations. RPU shall use a full time property manager for commercial management and maintenance of the building. RPU shall set aside a sinking fund budget for maintenance and future major building upgrades, subject to Board and Council approval.

RPU shall continue to operate the parking structure to maximize the financial value of that asset for current and future ratepayers. Daily and monthly parking rates shall be set at market rates and reviewed not less than annually in connection with the budget process.

**FISCAL IMPACT:**

There is no fiscal impact associated with adoption of revisions to the Real Property Financial Management Policy.

Prepared by:	Kevin S. Milligan, Public Utilities Deputy General Manager
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Approved by:	John A. Russo, City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachments:	1.) Redline copy – Real Property Financial Management Policy
	2.) Clean Copy – Real Property Financial Management Policy