

City of Riverside

Presentation of Proposed Fiscal Policies



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Executive Summary



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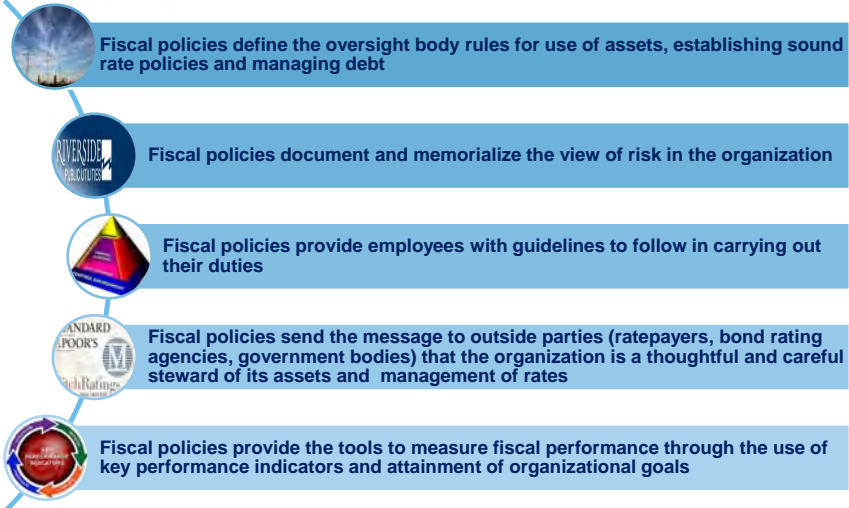
Baker Tilly was engaged to review RPU's existing fiscal policies, prepare a gap analysis comparing the existing policies to industry best practices and to provide a draft fiscal policies document tailored to RPU for oversight body approval.

Overview



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The importance of fiscal policies to RPU



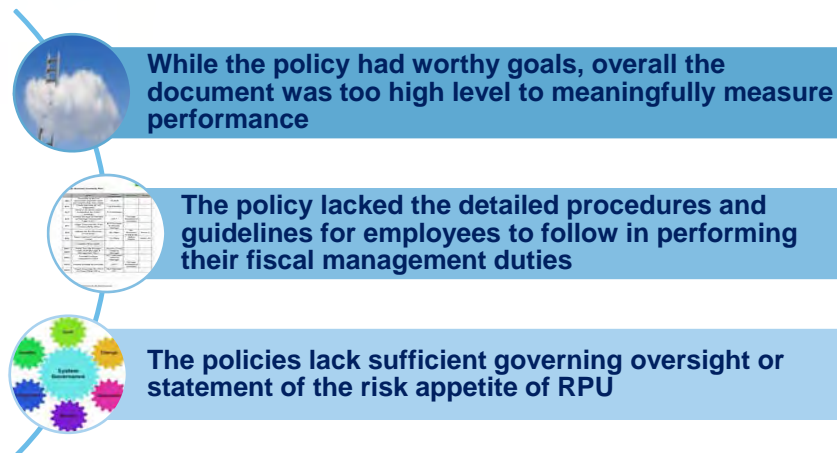
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Gap analysis



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Baker Tilly reviewed the existing fiscal policy and reached these conclusions



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RPU Fiscal Policy Goals




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-  Promote long term financial stability by establishing clear and consistent financial reporting guidelines
-  Ensure that RPU will maintain its financial health in order to meet strategic goals
-  Development of cash reserve and budgeting policies
-  Provide guidelines for capitalization of RPU assets
-  Provide funds to maintain and invest in its utility infrastructure
-  Enhance short and long term financial credit quality by helping to achieve the highest possible credit and bond ratings

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RPU Fiscal Policy Goals



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-  Provide guidance and controls for effective investment of RPU funds in accordance with City investment policies and State law
-  Provide the Board and City Council with a framework for measuring fiscal performance of RPU against established parameters and guidelines
-  Link long-term financial planning with day-to-day operations
-  Document the Board and City Council philosophy for effective ratemaking and recovery of RPU costs of electric and water service

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RPU – Fiscal Policies



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Financial reporting	Cash reserves
Operating and capital budgeting	Asset capitalization
Debt management	Credit rating
Investments	Risk management
Forecasting and financial planning	Revenue development and monitoring of customer rates

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RPU – Fiscal Policies



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Financial reporting


Maintain strong internal controls

Provides for monthly reporting to governance bodies

Provides for internal and external audits

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RPU – Fiscal Policies



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Reserves Maintain prudent reserves for emergencies, working capital, rate stabilization, debt and capital improvements

Aids in maintaining and improving bond ratings


Describes types of reserves RPU maintains: restricted and unrestricted (designated and undesignated)

Sets target (minimum) and maximum levels for unrestricted, undesignated reserves based on risk quantification

Cash reserve policy was separately approved by the City Council on March 22, 2016 and incorporated into Fiscal Policies

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RPU – Fiscal Policies



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Operating and capital budgeting Requires a balanced budget

Defines a formal approval and transfer authorization process

Requires budgeting for operations and capital projects

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RPU – Fiscal Policies




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Debt management	Policies improve the quality of decisions regarding RPU's debt portfolio
	Articulates policy goals
	Provides guidelines for the structure of debt issuance
	Demonstrates a commitment to long-term capital and financial planning
	Signals that a government is well managed and therefore is likely to meet its debt obligations in a timely manner

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RPU – Fiscal Policies




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Capitalization policies	Formal policy on asset capitalization thresholds
	Assets with an acquisition value of greater than \$5,000 and useful life of greater than one year will be capitalized
	Defines policies on classification of cost of improvements and replacements

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RPU – Fiscal Policies



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Credit rating RPU seeks to maintain the highest possible bond rating

Minimum rating of A+ or greater is the goal

Requires regular meetings with rating agencies to ensure dialog and financial focus with their ratings measures

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RPU – Fiscal Policies



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Investments Seeks safety, liquidity and return on investment


Includes policies on general oversight of investments

Provides for meetings between City Treasurer and RPU Assistant General Manager Finance to review investment performance, cash flow needs and investment recommendations

City Treasurer has final investment authority

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RPU – Fiscal Policies




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Risk management Provides guidelines to ensure RPU assets are protected by:

- a) Adequate insurance coverage
- b) Adequate cash reserves
- c) Adherence to guidelines provided in City Investment Policy, Debt Policies and Energy Risk Management Policies
- d) Monitoring regulations and influencing legislature

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RPU – Fiscal Policies



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Forecasting and financial planning Long-range forecasting is integral to developing strategic objectives and user rates

Requires an annual 5-year financial plan for to be used for internal planning purposes, updated at a minimum quarterly

Requires measures of key performance indicators

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RPU – Fiscal Policies



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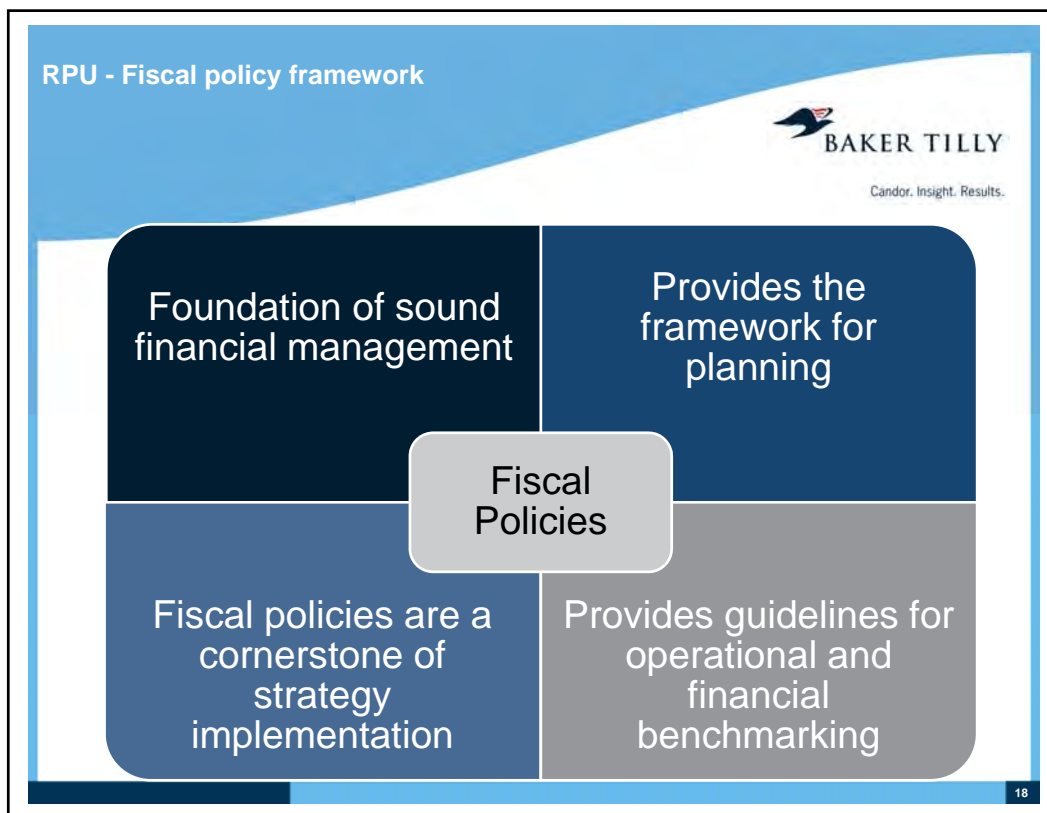
Revenue development and customer rates

Provides utility ratemaking principles that are used in conjunction with designing rates for our current and future customers

Requires retail rates to be cost based and rate studies to be conducted periodically

Requires regular revenue monitoring

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Contact Info

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