

# ***City of Riverside***

## ***Presentation of Proposed Fiscal Policies***



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### **Executive Summary**



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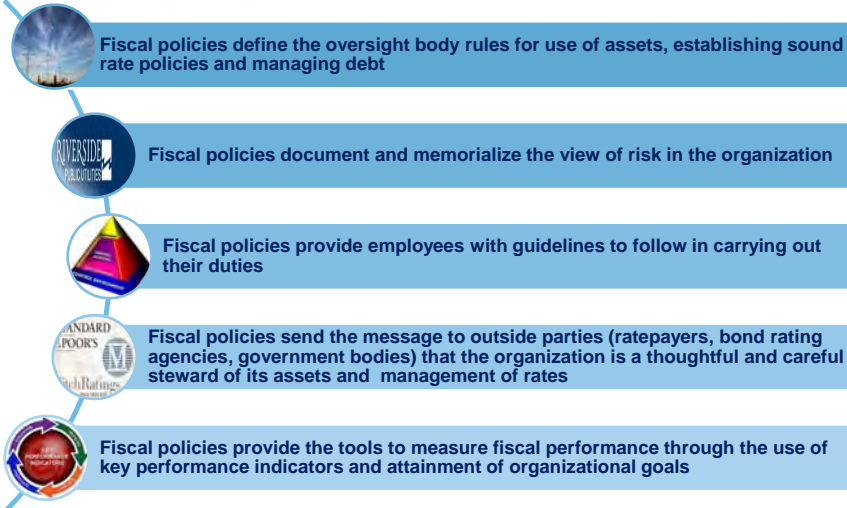
Baker Tilly was engaged to review RPU's existing fiscal policies, prepare a gap analysis comparing the existing policies to industry best practices and to provide a draft fiscal policies document tailored to RPU for oversight body approval.

## Overview



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### The importance of fiscal policies to RPU



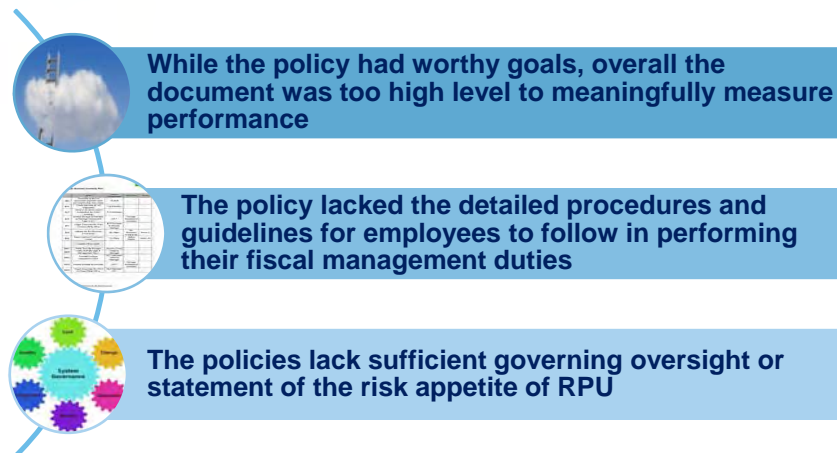
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## Gap analysis



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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



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

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## RPU – Fiscal Policies



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

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Aids in maintaining and improving bond ratings

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

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

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

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**Operating and capital budgeting** Requires a balanced budget

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Defines a formal approval and transfer authorization process


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Requires budgeting for operations and capital projects

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RPU – Fiscal Policies




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<b>Debt management</b>	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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<b>Capitalization policies</b>	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

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Minimum rating of A+ or greater is the goal


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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

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Includes policies on general oversight of investments

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

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City Treasurer has final investment authority

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## RPU – Fiscal Policies



## 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



## 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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Revenue development and customer rates

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

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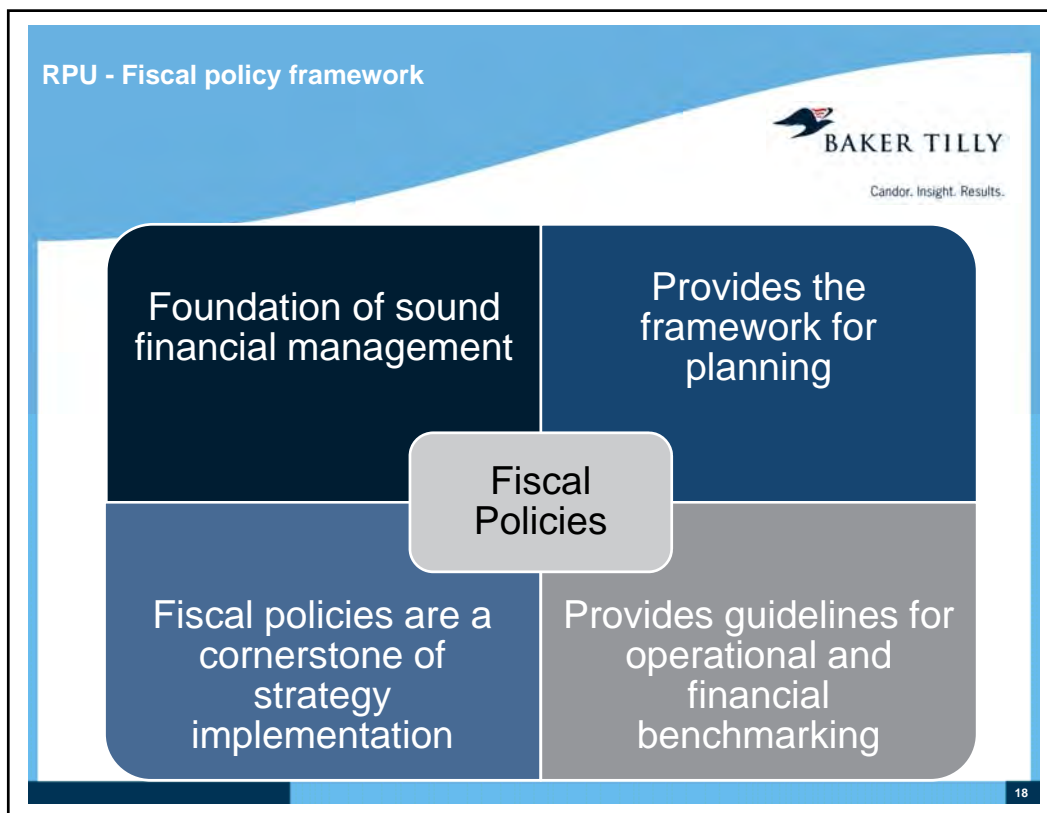
Requires retail rates to be cost based and rate studies to be conducted periodically

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Requires regular revenue monitoring

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**Contact Info**

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