



FINANCIAL BEST PRACTICES FOR THE MISSION SQUARE BUILDING

Public Utilities Department

Customer Relations/Finance Committee
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BACKGROUND

1. On October 13, 2015, the City of Riverside, acting on behalf of Riverside Public Utilities, closed escrow on the Mission Square Complex located at 3750 University Avenue.
2. On January 26, 2016, the City Council approved a Property Management Agreement (Agreement) with G&E Real Estate Management Services, Inc., doing business as Newmark Knight Frank (NKF) to provide property management services for the Property.



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DISCUSSION

1. At the time of acquisition, estimated annual costs for building maintenance and operation was \$1,087,000, with offsetting tenant income of \$2,200,000.
2. The Mission Square Improvement Reserve was established to accumulate funds for these future capital improvements.
 - a. The current Mission Square Improvement Reserve has an available balance of \$1,063,331 as of June 30, 2021.
 - b. The next planned capital improvement is upgrading the building's HVAC system, which will be brought to the Board to consider awarding a formal bid.

PROPOSED FINANCIAL BEST PRACTICES

Staff is proposing the following Financial Best Practices for the Mission Square Building for fiscal management of the Property Manager's Operating Account:

1. The Property Manager shall retain a minimum balance in the Operating Account equal to 90 days of operating and maintenance expenses, and a maximum balance equal to 150 days of operating and maintenance expenses.
2. The Property Manager shall make a one-time annual payment to the City, effective June 30 of each year, in excess of this amount from the Operating Account. This excess amount shall be reduced equal to the estimated cost of a required planned operating or capital expenditure for the following fiscal year.

PROPOSED FINANCIAL BEST PRACTICES CONT.

3. In addition to the Annual Contribution from the Electric Utility Reserves, equal to 2% of the building value, per the Cash Reserve Policy, the City shall deposit the one-time annual payment from the Property Manager into the Electric Fund – Mission Square Improvement Reserve to fund future major improvements to the Mission Square building.
4. The City shall contract with an external financial auditing firm to annually review the financial transactions of professional third-party commercial broker and the City for the Mission Square Operating Account. The results of the audit will be provided to Board of Public Utilities each year.

STRATEGIC PLAN ALIGNMENT

The Financial Best Practices for the Mission Square Building aligns with the following Strategic Priorities: **High Performing Government and Infrastructure, Mobility & Connectivity: Goals 5.4 & 6.2**

The Financial Best Practices closely aligns with the following Cross Cutting Thread Themes:

1. **Community Trust** – The Financial Best Practices establishes clear and transparent guidelines for RPU's stewardship of the Mission Square Building and the benefits of RPU's ratepayers.
2. **Equity** – The Financial Best Practices ensures the Mission Square Building Operating Account is continuously held by fair standards that are set in place to provide equitable benefits to all RPU ratepayers.
3. **Fiscal Responsibility** – There is no fiscal impact associated with this item which maintains that Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public utility services to all.
4. **Innovation** – The Financial Best Practices puts processes in place that will allocate resources and continuously guide staff so they can respond quickly to address the changing maintenance and improvement needs of the Mission Square Building.
5. **Sustainability & Resiliency** – The Financial Best Practices serves as a guide to Public Utilities staff and assists in their decision making by providing a framework and a set of best practices for classification, assessment, evaluation and financial valuation of the Mission Square Building and ensures present and future reliability, resiliency, and sustainability.

RECOMMENDATION

That the Customer Relations/Finance Committee receive and provide feedback on the Financial Best Practices for the Mission Square Building.