



**PUBLIC UTILITY BOARD POLICY**

Category: <b>Strategic Directive</b> Date of Adoption: <b>August 28, 2019</b> Resolution No.: Revision Date:	Title: <b>Financial Sustainability</b> Policy Number: <b>SD-2</b>
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**Purpose**

Tacoma Public Utilities will secure its commitment to provide safe and reliable power, water, and rail services over the long term by maintaining sustainable budget, financial, and asset management practices.

**Values**

1. TPU believes long-term financial planning that accounts for internal and external risks results in sustainable utilities budgets and reasonably stable utilities rates.
2. TPU values responsible stewardship and recognizes that utilities bills are paid by customers and resulting revenue is therefore limited. Each biennial budget must therefore be carefully and reasonably limited.
3. TPU believes financial, business, and capital planning should be based on regularly updated forecasts.
4. TPU believes it is prudent to pay for long-lived capital assets by spreading the costs over the life of those assets.
5. TPU believes prudent and stable financial and business planning anticipates unexpected future events by requiring adequate cash reserves and insurance.
6. TPU values good stewardship of utilities rates paid by customers by leveraging external funding sources where prudent.

**Outcomes**

1. Rate and Financial Policies that summarize planning methods that will produce long-term financial stability for reliable power, water, and rail services.

2. Detailed Operating, Capital, and Strategic Plans that guide planning for sustainable financial, business, and capital budgets over the long term.
3. TPU planning methods that incorporate conservatism into budgets and rate designs as necessary to ensure long-term financial stability.
4. AA-level bond rating, or better, to facilitate access to lower-cost financing and produce sustainable debt service expenses.
5. Utilities rates at the lowest levels reasonably sufficient to meet the duty to provide reliable, safe, and equitable utilities services to customers over the long term.
6. Strategic asset management that guides capital project development to predict when improvements are necessary.
7. Financial management of debt service over the long term to maintain reasonable debt-service requirements and meet debt service coverage ratios.

### **Measurements**

1. Budget Performance and Forecasts
2. Debt Service Coverage Ratio
3. Days Cash on Hand

### **Reporting**

Frequency: Quarterly

Method: Biennial budget and rates process