POLICY 32: Financial Policies

Authoritative Legal Reference Indexes:

Minnesota Statutes (Revisor Index) | Rochester Municipal Code (Municode Index)

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Version Control

Version	Date	Description of Change	Author
1.0	20260201	Initial Document Creation	T. McCollough

1. INTRODUCTION

1.1 Document Purpose

These financial policies establish the framework for the fiscal management, internal controls, and financial decision-making process for Rochester Public Utilities (RPU). These policies are intended to promote prudent stewardship of public resources, accountability, transparency, and long-term financial sustainability of RPU's utility enterprise operations.

1.2 Relationship to the City of Rochester Financial Policies

A. The 2026 City of Rochester Financial Policy applies to all City functions "***including Rochester Public Utilities, except as otherwise provided in the City's Charter.***" RPU adopts a companion approach that incorporates City policies by reference where they do not conflict with Charter-assigned authorities, and where they support a coordinated or integrated Citywide financial and accounting system.

B. This RPU policy document is intended to be aligned, not duplicative. Where City policies are incorporated by reference, RPU will not restate them unless RPU-specific implementation language is needed to preserve Charter authorities, utility operational requirements, or enterprise accounting requirements.

1.3 Charter Boundary for Finance Authority and Integration

A. Charter Section 8.04 establishes that the City Director of Finance's authority and responsibility extends to maintaining the financial accounting records of all City departments and divisions ***except the Department of Public Utilities***, provided that with respect to the Department of Public Utilities the City Director of Finance's authority extends to establishing accounting practices and procedures necessary to coordinate or integrate RPU accounting methods and procedures into the City's financial and accounting system.

B. **Operating Interpretation**: RPU financial administration is governed by the RPU Board and implemented through the General Manager and the RPU organization. City Finance authority over RPU accounting is exercised for coordination or integration needs as described in Charter Section 8.04.

   Charter reference: Section 8.04 (Finance Director)

C. **Council Reserved Financial Authorities:** Chapter XV of the Rochester Home Rule Charter, the Common Council retains certain financial and governance authorities related to Rochester Public Utilities. These include approval of the annual operating budget in total and the capital improvement budget by project upon recommendation of the Public Utility Board, concurrence in utility rates established by the Board, authorization of the number of employees, authorization of municipal debt issued in the name of the City to finance utility infrastructure or operations, approval of contracts greater than $100,000 not included in the approved budget, approval of property transactions exceeding $100,000, approval of the sale or purchase of real or personal property exceeding $100,000, approval of wholesale commodity contracts for a term not to exceed 40 years, the appointment and confirmation of members of the Public Utility Board. In addition, utility contracts must be executed in the name of the City and signed by the Mayor and attested by the City Clerk. These retained authorities ensure that while the Public Utility Board manages and operates the utility systems, the Common Council maintains ultimate financial oversight consistent with the Charter.

1.4 Scope

A. These policies apply to all RPU operations, including electric, water, and steam heat utility activities, and any other public utility service that the Common Council places under the control, management, and operation of the Public Utility Board by ordinance, subject to any limitations on the Board's powers and duties relating to that utility as provided in the enabling ordinance.

B. These policies apply to all officers, employees, contractors, consultants, and authorized agents involved in RPU financial administration, procurement, contracting, budgeting, accounting, reporting, risk governance, and related internal controls.

1.5 Governance Roles

A. **RPU Board**. The RPU Board adopts these policies and provides oversight of RPU financial condition, budgets, major contracts and commitments reserved to the Board, and audit outcomes.

B. **RPU General Manager**. The General Manager implements Board-adopted policies, establishes procedures and internal controls, and hires and manages the RPU organization within the Board-established organizational structure.

C. **RPU Director of Finance**. The RPU Director of Finance is a position within the RPU organization, accountable through the RPU organization to the General Manager and ultimately to the RPU Board for RPU finance responsibilities described in these policies.

1.6 Review

These policies shall be reviewed periodically and updated when authorized by the RPU Board.

2. BUDGETARY AND FINANCIAL CONTROLS

2.1 Budget

2.1.1 Purpose

The purpose of this policy is to ensure fiscal responsibility, accountability, transparency, and efficient use of rate payer's resources. Budget and financial controls policy helps the Utility govern its finances prudently, fulfill its responsibilities to rate payers, and operate in a manner that is both sustainable and accountable.

The RPU Board establishes budgetary and financial controls and delegates administrative authority to management consistent with applicable law, City Charter and Board policy.

2.1.2 RPU-Specific Budget Governance

A. **Enterprise budgeting**. RPU budgets are prepared and managed on an accrual basis consistent with enterprise fund accounting and cost causation principles.

B. **RPU Board oversight**. The General Manager prepares the RPU budget for RPU Board review and recommendation consistent with the Charter and Board direction.

C. **Budget control and responsibility**. Budget control is assigned within the RPU organization under the RPU General Manager to the RPU Director of Finance. The RPU Director Finance in conjunction with the General Manager will approve any project carryover for an approved project not completed during the prior year.

2.2 Budget Adoption Process

RPU will prepare a biennial (two-year) budget for RPU Board and Council approval. In the second year of the budget, a similar process is followed to update unforeseen items or changes during the prior year. The biennial budget will include a forecast of the non-budget approved years to provide a five-year financial forecast.

2.2.1 RPU-Specific Submission and Coordination

A. **Coordination for inclusion**. The RPU two-year budget and second year true-up budget will be based on the most recent, closed prior year actual financial information. RPU will submit preliminary recommended budget information to the City by July 31 and the RPU Board approved budget by October 31 each year for inclusion in the City's recommended budget and final budget documents, while preserving RPU Board governance for RPU enterprise budgets.

B. **Charter board adoption coordination**. Where a formal study, plan, or report is intended to provide guidance to the City and Common Council and requires Charter board adoption, RPU will ensure RPU Board adoption occurs prior to presentation for City consideration, consistent with the City draft policy language.

2.3 Budget Revenue and Expenditures Principles

2.3.1 City Policy Incorporated by Reference

RPU incorporates the City's stated principles regarding legal compliance, financial planning, internal controls, and subject to Charter Section 8.04 coordination or integration boundaries.

Charter reference: Section 8.04 (Finance Director)

2.3.2 RPU Enterprise Principles

A. **Cost causation and rate support**. The Board's objective is to recover, through the application of rates and charges for utility services, revenues that are sufficient to meet the financial obligations of each independent utility enterprise in compliance with the City of Rochester Home Rule Charter Chapter XV, Section 15.05, Subd. 3 and the City of Rochester code of ordinances, Title 12 – Utilities and other public services, Chapter 12-1. Rates will be governed by the RPU Board adopted rates policy.

B. **Long-range planning**. RPU will maintain multi-year financial plans and forecasting practices consistent with prudent utility planning, capital lifecycle needs, and maintenance of an investment grade credit rating.

C. **Integrated Enterprise Resource Planning (ERP) system**. RPU will operate within the shared ERP to the extent required for City coordination or integration and system integrity, while retaining RPU business ownership through RPU System Owners and Stewards identified in Section 2.6.

2.4 Delegation of Authority and Financial Controls Framework

A. **RPU Board delegation framework.** The RPU Board establishes the overall delegation framework through Board-adopted policy, including matters reserved to the Board, authority delegated to the General Manager, and reporting expectations.

B. **General Manager sub-delegations below statutory threshold**. The General Manager may delegate any Board delegated authority to RPU teammates.

C. **Audit and revision**. Delegated purchasing authority will be reviewed and approved at least annually by the General Manager, with material changes summarized to the RPU Board.

2.5 Utility Accounting Principles with Regulatory Accounting

A. **Generally Accepted Accounting Principles (GAAP) and Government Accounting Standards Board (GASB).** RPU prepares financial information consistent with GAAP and applicable GASB guidance on an accrual basis. The Utility provides audited financial information and financial budget information annually to support the Citywide financial audit and budget processes in alignment with City coordination and integration requirements under Charter Section 8.04.

B. **Utility accounting practices.** RPU maintains accounting practices appropriate for a public power and water utility, including cost center and project accounting, asset functionalization, operational statistics, fiscal management and capital tracking needed for enterprise management, governance and rate support.

C. **Regulatory Reporting. RPU maintains reports based on Federal Safe Drinking Water Act (SDWA) and Federal Energy Regulatory Commission (FERC) reporting.** FERC reporting is required to support industry standard transmission, generation and distribution cost allocations and cost recoveries. FERC accounting is the basis used for electric industry cost-of-service analysis, generation and transmission cost recovery. SDWA federal statutory law and regulations require demonstration of adequate financial capacity, including the ability to provide sufficient revenue and rate structure, capacity to properly operate and maintain the water system, and fund capital improvements.

Charter reference: Section 8.04 (Finance Director)

2.6 System Owners and Data Stewardship of Key Systems

2.6.1 RPU System Owners and Data Steward Model

An RPU system owner is responsible for approving data definitions, changes to business rules or configuration, determining access, setting policies with their domain ensuring compliance with Board policies and internal controls. System Steward are responsible for data integrity, definitions, data quality, maintaining metadata and working with IT on changes as needed. The system owner may delegate the data stewardship.

2.6.2 System Owners and Data Stewards.

A. **Financial systems and financial administration owner and steward**: RPU Director of Finance.

B. **Information technology systems including IT security systems owner and steward**: RPU Director of Information Technology.

C. **Asset management owner and steward**: Assistant General Manager – Operations.

D. **Risk management owner and steward**: Assistant General Manager – Administration.

2.7 Shared Services, Cost Allocation, and Inter-fund Coordination

2.7.1 Purpose and Intent

To ensure that charges between RPU enterprise funds and other City funds for shared services are based on defensible cost causation principles, transparent documentation, and appropriate governing body approvals where required.

Shared services shall be considered when they are expected to improve efficiency, service quality, resiliency, or compliance while remaining consistent with cost causation principles and maintaining appropriate service levels to the community for electric, water, and any other utility services now or in the future placed under the care of RPU. In evaluating a shared service opportunity, the current state shall first be documented, including existing staffing and resource levels, current customer and operational service demands, required utility business infrastructure and support functions, and the opportunity to improve service in the future under a shared model.

The evaluation of shared services shall define the expected service levels, governance and accountability structure, shared service agreement terms, cost allocation methodology, and any supporting cost allocation plan needed to maintain accountability to cost causation principles and avoid inappropriate interfund transfers of money or services.

Shared service models shall also include ongoing performance metrics, review processes, and oversight sufficient to monitor whether service level commitments to and from RPU are being achieved and maintained over time. Each shared service model shall also consider, at the time it is established, how the arrangement may be modified, transitioned, or unwound if it no longer serves its original intended purpose, no longer meets service level expectations, or no longer supports cost causation, operational integrity, or the public interest.

Consistent with the Board's responsibilities under Chapter XV of the Rochester City Charter, including its responsibility to control, manage, and operate the utility systems under its jurisdiction, its authority to create departments and divisions for the administration of its affairs and alter their duties and organization, and its obligation to coordinate procedures and practices with the City's accounting system, the Board may participate in shared services when doing so supports business efficiency, service quality improvements, regulatory compliance, operational integrity, continuity of utility operations, and sound financial oversight under the Board's authority. Participation in shared services shall not diminish the Board's Charter authority or its responsibility for the effective administration and financial stewardship of the utility.

2.7.2 Charges to RPU for Shared Services

A. Shared services charges to RPU-managed enterprise funds from other City funds shall be based on clear cost causation and benefit principles.

B. Shared service agreements resulting in charges to RPU shall be identified and documented. Material shared service agreements, and material amendments thereto, shall be approved by the RPU Board. The General Manager may approve and amend shared service agreements that are not material in nature and are included within the approved budget, including authorized FTEs, and within the General Manager's delegated authority.

C. The cost allocation methodology and any **Cost Allocation Plan (CAP)** used to calculate charges to RPU shall be made available for examination by the RPU Board and provided to the General Manager and RPU Director of Finance for review prior to the annual recommended RPU budget presentation to the Board.

D. For new shared services or material changes to existing shared services that are beyond the delegated authority of the General Manager, the RPU Board shall review and approve the shared services agreement and the applicable CAP prior to implementation. If the shared service can be supported within existing budget authority, the Board may authorize it. If the shared service requires additional budget authority or appropriations, it shall be presented through the Board's recommended budget, or recommended budget amendment, to the Common Council for approval prior to implementation.

E. Mutual aid support that is short-term in nature to or from other Utilities is not considered a shared service.

2.7.3 Charges from RPU for Shared Services

A. Charges from RPU to other City funds shall be based on clear cost causation and benefit principles and documented allocation bases.

B. Material shared service investments affecting charges. Before the RPU Board approves or directs a new shared service arrangement, or a material change to an existing shared service arrangement, that is reasonably expected to materially affect service levels, cost allocation basis, or charges to another entity, RPU management shall consult with the leadership of the entity served. If the arrangement or change is material and affects charges, service levels, or cost allocation methodology, implementation shall be conditioned on approval by resolution of the governing body of the entity served prior to final commitment by RPU, except for rare, time-bound continuity exceptions documented by the General Manager.

2.7.4 Documentation, True-Ups, and Annual Review

A. RPU will maintain an inventory of shared services board review, and the associated cost allocation workpapers or an equivalent cost allocation plan with service inventory, cost pools, allocation bases, rate calculation approach, and true-up method if included in the cost allocation plan.

3. ACCOUNTS PAYABLE

3.1 RPU-Specific Implementation

A. **Approvals and internal controls**. RPU disbursement approvals follow the RPU delegation framework in Section 2.4, and Section 2.6.2 including segregation of duties or documented compensating controls.

B. **Documentation and auditability**. RPU maintains documentation supporting the purpose, authorization, and reasonableness of payments.

C. **Document Retention**. RPU will follow Federal, State and local requirements.

4. ELECTRONIC PAYMENT

4.1 RPU-Specific Implementation

The RPU Director of Finance is responsible for defining electronic payment methods used by RPU which shall comply with RPU internal control requirements, including access control reviews under the RPU System Owner and Steward model.

Authorization of payment and claims shall follow the RPU Board delegation of authority/relationship within management policy.

5. ACCOUNTS RECEIVABLE

5.1 RPU-Specific Implementation

A. **RPU Director of Finance.** The RPU Director of Finance is responsible for ensuring billing, collection, deposits, fees, payment processing, payment arrangements, write-off and financial allowances for doubtful accounts are administered according to Federal, State and RPU Board policies.

B. **Utility receivables**. RPU maintains effective internal controls for utility receivables including aging review, exception monitoring, payment arrangements, and write-off processes consistent with approved policies and legal requirements.

C. **Customer equity and transparency**. RPU billing and receivable processes will be applied consistently based on RPU Board approved policies.

Policy 16 – Billing, Credit and Collections

Policy 19 – Adjustment of Utility Services Billed

Policy 20 – Rates

Policy 21 – Involuntary Disconnection

6. OPERATIONAL RECEIVABLES

6.1 Revenue

6.1.1 RPU-Specific Implementation

RPU revenue practices reflect utility billing operations, wholesale market activity, RPU Board and City Council approved rate tariffs, billing service for multiple funds (Sanitary Sewer, Storm Water, Water and Electric) implementation of internal controls, and enterprise revenue recognition consistent with regulatory accounting, GAAP and GASB.

6.1.2 RPU-Specific Implementation Gifts or Contributions

Gifts and contributions affecting utility operations, assets, or customer programs shall be reviewed for enterprise fund accounting treatment, operating impacts, and compliance with any grant or donor restrictions.

6.2 Electronic Receipt of Revenue

6.2.1 RPU-Specific Implementation

The RPU Director of Finance shall be responsible for administering the RPU electronic revenue receipt methods based on delegated authority by the RPU Board and General Manager. The RPU Director of Finance shall ensure effective internal controls and authorization processes are in place.

7. FUND BALANCE

7.1 RPU-Specific Implementation

RPU will maintain enterprise reserves and liquidity consistent with RPU Board approved policies and RPU budget approval to ensure utility financial stability (Board designated funds), bond covenants (restricted funds), capital needs (investment in capital assets), and Board financial targets.

Policy 23 – Electric Utility Cash Reserve

Policy 24 – Water Utility Cash Reserve

8. CAPITAL IMPROVEMENT PLAN

8.1 RPU-Specific Implementation

A. **Capital planning**. RPU maintains water and electric funds, utility-specific capital planning that reflects projected capacity requirements, regulatory requirement, lifecycle needs, asset criticality, and service reliability.

B. **Asset management governance**. The Assistant General Manager – Operations serves as asset management owner and steward and ensures alignment of work management, capital planning, including capital expenditures and appropriate funding sources that include the cost causation principals.

C. **Capital Budget**. RPU management, in the direction of the RPU Director of Finance, will develop a comprehensive, fiscally sustainable, recommended five or six-year capital improvement plan (CIP) for each utility fund within RPU's jurisdiction. Capital budgets are to be recommended by the RPU Board and approved by the City Council in accordance with the City Charter, Chapter 15, Section 15.09 (procedures and Record)

D. **Coordination**. The RPU Director of Finance will coordinate with the City Director of Finance to ensure that recommended CIP budget information is provided to enable integrated reporting to the City Council for budget approval.

9. DEBT SERVICE FUND

9.1 City Policy Incorporated by Reference

RPU incorporates the City Debt Service Fund Policy by reference to the extent applicable.

9.2 RPU-Specific Implementation

The RPU managed utility funds will normally issue revenue bonds. The RPU Director of Finance will be responsible for RPU's debt planning, coverage monitoring, compliance with bond covenants, management and reporting of credit metric targets and required reporting.

The Utility will maintain sufficient debt service fund reserves as required by issued bond covenants, as well as any principal payments that have been funded in prior or current years but are not due and payable until subsequent years. These reserves will also support the State of Minnesota statutory requirement that available funds for debt service requirements be not less than 105% of the amounts due in a given year.

Debt Structure and Management

The Utility funds may use short-term borrowings to meet minimum liquidity or cashflow needs of the Utility. Examples include construction funding, foreign currency risk management or disaster recovery costs.

The Utility will limit the term of any bond issued such that the repayment period does not exceed the useful life of the underlying asset being financed.

The Utility may enter financial arrangements to utilize the Utilities tax exempt status or to work within a public private partnership or joint venture to reduce the cost and improve the availability of the commodities being supplied.

The Utility in coordination with the City Finance Director will select a method of sale that maximizes the financial benefit to the City. Sales can be competitive or negotiated, depending on the project and market conditions, but will be recommended by a third-party financial advisor along with reasoning for the chosen method.

All methods of sale, structure, and debt instrument type for the RPU managed funds are subject to RPU Board recommendation and Council approval in compliance with the City Charter. RPU and the City will work with qualified financial consultants on all issues and will obtain written recommendations covering these items on every sale.

10. CAPITAL ASSETS

10.1 RPU-Specific Implementation

RPU capital asset accounting and capitalization practices support enterprise fund reporting, cost of service analysis, and utility functionalization needs.

10.2 Capitalization Thresholds.

The capitalization thresholds and estimated useful lives for depreciation will be determined by the RPU Director of Finance in compliance with generally accepted accounting principles (GAAP), governmental accounting standards Board (GASB) and industry best practices. Note 1: Summary of Significant Accounting Policies to the annual financial audit report includes the current assumptions. As of December 31, 2025, Capital Assets are defined as assets with an initial, individual cost of $5,000 or more or group assets with a value of $25,000 or more, and an estimated useful life in excess of one year.

10.3 RPU – Other Assets - Non-Current.

Electric Fund Utility Other Assets – Noncurrent includes Regulatory Assets consisting of Bond Issue Costs and Service Territory Acquisition Costs, in addition to receivables related to long-term capacity sales.

10.4 Retirement, Exchange and Disposal of assets.

The retirement, exchange or disposal of all assets will comply with the City Charter, Section 15.07 Subd.2. and Utility procedures established by the RPU Director of Finance.

Policy 22 – Acquisition and Disposal of Interest in Real Property

11. INVESTMENT

11.1 City Policy Incorporated by Reference

RPU incorporates the City Investment Policy by reference unless and until the RPU Board adopts a separate RPU investment policy.

11.2 RPU-Specific Implementation

A. **Delegation of Authority.** The RPU Director of Finance will coordinate with the City Finance Director when investing funds in financial investments. RPU Board delegates the operation of the financial investment program to the RPU Director of Finance. This includes engaging financial advisors, or broker/dealers. The RPU Director of Finance shall maintain a list of people authorized by the RPU Board to transact securities or financial transactions on behalf of the Utility. Authorized people shall comply with the Cities Code of Employee Conduct which addresses ethical conduct.

B. **Authorized Depositories**. Safekeeping and Custody. The RPU Director of Finance will work with the City Finance Director to ensure Utility financial investment comply with the Cities depositories, safekeeping and custodial policies.

C. **Liquidity and enterprise needs**. RPU cash management priorities will comply with RPU Board policies which include operational liquidity, capital program timing, reserve targets, and credit metrics.

D. **Reporting**. To the extent that RPU maintains investments outside the City pooled investment funds, the RPU Director of Finance shall prepare an investment report in compliance with the City investment policy to the General Manager and City Finance Director at least quarterly and to the RPU Board at least semi-annually.

12. PURCHASING

12.1 City Policy Incorporated by Reference

RPU incorporates the City Purchasing Policy by reference for competitive solicitation methods, documentation requirements, and standard contract practices, except where Charter assigns contracting authority to the Public Utility Board or where City approval thresholds conflict with Charter-assigned authorities.

12.2 Charter-Based Contracting Authority and Delegation

A. RPU contracting authority is exercised consistently with Charter and applicable federal and state law (MN statute 471.345 and 453) and within approved budgets.

B. The Board may delegate defined purchasing and contracting actions to the General Manager subject to internal controls and reporting requirements.

C. RPU may not use public funds to make charitable contributions in compliance with State Statue and RPU Board policy 25, except to the extent financial support of events, programs or activities meets the conservation and environmental improvement mission of the Utility and satisfies the various conservation and environmental protection laws and rules that RPU is subject to.

Statute reference: 471.345 Uniform Contracting Law

Statute reference: 453 Municipal Electric Power

12.3 Emergency Procurement and Emergency Expenditures

12.3.1 Purpose

To enable rapid response to emergency conditions affecting public safety, system reliability, and continuity of essential utility services while maintaining documentation and governing body visibility.

12.3.2 State Law and Charter References

A. Minnesota Statutes section 12.29 and section 12.37 are incorporated by reference for emergency declaration, continuation, and emergency contracting concepts.

B. Rochester Charter provisions are incorporated by reference for emergency procurement and meeting authorities, including Charter Section 12.10 (Emergency procurement), Section 5.04 (Special meetings), and Section 11.04 (Emergency debt certificates), as applicable.

[Statute reference: 12.29 Declaration of Local Emergency]

[Statute reference: 12.37 Political Subdivision's Powers to Fast Provide Emergency Aid]

[Charter reference: 5.04 Special Meeting]

[Charter reference: 11.04 Emergency Debt Certificates]

[Charter reference: 12.10 Emergency Procurement]

12.3.3 Joint Governance Meeting Protocol for Significant Utility Emergencies

When the Mayor declares a local emergency and significant electric or water emergency expenditures are anticipated, RPU will request that the Mayor convene a joint meeting of the RPU Board and the City Council within three calendar days of the declaration, or as soon as practicable, to consider emergency budgets, appropriations, or other time-sensitive actions consistent with Charter authorities.

12.4 Contract Change Orders, Scope Changes, and Authorization Thresholds

A. Change orders are controlled within delegated authority procedures and require documentation, budget verification, and internal control review.

B. For Board-authorized contracts, change orders are not implied. Any increase beyond the previously authorized amount requires Board consideration and authorization.

C. If a contract awarded under the General Manager's delegated authority is increased by change orders such that the revised contract total exceeds the General Manager's delegated authority, Board authorization is required prior to executing the change, except for rare, time-bound emergency exceptions documented and promptly reported.

12.5 Purchased Power, Fuels, and Other Wholesale Supply Inputs

12.5.1 Delegated Authority to the General Manager

The Board delegates to the General Manager authority to procure purchased power, fuels, natural gas, transmission and ancillary services, and other wholesale market inputs required for electric or water utility operations, within Board-adopted risk limits, internal controls, and the delegation framework.

12.5.2 Load-Driven Commodity and Fuel Procurement Within Approved Tariffs and Reliability Obligations

A. **Forecast variance is inherent in both volume and price**. Actual demand, market constraints, fuel cost volatility, and operating conditions can cause actual volumes and total costs to vary from budget.

B. **Reliability obligation**. RPU shall procure wholesale inputs necessary to reliably serve customer load and meet reliability and market obligations.

C. **Tariff-supported authorization**. For commodities and fuel inputs required to produce electricity or water resold to customers under approved rates and tariffs with appropriate and sufficient margins, those purchases are considered authorized up to the amount demanded by customers, even if total spend exceeds the forecasted and budgeted amount, subject to prudence standards, Board risk limits, internal controls, and required reporting.

D. **Non-tariff speculative transactions are excluded**.

12.5.3 Board and/or City Council Approved Agreements and Transactions Deemed Approved

Transactions executed under participation agreements, tariffs, master agreements, power purchase agreements, tolling agreements, or service arrangements that have been approved by the Board and, where applicable, approved by the City Council as required, are considered authorized up to the Board and City Council approved budget amount. As a narrow exception necessary to maintain reliable service, they may also be authorized beyond forecasted and budgeted amount up to the amount demanded by retail customers under approved rates and tariffs as provided in Section 16.5.2.

This includes, but is not limited to:

A. **MISO** participation agreements and tariff obligations.

B. **The Energy Authority** agreements and transactional platforms.

C. **Grid North Partners** joint development and participation agreement.

D. **Constellation** natural gas supply contracts and confirmations.

E. RPU Board and City Council approved power supply agreements, including but not limited to:

1. **Dodge County Wind PPA** with Restore Renewables.
2. **Adams County Wind PPA** with Restore Renewables.
3. **Howard County Wind PPA** with ENGIE.

4. **Valley High Solar PPA** with True Green Capital.

5. **Battery Storage Tolling Agreement** with Lightshift Energy.

F. The **SMMPA Agency Agreement and Power Sales Agreement** and Board-approved supplemental agreements connected to the Agency Agreement.

G. Any future energy or water supply agreement duly approved by the RPU Board and the City Council, as applicable.

12.6 Minnesota Statutes Chapter 453 powers

RPU recognizes and applies, where applicable, the authorities and flexibilities associated with Minnesota Statutes sections 453.51 to 453.62 as exercised by the City by resolution, with documentation, internal controls, and Board governance guardrails.

Statute reference: 453 Municipal Electric Power

RPU Board resolution: May 23, 2017
Common Council resolution: June 7, 2017

12.7 Public Purpose Gifts and Contributions

RPU may financially support events, programs, and activities that meet the conservation and environmental improvement mission of the utility and that satisfy the various conservation and environmental protection laws and rules imposed upon RPU within the existing approval structure and authorization levels established by the Board.

RPU Board resolution: February 24, 2015

13. MICRO-CONTRACTS PROCESS

13.1 RPU-Specific Implementation

RPU will comply with section 12 Purchasing Policy

14. CONSTRUCTION & PUBLIC IMPROVEMENT CONTRACT CHANGE ORDER & CONTINGENCY

14.1 RPU-Specific Implementation

RPU will comply with section 12 Purchasing Policy

15. INSURANCE SPECIFICATIONS FOR CITY CONTRACTS

15.1 City Policy Coordination

RPU will coordinate with the City Insurance Specifications, however, may approve separate carriers, coverage and limits based on the Utilities risk assessment

15.2 RPU-Specific Implementation

Utility contracting insurance requirements will consider utility operational risk, contractor safety requirements, and any additional coverage needs for high-risk utility work.

16. RISK MANAGEMENT

16.1 City Policy Coordination

RPU will coordinate with the City Risk Management program leadership, however, may maintain separate programs, controls or mitigation initiative to address identified risks.

16.2 RPU-Specific Enterprise and Energy Market Risk

A. RPU has unique energy market and resource portfolio risks, including hedging, wholesale market exposures, and utility compliance risks not typical of other funds.

B. **Risk stewardship**. The Assistant General Manager Administration is the risk management steward for RPU; the RPU Director of Finance supports quantitative exposure measurement and financial impacts; the RPU Director of IT supports cybersecurity and technology risk programs and the Assistant General Manager Operations, RPU Director of Power Resources, RPU Director of Water and RPU Director of Power Deliver support the identification of operational risk.

C. **Standards alignment**. Where practical, RPU will align programs with recognized best practices and utility standards, including ISO-aligned risk and asset management concepts and NIST-aligned cybersecurity frameworks.

17. SELF-INSURANCE

17.1 City Policy Coordination

RPU will coordinate with the City Self-Insurance Reserve Policy.

17.2 RPU-Specific Implementation

RPU will monitor impacts of self-insurance reserve practices on enterprise financial condition and coordinate with City shared risk structures where applicable.

RPU maintains fund balances and third-party insurance coverage to manage self-insured operational risks including disruptions to service caused by natural disasters, equipment failure and market fluctuations.

18. PAYMENT IN LIEU OF TAXES

18.1 Purpose and Intent

Rochester Public Utilities (RPU) operates enterprise utilities owned by the City of Rochester for the benefit of customer ratepayers. Utility rates are intended to be reasonable and compensatory and to recover the costs of providing utility service.

The Payment in Lieu of Taxes (PILOT) is intended to function as a tax-equivalent contribution to the City's General Fund that reflects the value associated with publicly owned utility assets, municipal services, governmental support, and use of public rights-of-way in operating the utility enterprise.

PILOT should not be understood only as a substitute for property tax. It also reflects the broader financial relationship between City-owned enterprise operations and the General Fund. The policy basis includes both:

A. A tax-equivalent value for publicly owned utility assets, similar to the property tax value that might exist if utility service were provided by a taxable private utility.

B. A right-of-way, franchise-type, or municipal-service value because utility and enterprise operations use public rights-of-way and benefit from related City services, infrastructure, and governmental support.

This section is intended to:

A. Establish the City's long-term policy direction that RPU electric and water PILOT be aligned to a standard 6.5% of defined eligible retail revenues.

B. Preserve the enterprise purpose of utility revenues and maintain a clear connection between utility rates and legitimate utility enterprise costs.

C. Establish a predictable, formula-based PILOT methodology that is stable over time and is not used as a discretionary tool for general City budget balancing.

D. Support credit quality, long-range financial planning, and regionally competitive customer utility rates.

E. Provide a collaborative, transparent framework for implementation, administration, reporting, and periodic review of PILOT.

F. Recognize that conversion from the current commodity-based PILOT formula to a percent-of-retail-revenue formula requires cost-of-service review, rate-design work, billing-system configuration, jurisdictional analysis, debt-timing coordination, and customer communication before implementation.

18.2 Policy Statement

PILOT shall be administered as a standardized, formula-based contribution that is objective, repeatable, transparent, and consistently applied year to year.

The long-term standard for RPU electric and water PILOT is 6.5% of defined eligible retail revenues, subject to the definitions, exclusions, implementation timing, governance approvals, and transition provisions in this section.

PILOT shall not be increased, accelerated, or supplemented based on General Fund needs, ad hoc fiscal pressures, or short-term budget balancing objectives.

Until a percent-of-retail-revenue methodology is implemented through the applicable RPU Board, City Council, budget, and rate-setting process, RPU shall continue to administer PILOT under the current Board-approved commodity-based formula. That formula is based on electric kWh sales and water CCF sales multiplied by base unit amounts indexed annually by the prior year Consumer Price Index.

Policy 27 - Payment in Lieu of Taxes

18.3 Definitions

A. **PILOT:** A tax-equivalent payment to the City General Fund representing a reasonable proxy for taxes, right-of-way or franchise-type value, municipal services, and governmental support associated with operating City-owned utility enterprise systems. PILOT reflects both the value that may otherwise be provided through property taxes if utility assets were privately owned and the value associated with the utility’s use of public rights-of-way and related City services.

B. **Eligible retail revenue:** Defined, auditable retail utility service revenue used as the basis for calculating a percent-of-revenue PILOT. Eligible retail revenue shall be limited to revenues directly tied to retail electric or retail water service, subject to the inclusion and exclusion rules established under Section 18.5.

C. **Retail revenue:** Revenue from retail utility service to end-use customers, excluding wholesale activity, market activity, non-service revenues, and other excluded categories identified in this policy or in the annual PILOT methodology documentation.

D. **Operating revenue:** Revenue from enterprise activity operations, as defined for non-RPU enterprise funds in the applicable City financial policy.

E. **Lagging Indicator Budget Basis:** Use of completed, closed-book financial information from prior periods rather than forecast-year estimates to establish the budget-year PILOT planning amount for the City General Fund and RPU financial planning.

F. **Current-Year Accrual Collection Basis:** Recognition and collection of percent-of-revenue PILOT based on current-year eligible retail revenues as they are earned, accrued, billed, or otherwise recognized under the approved revenue definition. This basis is necessary to maintain alignment between the 6.5% PILOT standard and actual eligible retail revenue.

G. **Implementation Year:** The first year in which RPU electric or water PILOT is calculated, collected, and remitted using the 6.5% eligible-retail-revenue methodology rather than the current commodity-based formula.

H. **City-Limits Customer:** A customer receiving electric or water service at a service location inside the corporate limits of the City of Rochester.

I. **Outside-City Customer:** A customer receiving electric or water service at a service location outside the corporate limits of the City of Rochester.

18.4 Formula Basis

The long-term PILOT standard for RPU electric and water shall be 6.5% of eligible retail revenue.

A. The 6.5% standard is intended to be stable over a multi-year period and defensible as a tax-equivalent, right-of-way, franchise-type, and municipal-service value approach.

B. The methodology shall be designed to promote predictability, transparency, and credit supportiveness, and to avoid discretionary or need-based transfers.

C. The formula shall not be implemented for RPU electric or water until eligible revenues, excluded revenues, customer-class impacts, billing-system requirements, city-limits treatment, rate-design impacts, and phase-in needs have been evaluated and approved through the applicable governance process.

D. The current Board-approved commodity-based formula shall remain in effect until a replacement methodology is approved and implemented.

E. Once implemented, the 6.5% methodology shall be calculated on actual current-year eligible retail revenues billed. Budgeting may use prior closed financials for stability, but the policy basis remains 6.5% of actual eligible retail revenue.

18.5 Definition of Eligible Retail Revenue

Eligible retail revenue shall be defined in a clear, consistent, auditable manner and documented annually by the RPU finance function. The documentation shall be made available for City Finance review.

At minimum, the definition shall specify:

A. Whether the measure is billed retail revenue, accrued retail operating revenue, or another defined retail operating revenue measure.

B. Inclusion and exclusion rules for fixed charges, volumetric charges, demand charges, standby charges, grid-access charges, riders, pass-through items, taxes, wholesale activity, market activity, contributed assets, developer contributions, reimbursements, program-specific revenues, lease revenues, interest income, and one-time or non-recurring items.

C. Treatment of billing-cycle timing, adjustments, refunds, and write-offs.

D. Treatment of revenues associated with customers inside and outside City limits.

E. Treatment of revenues collected for direct cost pass-throughs, including Power Cost Adjustment revenues or similar electric cost-recovery mechanisms.

F. Treatment of revenues associated with specific customer programs, including Service Assured Electric and Service Assured Water.

G. Treatment of revenues associated with future regional utility service arrangements, including water service outside City limits and any similar long-term service structures.

The definition shall be applied consistently year-to-year unless revised through the formal change-control process described in Section 18.12.

18.6 Electric Eligible Revenue

For RPU electric, eligible retail revenue shall be limited to load-serving retail electric revenues from customers inside Rochester city limits unless otherwise approved after legal and rate-design review.

The working policy assumption is that eligible electric retail revenue may include applicable fixed, energy, demand, standby, and grid-access components that are directly tied to retail electric service and are identified through the electric cost-of-service study.

The working policy assumption is that the following shall be excluded unless specifically evaluated and approved:

A. Non-load serving wholesale activity.

B. Market activity.

C. Transmission, capacity, or other revenues not directly tied to retail load-serving service.

D. Developer contributions.

E. Contributed assets.

F. Program-specific revenues, including Service Assured Electric and rebate reimbursements.

G. Retail revenue collected to fund PILOT or rebate programs or mandated surcharges.

H. Lease revenue.

I. Interest revenue.

J. Grant proceeds.

K. Taxes or fees collected on behalf of another governmental entity.

L. Direct pass-through cost recovery where inclusion would cause PILOT to increase solely because wholesale power costs, market costs, transition costs, or similar costs increased for non-load serving power costs.

Power Cost Adjustment revenues shall receive specific review before implementation of a percent-of-revenue PILOT. The preferred policy approach is to exclude or define a specific treatment for Power Cost Adjustment revenues to avoid increasing the General Fund transfer solely because wholesale power costs or transition costs increase.

18.7 Water Eligible Revenue

For RPU water, eligible retail revenue shall be limited to retail water bill revenues from customers inside Rochester city limits unless otherwise approved after legal and rate-design review.

The working policy assumption is that eligible water retail revenue may include applicable base and volumetric retail water charges directly tied to retail water service and identified through the water cost-of-service study.

The working policy assumption is that the following shall be excluded unless specifically evaluated and approved:

A. Cell tower lease revenue.

B. Developer contributions.

C. Contributed assets.

D. Reimbursements.

E. Development-related revenues.

F. Program-specific revenues, including Service Assured Water or grant proceeds.

G. Retail revenue collected to pay PILOT, rebate programs or mandated surcharges.

H. Interest revenue.

I. Taxes or fees collected on behalf of another governmental entity.

J. One-time or non-recurring revenues not directly tied to ongoing retail water service.

K. Wholesale water sales.

18.8 Budgeting, Collection, and Payment Method

To improve budget stability for both the City and RPU, budget-year PILOT planning amounts shall be established using a lagging indicator budget basis based on completed, closed-book financial information.

The lagging indicator budget basis is a budgeting tool. It is not the calculation or collection basis for a percent-of-revenue PILOT. Once a 6.5% eligible-retail-revenue methodology is implemented, PILOT shall be calculated and recognized based on actual current-year eligible retail revenues using the approved revenue definition. This current-year basis is necessary to maintain alignment with the policy standard that PILOT equals 6.5% of defined eligible retail revenues.

A. **Budget basis**. For City and RPU budget planning, the annual PILOT estimate shall be based on completed, closed-book financial information, adjusted as appropriate for known rate changes, customer changes, or other documented forecast drivers. The City may apply a conservative budget factor to distinguish recurring General Fund support from amounts that should be treated as one-time or non-recurring.

B. **Closed financials**. Prior-year closed financial information shall be used for the base budget-year planning amount because it is auditable, completed, and less dependent on forecast assumptions.

C. **Collection basis**. PILOT recovered from customers under a percent-of-revenue methodology shall be based on current-year eligible retail revenues billed or accrued under the approved revenue definition, not on the prior-year budget estimate.

D. **Accrual basis**. RPU shall recognize PILOT expense and related customer collections on a current-year accrual basis using the approved eligible retail revenue definition.

E. **Remittance basis**. Remittance to the City may be made through monthly payments based on current-year billings of eligible retail revenues.

F. **Transition recovery**. If PILOT is temporarily recovered through embedded base rates or another budget-based method during implementation, the annual PILOT report shall disclose the basis used and explain any material variance between the budgeted amount and the amount calculated from actual current-year eligible retail revenues.

G. **Conservative General Fund budgeting**. The City will budget recurring General Fund support from PILOT conservatively. The recurring portion should generally be limited to approximately 90% of the expected PILOT amount, with amounts above that level treated as non-recurring or one-time resources unless a different conservative budgeting threshold is approved.

H. **Documentation**. The monthly PILOT remittance report shall identify the budget basis, collection basis, remittance basis, and differences between budgeted and actual eligible retail revenues.

18.9 Forecasting and Budget Risk Management

Because PILOT must be forecasted in multi-year financial plans and five-year pro forma projections, and because actual PILOT outcomes are affected by retail sales, weather, customer growth or loss, rate changes, economic conditions, and customer usage patterns, forecasting error will occur.

To manage this risk:

A. Conservative forecasting and confidence-based budgeting shall be used for five-year pro forma forecasts, with a high-confidence portion targeted at approximately a 90% confidence level and a low-confidence portion representing the uncertainty band.

B. High-confidence forecast amounts may be treated as suitable for recurring General Fund support. Low-confidence forecast amounts should be treated as suitable for one-time expenditures or other non-recurring uses.

C. In-year base rate adjustments intended solely to recover PILOT forecast shortfalls should be avoided.

D. The annual PILOT report shall summarize forecast drivers, uncertainty range, recurring versus one-time classification, and any material differences between budgeted, billed, collected, and remitted PILOT.

E. During periods of major capital investment, planned debt issuance, wholesale power transition, material customer loss, significant water-supply investment, or financial hardship, the City and RPU shall review whether phase-in, temporary modification, or delayed implementation is appropriate.

18.10 Implementation Timing for RPU Electric and Water

The City's long-term policy direction is to align RPU electric and water PILOT to 6.5% of defined eligible retail revenues. Implementation shall not occur until the required cost-of-service, rate-design, billing-system, financial, jurisdictional, governance, debt-timing, and customer-impact work has been completed.

The current Board-approved commodity-based formula shall remain in place at least through 2028 unless modified through the applicable RPU Board and City Council process.

The expected implementation sequence is:

A. **2026:** Clarify policy direction and define implementation issues, including eligible revenue categories, excluded revenues, wholesale-cost treatment, Power Cost

Adjustment treatment, billing-system constraints, customer impacts, debt issuance timing, city-limits application, and phase-in options.

B. **2027: Complete the electric fund cost-of-service study and focused electric rate review.** Define included and excluded water and electric fund revenues, evaluate customer-class impacts, assess billing-system requirements, and determine when water and electric PILOT methodology change should be phased in.

C. **2028:** If directed by Council and approved through the applicable budget and rate-setting process, begin any needed water rate adjustments under the existing commodity-based PILOT formula, with any needed phase-in.

D. **2029: Complete the water fund cost-of-service study and focused water rate review.**

This schedule may be modified based on cost-of-service study results, debt issuance timing, billing-system readiness, customer-impact analysis, legal review, or other material financial or operational considerations.

18.11 Jurisdictional Treatment and Customers Outside City Limits

RPU serves customers both inside and outside Rochester city limits. PILOT is a contribution to the City General Fund and should be applied in a manner that recognizes customer equity, legal requirements, and City Charter or City Code limitations.

The working policy assumption is that a percent-of-revenue PILOT should apply only to eligible retail revenues from customers inside Rochester city limits unless legal review supports a different approach.

Proper jurisdictional treatment is important because:

A. RPU currently has electric and water customers outside City limits who may be paying the existing PILOT through embedded base rates.

B. Future regional water service arrangements may increase the importance of distinguishing City PILOT from base utility service costs.

C. Outside-city customer treatment must be evaluated in light of legal requirements that outside-city customers not be charged less than inside-city customers for the same classification of service.

Before implementation, RPU and City Finance shall obtain legal and rate-design review of city-limits treatment, outside-city customer treatment, and any billing presentation used to apply PILOT by jurisdiction.

18.12 Governance, Collaboration, and Change Control

A. **Governance Alignment.** The current RPU PILOT methodology is established in RPU Board Policy 27. The long-term 6.5% percent-of-revenue policy direction is being addressed through the City and RPU financial policy process. Because a formula change affects rate design, customer bills, enterprise fund finances, General Fund revenues, and utility financial planning, implementation shall move through the applicable RPU Board, City Council, budget, and rate-setting process.

B. **Current Policy Status.** Until a percent-of-revenue methodology is implemented, RPU Board Policy 27 shall remain the governing RPU PILOT collection method unless amended through the applicable approval process.

C. **Replacement of Current Formula.** At the time a percent-of-revenue methodology is implemented for a utility, the current Board Policy 27 methodology should be vacated, replaced, or amended as needed, and the City and RPU financial policies should be revised to reflect the implemented methodology.

D. **Collaboration.** The RPU Board will work closely with the City Council to align the effective rate of PILOT with the City's broader enterprise-fund policy direction while recognizing RPU's Charter responsibilities, utility rate impacts, debt obligations, financial condition, and customer affordability.

E. **Change Control.** Material changes to the PILOT rate, eligible revenue definition, excluded revenue categories, jurisdictional application, billing presentation, phase-in schedule, or implementation timing shall require documented review and approval through the applicable governance process.

F. **Periodic Review.** PILOT shall be reviewed periodically to determine whether the formula remains reasonable, predictable, transparent, and supportive of utility financial strength and City financial planning. Review shall not be used as a substitute for ad hoc General Fund budget balancing.

18.13 Affordability, Credit, and Debt Considerations

PILOT shall be administered in a manner that supports long-term enterprise strength and credit quality and recognizes utility bill impacts on customer affordability and regional competitiveness.

Before implementing a percent-of-revenue PILOT, RPU, and the City shall consider:

A. The timing of planned debt issuance.
B. The effect of PILOT on debt-service coverage, liquidity, revenue stability, and long-term rate trajectory.
C. The effect of PILOT on customer bills and regional rate comparisons.
D. The relationship between PILOT and major capital projects, including water utility capital needs and electric power supply transition needs.
E. Whether the PILOT formula would increase General Fund transfers because of wholesale power costs, debt service, transition costs, or capital-driven rate increases rather than increased enterprise financial capacity.
F. Whether a phase-in approach is needed to avoid unnecessary customer bill volatility.
G. Whether the collection method maintains proper cost-based alignment between the 6.5% eligible retail revenue basis and amounts collected from the customer base.

During periods of material financial stress, major capital investment, debt issuance, wholesale power transition, or significant customer sales volatility, the City and RPU may consider temporary modification, phase-in, or delayed implementation, subject to approval through the applicable governance process.

18.14 Documentation and Reporting

The RPU Director of Finance shall produce an annual PILOT report for City Finance, the RPU Board, and City Council after each year-end close.

The annual PILOT report shall document the approved PILOT methodology in effect for each utility and compare the forecasted budget amount to the PILOT amount calculated, collected, and remitted based on actual current-year eligible retail revenues.

The report shall include:

A. The approved PILOT methodology in effect for each utility, including whether the calculation is based on the current commodity-based formula or the 6.5% eligible-retail-revenue methodology.

B. The eligible revenue definition used for the calculation, including the revenue categories included and excluded.

C. The treatment of inside-city and outside-city revenues.

D. The PILOT amount included in the adopted budget, based on forecasted eligible revenues or the applicable budget basis.

E. The PILOT amount calculated from actual current-year eligible retail revenues billed and collected.

F. The PILOT amount collected from customers and remitted to the City.

G. An explanation of any material variance between the budgeted PILOT amount and the actual calculated, collected, and remitted PILOT amount.

H. Forecast drivers, uncertainty range, customer-impact information, and rate-impact information, as applicable.

I. Any recommended changes to methodology, implementation timing, collection method, revenue definition, customer-class allocation, or phase-in.

19. CONDUIT DEBT

19.1 City Policy Incorporated by Reference

RPU incorporates the City Conduit Debt Policy by reference. This section typically has limited application to RPU.

19.2 RPU-Specific Implementation

RPU in coordination with the City Finance Director, may select qualified financial consultants, underwriters and bond counsel to prepare all necessary documents and materials.

The RPU Board may recommend and request the City Council approve the issuance of conduit debt for the benefit of the Utility in the supply of commodities within its jurisdiction. The Utility will be subject to the same factors and considerations as an independent entity.

19.3 Fees and Cost Recovery

The benefiting utility fund shall pay all expenses incurred in the issuance and ongoing reporting related to the debt issuance, however, will not be subject to any application, issuance or administrative fees that may be charged to an independent entity provided the benefit is realized by the Utility rate payers.

20. POST-ISSUANCE COMPLIANCE FOR TAXABLE or TAX-EXEMPT GOVERNMENTAL BONDS

20.1 City Policy Incorporated by Reference

RPU incorporates the City Post-issuance Compliance policy by reference for applicable debt issuances.

20.2 RPU-Specific Implementation

RPU will maintain records and compliance practices necessary for utility bond issuances, including use-of-proceeds tracking, debt service and continuing disclosure reporting.

Investment of Bond proceeds in compliance with the arbitrage and rebate requirements of the Code and applicable Treasury Regulations will be managed and supervised by RPU Director of Finance in coordination with City Finance Staff.

RPU working with the City Director of Finance, will comply with applicable State and Federal regulations.

21. EXTERNAL AUDITOR INDEPENDENCE

21.1 City Policy Incorporated by Reference

RPU incorporates the City External Auditor Independence Policy by reference.

21.2 RPU-Specific Implementation

RPU will support audit independence through appropriate separation between audit, consulting or advisory services. In alignment with the City Financial Policy, RPU will solicit proposals at least every 6 years and if remaining with the same audit firm will request a change in audit partner overseeing the engagement.

RPU will provide for an annual audit in compliance with the City Charter, Section 15.09.

Charter reference: Section 15.09 (Procedures and Record)

22. FEDERAL UNIFORM GRANT GUIDANCE

22.1 City Policy Incorporated by Reference

RPU incorporates the City Federal Uniform Grant Guidance Policy by reference.

22.2 RPU-Specific Implementation

RPU grant administration will include utility project documentation, procurement compliance, and cost allocation support consistent with federal requirements and audit standards. To the extent that acceptance of a grant creates expenditures not included in the approved budget, RPU will follow Section 2 Budgetary and Financial Controls Policy.

APPENDIX A. DEFINITIONS

AGMO: Assistant General Manager, Operations

AGMA: Assistant General Manager, Administration

Coordination or integration requirements: Accounting practices and procedures established as necessary to coordinate or integrate RPU accounting into the City's financial and accounting system under Charter Section 8.04

ERP: Shared enterprise resource planning system used for City and RPU accounting and financial administration

FERC: Federal Energy Regulatory Commission

GAAP: Generally Accepted Accounting Principles

GASB: Governmental Accounting Standards Board

RPU General Manager: General Manager of Rochester Public Utilities

RPU Board: Rochester Public Utilities Board

RPU Director of Finance: Director of Finance within the RPU organization

RPU System Steward: Role accountable for business ownership of a system or process as used by RPU

RELEVANT LEGAL AUTHORITY:

City of Rochester Home Rule Charter Sections:

5.04 Special Meetings

8.04 Finance Director

11.04 Emergency Debt Certificates

12.10 Emergency Procurement

15.09 Procedures and Record

Minnesota Statutes:

12.29 Declaration of Local Emergency

12.37 Political Subdivision's Powers to Fast Provide Emergency Aid

453 Municipal Electric Power

471.345 Uniform Municipal Contracting Law

EFFECTIVE DATE OF POLICY:

July 28, 2026

DATE OF POLICY REVIEW:

June 28, 2026

POLICY APPROVAL:

____
Board President

7/28/26
____
Date