



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: AUGUST 14, 2018

FROM: OFFICE OF ORGANIZATIONAL PERFORMANCE AND AUDIT WARDS: ALL

SUBJECT: REPORT ON SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY FINANCIAL TRANSACTIONS REVIEW FOR FISCAL YEARS 2014, 2015 AND 2016

ISSUE:

Receive, review, and provide input on the Southern California Public Power Authority Financial Transactions Review for Fiscal Years 2014, 2015 and 2016 report.

RECOMMENDATIONS:

That the City Council receive, review, and provide input on the Southern California Public Power Authority Financial Transactions Review for Fiscal Years 2014, 2015 and 2016 report.

COMMITTEE RECOMMENDATION:

The Governmental Affairs Committee met on June 6, 2018, with Chair Andy Melendez and Member Chuck Conder; Vice Chair Mike Gardner was not in attendance. The report on the Southern California Public Power Authority (SCPPA) Financial Transactions Review for Fiscal Years 2014, 2015 and 2016 was received, reviewed and discussed. The committee unanimously voted to recommend that the City Council receive, review and provide input on the report of the SCPPA Financial Transactions Review for Fiscal Years 2014, 2015 and 2016.

BACKGROUND:

On December 6, 2017, the Governmental Affairs Committee requested that the Office of Organizational Performance and Audit (OOPA) perform an assessment of Riverside Public Utilities (RPU) financial transactions related to SCPPA. The objectives were to determine the following:

1. SCPPA transactions conformed to SCPPA contract guidelines;
2. How RPU procures services through SCPPA; and
3. RPU's procurement of SCPPA services during the review period was consistent with City policies during the same period.

What is SCPPA

Formed in 1980 as a joint powers agency (JPA) comprised of eleven municipal utilities and one irrigation district, SCPPA provides joint financing, construction and operation of transmission and generation projects to ensure economies of scale pricing for its members.

RPU Procurement Process through SCPPA

- A. SCPPA posts a competitive Request for Proposal (RFP) – all RFP's are evaluated by subject matter experts from member agencies;
- B. SCPPA enters into a Master Professional Services Agreement (MPSA) with awarded contractor(s); and
- C. Member agencies participate in these energy efficiency programs through a Task Order (a detailed program agreement between the member agency and the selected contractor).

DISCUSSION:

Our office reviewed 36 SCPPA invoices totaling \$7.3 million for the period of July 1, 2013 through June 30, 2016 to address the audit objectives. Other audit review elements included the SCPPA contract, along with applicable City and state guidelines.

Review Summary

In summary, we concluded that RPU was in compliance with Riverside's Charter, Riverside's procurement resolution and City policies during the period of fiscal years 2014, 2015 and 2016 as noted below:

1. SCPPA purchases by RPU from fiscal years 2014 through 2016 were consistent with the types of purchases allowed under the SCPPA Agreement; payment of invoices followed the standard City payment process.
2. RPU purchases for energy efficiency, training, and other services are within the powers of SCPPA as permitted by Article One of the California Government Code (Joint Powers Agreements).
3. SCPPA's authority to enter into contracts on behalf of RPU was authorized by the City of Riverside's approval of the 1980 SCPPA Agreement, which established Riverside's membership into SCPPA as well as the appointment of the RPU General Manager as the voting member for Riverside on SCPPA's Board of Directors. Section 406 of the City Charter supports this authorization.
4. During the review period, Resolution number 22576 regulated contracts between the City and a third party. Section 201 of the resolution identifies Cooperative Purchasing as an exception to competitive procurement; the relationship between the City and SCPPA falls within the guidelines of such a relationship as defined.

5. Resolution 22576 delegates authority to the City Manager to execute contracts of \$50,000 or less for goods, services and construction; this applies to agreements between the City and a third party. Services procured on behalf of RPU through SCPPA contracts are between SCPPA and their third party; therefore, Resolution 22576 is not applicable.

Additional Observations

Processes and procedures implemented by RPU in February 2017, at the request of City Council, have greatly enhanced the accountability and transparency of the transactions between RPU and SCPPA.

- A. An RPU/SCPPEA Procurement form is submitted to the RPU Chief Financial Officer for approval, to ensure budget availability;
- B. A SCPPEA task order to accept services is approved by the RPU General Manager (or designee); and
- C. The Board of Public Utilities and City Council approval is now required for SCPPEA purchases over \$50K (purchases between \$25K and \$50K are approved by the City Manager; purchases up to \$25K are approved by the RPU General Manager). The FY2018/2019 programs and task orders over \$50,000 were presented to the City Council for approval on June 12, 2018. See chart below:

Program	SCPPEA Contractor	SCPPEA Resolution Number	Fiscal Year 2018-19 Budget	Account Number	Sufficient Funds Available
Business Outdoor Lighting Direct Installation Program	Richard Heath & Associates	2017-113	\$ 965,000.00	6020100-456006	Yes
Upstream HVAC Program	Energy Solutions	2013-019	\$ 250,000.00	6020100-456091	Yes
Multifamily Direct Installation Program	Synergy Companies	2014-082	\$ 150,000.00	6020100-456092	Yes
LED Buydown Program	GreenLite	2014-119	\$ 300,000.00	6020100-456096	Yes
Small Business Direct Installation Program	Lime Energy	2016-008	\$ 965,000.00	6020100-456080	Yes
Keep Your Cool	Efficiency Services Group	2015-023	\$ 100,000.00	6020100-456080	Yes
Key Account Energy Efficiency Program	Muni-Fed Partner Energy	2017-070	\$ 150,000.00	6020100-456094	Yes
Customer Engagement Program	Oracle America Inc.	2017-059	\$ 275,000.00	6020100-456097	Yes
Total			\$ 3,155,000.00		

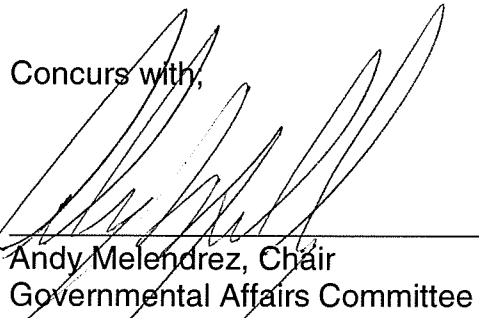
- D. A bi-annual report is provided to the Board of Public Utilities and City Council of all SCPPEA financial transactions for the most recent six-month period. The latest report, for the period of July through December 2017, was submitted to the City Council in February 2018.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report.

Prepared by: Cheryl Johannes, Office of Organizational Performance and Audit
 Certified as to availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer
 Approved by: Al Zelinka, FAICP, City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Concurs with,



Andy Melendrez, Chair
Governmental Affairs Committee

Attachments:

1. Report on SCPPA Financial Transactions Review for Fiscal Years 2014, 2015 and 2016
2. August 26, 1980 CC report for SCPPA
3. Presentation