



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: AUGUST 16, 2022**

FROM: CITY MANAGER'S OFFICE **WARDS: ALL**
CITY ATTORNEY'S OFFICE

SUBJECT: UPDATE ON INVESTIGATION OF CITY OF RIVERSIDE PARTICIPATION IN THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

ISSUE:

Consider expenditures and services to investigate Respondent's assertions related to the City of Riverside's participation in the Southern California Public Power Authority.

RECOMMENDATIONS:

That the City Council:

1. Receive and discuss expenditures and services proposed to investigate Respondent's assertions related to the City of Riverside's participation in the Southern California Public Power Authority;
2. Determine whether to retain forensic accounting services, reporting directly to City Council, to investigate Respondent's assertions within a date range as determined by City Council for an estimated cost of \$105,000;
3. Determine whether to retain outside counsel, reporting directly to City Council, to investigate Respondent's assertions within a date range as determined by City Council for an estimated cost of \$20,000; and
4. Provide direction to the City Attorney and City Manager on discussion items identified in this report.

BACKGROUND:

On March 13, 2019, a request was made by Councilmember Conder during the City's Finance Committee meeting for the City of Riverside to conduct a complete and independent outside audit of the Southern California Public Power Authority (SCPPA), including the formation of SCPPA and its original charter, past audits conducted by the Internal Audit Department, a thorough determination as to signature authority and approval for SCPPA contracts, and transactions between RPU and SCPPA as far back as can be reasonably accomplished.

On August 21, 2019, RFP No. 1963 was issued for a forensic review of the City of Riverside's participation in the Southern California Public Power Authority. The intent of the RFP was to find a qualified entity or individual to provide forensic review services of the City of Riverside's participation with SCPPA for a 10-year period ending December 31, 2018. Five proposals were received in response to RFP No. 1963 and, after an extensive evaluation process, Eide Bailly, LLP (Eide Bailly), was selected as the most responsive proposer based on qualifications, pricing, and industry experience.

On June 30, 2020, the City Council approved a Professional Consultant Services Agreement with Eide Bailly in response to RFP 1963 for Forensic Review of the City of Riverside's Participation in the Southern California Public Power Authority, in an amount not-to-exceed \$115,500, and requested the contract be fully funded from Public Utilities Administration Professional Services Account.

On August 24, 2020, the Board of Public Utilities voted to approve the full cost associated with the Professional Consultant Services Agreement with Eide Bailly for a forensic review of the City of Riverside's participation in the Southern California Public Power Authority in an amount not to exceed \$115,000.

On March 23, 2021, the City Council approved a First Amendment to a Professional Consultant Services Agreement with Eide Bailly to extend the term through June 30, 2021, increase compensation by \$12,500 for a total contract cost not-to-exceed \$128,000; and authorized the City Manager, or designee, to execute the First Amendment to Professional Consultant Service Agreement with Eide Bailly, including making minor and non-substantive changes.

On December 1, 2021, the Inclusiveness, Community Engagement and Governmental Processes Committee received and filed a draft Forensic Review report from Eide Bailly, on the Forensic Review of the City of Riverside's participation in the Southern California Public Power Authority, requested Eide Bailly, complete a final report with the edits recommended by staff and present the final report to City Council for their review and consideration, and directed staff to return to the Committee for review in 90 days.

At the conclusion of the December 7, 2021, City Council meeting, considering the recent developments involving retired RPU General Manager David Wright and the City's involvement with SCPPA, Councilmembers Conder and Perry requested discussion on Southern California Public Power Authority audit, Riverside Public Utilities independent audit, and Measure MM be placed on a City Council agenda in January 2022.

On June 21, 2022, the City Council received and filed a final Forensic Review report from Eide Bailly, on the Forensic Review of the City of Riverside's participation in the Southern California Public Power Authority. Through discussion, City Council directed staff to return with projected costs and services to investigate the 18 Respondent assertions.

DISCUSSION:

To effectively identify services and costs associated with investigating assertions, each assertion was assigned to one of six categories: Forensic Accounting, Criminal Allegation, Previously Investigated/Reviewed, Outside Counsel Recommended, Insufficient Information, or SCPPA Request. A detailed table identifying action items, assertion category assignment, and cost or services associated with investigation is attached to this report (Attachment A).

| Category | Item #'s | Estimated Costs |
|--|--------------------------|------------------------|
| <u>Forensic Accounting</u> - Services that may be rendered by a forensic accounting firm such as Eide Bailly, LLC. Due to costs associated with bringing on a new vendor, it is recommended that any forensic accounting services be completed by Eide Bailly, LLC through contract amendment. | 1, 6, 11, 16, 17, and 18 | \$105,000 |
| <u>Criminal Allegation</u> - Any allegations of crimes have been referred to the District Attorney’s Office as it falls within the jurisdiction of the investigative agency – no further action is required for items assigned to this category. | 2, 12, and 13 | N/A |
| <u>Previously Investigated/Reviewed</u> - Assertions that have been previously investigated or reviewed are assigned to this category. Details related to previous reviews or investigations are identified on the attached table. No further action is required for items assigned to this category. | 3, 4, and 10 | N/A |
| <u>Outside Counsel Recommended</u> - In an effort to maintain transparency, any legal opinions sought related to Respondent assertions are recommended to be outsourced to outside Counsel for review. Due to the timeline of the investigation, findings may be subject to the statute of limitations. | 5 | \$20,000 |
| <u>Insufficient Information</u> - Assertions assigned to this category contain insufficient information to identify next steps. Without complete information a recommendation cannot be made. Respondent was invited to provided further insight. No insight was provided at the time of this report – no further action is required for items assigned to this category. | 7, 8, 9, 14 | N/A |
| <u>SCPPA Request</u> - It is recommended that a formal request to audit SCPPA related assertions assigned to this category be requested by the RPU Manager at a future SCPPA board meeting. | 15 | N/A |

STRATEGIC PLAN ALIGNMENT:

This item aligns with *Strategic Priority 5 – High Performing Government* and *Goal 5.3 – Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision-making.*

The item also aligns with each of the Cross Cutting Threads as follows:

- Community Trust – A forensic review of our processes by qualified professionals, along

with the public presentation of these findings, helps to ensure the City is acting in a transparent manner and builds community trust.

- Equity – This forensic review provided equitable opportunities for all members of the public to provide ideas, information and concerns related to the City’s participation in SCPPA.
- Fiscal Responsibility – Through review and categorization of recommended expenditures, the City ensures expenditures align with assertion objectives.
- Innovation – Forensic reviews and assessments of our practices allows the City identify and respond to any challenges within our operations and ensures our ability to adapt to the changing environment.
- Sustainability and Resiliency – Assessments of our City’s activities and operations helps ensure that the City is able to evolve to meet the needs of our residents and is resilient to future changes and challenges.

FISCAL IMPACT:

The fiscal impact associated with this action is \$125,000.

Prepared by: Megan Stoye, Principal Management Analyst
Approved by: Edward Enriquez, Interim Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Attachment A – Assertion Table
2. Presentation
3. ICGC Report - December 1, 2021
4. City Council Report – June 21, 2022