

# UPDATE - INVESTIGATE THE CITY OF RIVERSIDE PARTICIPATION IN THE SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

## City Manager's Office

City Council  
August 16, 2022

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## BACKGROUND



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## DISCUSSION

To effectively identify services and costs associated with investigating the 18 assertions, each assertion was assigned to one of six categories:

- Forensic Accounting
- Outside Counsel
- Criminal Allegation
- Recommended
- Previously Investigated/Reviewed
- Insufficient Information
- SCPPA Request



## FORENSIC ACCOUNTING

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.

Item	Respondent's Assertions	Estimated Fees
1	The City Council was not approving energy efficiency contracts prior to 2017. The signatures were actually being provided by SCPPA.	\$ 10,000
6	Most of these other types of services are being inappropriately billed through the Palo Verde Contract.	\$ 15,000
11	Internships were provided to the children of two individuals associated with Riverside and SCPPA without the internships being posted to the public and interviews conducted. These interns hardly ever showed up to work.	\$ 30,000
16	Lime Energy was charging \$2,000 to change light bulbs at businesses.	\$ 15,000
17	Was SCPPA performing a bidding process every year of just at the beginning of the contract or not at all?	\$ 15,000
18	You may want to consider adding to the scope. It would be good for the City to see overhead at SCPPA and how it's grown since 1980. My guess is we will see rapid expansion of SCPPA overhead and <b>billing</b> due to increased scope since the time of the charter. It would show why SCPPA would go along with it, since it's like building kingdoms, in that the more people the CEO can say is in the organization and he is overseeing, the more compensation he gets.	\$ 20,000



## CRIMINAL ALLEGATION

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.

Item	Respondent's Assertions	Estimated Fees
2	The former City Attorney was allowing fraud to occur by not speaking out against the spending limits. This process was shut down in 2016/2017, which is a de facto admittance.	N/A
12	The prior audit was forged by a particular individual.	N/A
13	The LADWP investigation has revealed that former General Manager was using family members' contact information as runners. Not sure if this was happening at RPU.	N/A



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## PREVIOUSLY INVESTIGATED/REVIEWED

Assertions that have been previously investigated or reviewed are assigned to this category. No further action is required.

Item	Respondent's Assertions	Estimated Fees
3	City Finance was not doing a proper review of the payments before they were going out. This was verified by the current CFO, who also postulated that RPU Finance was rubber stamping approvals of invoices. It's not clear that RPU Finance was even reviewing the resolutions that were listed on the invoice and payment documents.	N/A
4	The SCPPA JPA allows for power and transmission projects only. The fact it doesn't specifically disallow other services does not mean it allows those services to be procured. A former City Attorney will confirm what I am saying is true. The current City Manager agrees that energy efficiency, internship, and lobbying programs are not allowed.	N/A
10	The author of a 2019 report questions why human resources investigations are being run through SCPPA.	N/A



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## PREVIOUSLY INVESTIGATED/REVIEWED

Item	Respondent's Assertions	Estimated Fees
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- Internal Audit completed June 2018 - reviewed financial transactions for FY 2014, 2015, and 2016. Audit resulted in no findings.
- External RPU Financial and Performance Review completed on May 20, 2016 by Baker Tilly. Audit resulted in no findings.
- External Financial and Performance Review completed on June 27, 2016 by Matrix Consulting Group. Audit resulted in no findings.


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## PREVIOUSLY INVESTIGATED/REVIEWED

Item	Respondent's Assertions	Estimated Fees
4	The SCPPA JPA allows for power and transmission projects only. The fact it doesn't specifically disallow other services does not mean it allows those services to be procured. A former City Attorney will confirm what I am saying is true. The current City Manager agrees that energy efficiency, internship, and lobbying programs are not allowed.	N/A

- A legal written opinion related to the SCPPA Joint Powers Agreement was completed by Norton Rose Fulbright on April 17, 2019 and included in the January 11, 2022 City Council SCPPA Report.


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## PREVIOUSLY INVESTIGATED/REVIEWED

Item	Respondent's Assertions	Estimated Fees
10	The author of a 2019 report questions why human resources investigations are being run through SCPPA.	N/A

- Page 15 of the final Eide Bailly report present to City Council on June 21, 2022 addresses this assertion.



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## OUTSIDE COUNSEL

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.

Item	Respondent's Assertions	Estimated Fees
5	Outside counsel, or legal opinions prior to 2015, when I brought up this issue, should have been obtained. After that time any staff reports and legal opinions would be worthless since it was after my accusation and these subsequent opinions would be covering up for past actions.	\$20,000



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## INSUFFICIENT INFORMATION

Assertions assigned to this category contain insufficient information to identify next steps. Without complete information a recommendation cannot be made. Respondent was invited to provide further insight. No insight was provided at the time of this report – no further action is required for items assigned to this category.

Item	Respondent's Assertions	Estimated Fees
7	Just because something is in the City's budget doesn't mean it's okay if it's still not allowed under the SCPPA JPA. For instance, in that case, the former General Manager could have done anything as long as it was in the budget. Also, the budgets may have carve-outs for SCPPA-specific projects.	N/A
8	Staff reports were manipulated by the former General Manager and former City Attorney. Just because the staff reports were received and filed, does not mean that what they were doing was okay or that the City or Council agreed with what was in them. In addition, there should be a RPU Board Memo stating that it approved it before it went to City Council. There is no sign of proof from the RPU Board.	N/A
9	The notion that energy efficiency is a generation resource is "garbage". Energy efficiency is not a generation resource, it's not a power plant, it's not a transmission line.	N/A
14	I was told MBMC was called in to write policy on procurement systems related to resource adequacy, which is not true.	N/A



## SCPPA REQUEST

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.

Item	Respondent's Assertions	Estimated Fees
15	Any SCPPA rate that is more than \$0.19 per kilowatt is overpriced.	N/A

- RPU General Manager may make a formal request to SCPPA to conduct a rates study.



## STRATEGIC PLAN ALIGNMENT

### Strategic Priority No. 5 – High Performing Government

**Goal No. 5.3** – Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision-making.

#### Cross-Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability &  
Resiliency



Equity



Innovation



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## 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.



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