



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 14, 2019**

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

SUBJECT: PROFESSIONAL SERVICES AGREEMENT WITH EADIE AND PAYNE, LLP, IN RESPONSE TO REQUEST FOR PROPOSAL NO. 1880 FOR AUDIT SERVICES OF RIVERSIDE PUBLIC UTILITIES ELECTRIC AND WATER FUNDS FOR A TERM ENDING JUNE 30, 2020 IN AN AMOUNT NOT TO EXCEED \$60,000

ISSUE:

Consider the recommendation from the Board of Public Utilities and provide direction for a Professional Services Agreement for audit services of Riverside Public Utilities Electric and Water Fund with Eadie and Payne, LLP, of Riverside, California, in response to Request for Proposal No. 1880 in an amount not to exceed \$60,000 with a term ending June 30, 2020.

RECOMMENDATION:

That the City Council consider the recommendation from the Board of Public Utilities and provide staff with direction regarding a Professional Services Agreement for audit services of Riverside Public Utilities Electric and Water Funds with Eadie and Payne, LLP, of Riverside, California, in response to Request for Proposal No. 1880, in an amount not to exceed \$60,000, with a term ending June 30, 2020.

BOARD RECOMMENDATIONS:

On April 22, 2019, The Board of Public Utilities considered the Professional Services Agreement for audit services of Riverside Public Utilities Electric and Water Fund with Eadie and Payne LLP, of Riverside, California in an amount not to exceed \$60,000. After discussion, the Board, with all members present, unanimously voted to recommend that the City Council approve a Professional Consultant Services Agreement for audit services of Riverside Public Utilities Electric and Water Fund with Eadie and Payne, LLP, of Riverside, California, in response to RFP No. 1880 for a term ending June 30, 2020 in an amount not to exceed \$60,000, amending Section 2 of the Agreement, "term", to provide that consultant shall not commence services until the 2019 City Council election results have been certified, the new City Council members have assumed office, and Riverside Public Utilities has presented its first annual report on the rate plan to the City Council.

BACKGROUND:

On May 14, 2018, the Board of Public Utilities (Board), with all members present, conducted a Public Hearing to receive public input related to the electric and water utility five-year rate proposal. Following discussion, the Board recommended that the City Council adopt a resolution approving the 2018-2022 Electric and Water Rules and Rates and conduct an annual review of the adopted rates.

On May 22, 2018, following discussion, the City Council received input on the 2018-2022 Electric and Water Rules and Rates and adopted a resolution approving the 2018-2022 Electric and Water Rules and Rates as outlined in the staff report, with water rates effective July 1, 2018 and Electric Rates effective January 1, 2019. The Council also approved an annual review of the adopted rates.

During the May 22, 2018 City Council meeting, a request was made by Councilmembers for an external financial audit to be conducted of the Riverside Public Utilities (RPU) Water and Electric funds. Subsequent to the meeting, additional requests for an audit of the RPU funds have been received.

On March 25, 2019, the Board of Public Utilities considered the Professional Consultant Services Agreement with Eadie and Payne, LLP. After discussion, the Board unanimously voted to continue the item for 30 days, requested staff provide a summary of all the audits with the associated cost and staff time for FYs 2013-2018 that were conducted on RPU; and requested staff provide an estimate cost of staff time to prepare for this audit (Attachment 2).

DISCUSSION:

On December 6, 2018, Request for Proposal (RFP) No. 1880 for Audit Services of Riverside Public Utilities Electric and Water Funds was issued. The intent of the RFP was to seek qualified entities or individuals to provide audit services of the RPU Electric and Water Funds. The purpose of the audit is to determine whether RPU is providing services in an economical, efficient, and effective manner, whether its goals and objectives are being achieved, and whether it is complying with applicable City and Utilities Department procedures in areas of operations, billings, cash, revenues, and fees.

On January 8, 2019, two (2) proposals were received in response to RFP No. 1880. After an extensive evaluation process, Eadie and Payne, LLP, was selected as the most responsive proposer based on qualifications, pricing, and industry experience.

Proposals:	Location	Amount	Rank
Eadie and Payne LLC	Riverside, CA	\$60,000	1
Baker Tilly	Austin, TX	\$121,260	2

Eadie and Payne, LLP, is a 100-year-old California CPA Firm with extensive experience in providing auditing and consulting services to government agencies. Their approach to the audit will include developing and refining the scope and a more detailed project plan in conjunction with RPU and City representatives, interviewing City Councilmembers, auditing total revenues for the fiscal years ended in June 30, 2013 through 2018 and the partial fiscal year of July 1, 2018 through December 31, 2018, completing a comparative analysis of non-potable versus potable water uses

for the fiscal years ended June 30, 2013 through 2018 and the partial fiscal year of July 1, 2018 through December 31, 2018, and presenting findings to RPU, City Management and City Council.

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23256.

Options for City Council Consideration

1. Approve the audit agreement as revised by the Board of Public Utilities;
2. Approve the audit agreement, without the proposed revisions, and fund the audit agreement with a general fund account, City Manager's Financial and Performance Audit Program Account No. 7211100-450087;
3. Request that the Board reconsider the revisions and approve the audit agreement as originally presented;
4. Decide to not approve the audit agreement at this time; or
5. Provide staff with alternative direction.

FISCAL IMPACT:

The total fiscal impact is \$60,000. Sufficient funding is available in the Fiscal Year 2019/20 Public Utilities Administration Professional Services Account No. 6000000-421000. Sufficient funding is also available in the Fiscal Year 2018/19 City Manager's Financial and Performance Audit Program Account No. 7211100-450087.

Prepared by: Carlie Myers, Deputy City Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. RFP Award Recommendation
2. Professional Consultant Services Agreement with Eadie and Payne LLC
3. Summary of Audits Completed During Fiscal Years 2013/14 – 2017/18
4. Unapproved Board of Public Utilities Minutes from April 22, 2019
5. Presentation