



DATE: June 22, 2021

TO: Mayor and Council Members

FROM: Director of Finance

SUBJECT: Adopt a Resolution Authorizing the City Manager to Negotiate and Execute an Agreement with Procure America for Cost Reduction Consulting Services for an Amount Not-to-Exceed \$500,000, Over a Term of 10 Years

RECOMMENDATION

That Council adopts the attached resolution (Attachment II) authorizing the City Manager to execute a contract with Procure America to provide reporting and analysis of non-core expenses, such as utility costs, with the intent of reducing these expenses.

SUMMARY

Procure America assists cities under the California State Association of Counties (CSAC) umbrella, in evaluating and reducing non-core expenses, such as utility costs. Cost reduction is achieved through expert analysis of the subject expense categories followed by the implementation of proposed modifications and then further verified through periodic review. Under this agreement, Procure America will audit several categories of the City's business-related expenses to identify potential cost savings.

BACKGROUND

Procure America provides government agencies with business intelligence services to identify cost savings in indirect expense categories such as facility utilities, document management, telecommunications, treasury, and waste and recycling services. Procure America achieves savings for agencies by having their teams of subject matter experts review and analyze the billing rates and contracts for services in these expense categories.

In late 2019, Procure America approached the City with an offer to review certain services and utilities accounts in an effort to save money. When the agreement was originally entered, the potential cost savings were envisioned to be relatively minor and well within the purchase authority under the City Manager.

DISCUSSION

The CSAC cost reduction initiative program is a self-funding initiative based on a 50/50 "shared-in-savings" model. Procure America's role is to conduct the initial review, implement

the City's approved rate changes, exemptions, and mitigation strategies and to validate achieved savings. Procure America receives compensation only on actual and realized savings achieved (in arears) directly through the recommendations as outlined and implemented in the City's customed designed Enterprise Strategic Plan (ESP).

The initial review that the City requested for evaluation was a Utility Tariff Rate Optimization Study-TROS. This specific review provides potential for substantial cost reduction as utilities is a category that is typically a top 10 expense line item for cities and quite complex to navigate in terms of regulatory oversight and legal interpretation. The review itself is highly technical and impacts a significant budget item.

ECONOMIC IMPACT

The costs associated with this agreement will be covered by the savings achieved by the implementation of the specified utility account modifications.

FISCAL IMPACT

This expense will only exist if savings of twice the expense exist. As mentioned above, the economic savings for the City will fund the expense for this agreement through its life. The fiscal impact will be absorbed by the budgets of departments realizing the savings from the work done by Procure America. There are sufficient funds budgeted in the FY 2022 operating budget to cover the cost associated with the amended professional services agreement with Procure America.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to any of the six priorities outlined in the Council's Strategic Roadmap.

SUSTAINABILITY FEATURES

There are no sustainability features associated with this report.

PUBLIC CONTACT

The agenda for this item was posted in compliance with the California Brown Act.

NEXT STEPS

Upon approval of this agreement, staff will work with Procure America to begin an analysis of expense categories.

Prepared by: Dustin Claussen, Director of Finance

Recommended by: Dustin Claussen, Director Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager