

Should this item be pulled from the Consent Agenda the following motion is suggested:

**POSSIBLE MOTION**

**I MOVE TO** approve award of contracts to the following for Electric Department consulting/technical services in FY15:

- 1) Electric Power Systems, Inc., also doing business as Electric Power Constructors, in the amount of \$476,850.80
- 2) Northstar Power Engineering in the amount of \$57,955.10




# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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8/4/2015

To: Mayor and Assembly Members  
Mark Gorman, Municipal Administrator

CC: Jeff Wheeler, Acting Electric Superintendent  
John P. "Jay" Sweeney, Chief Finance and Administrative Officer 

From: Mike Middleton, Deputy Finance Director

Re: FY15 Contracts not issued

Mayor and Assembly Members,

In reviewing the financial records for fiscal year 2015, a discrepancy was identified with the assistance of the Electric Department. This discrepancy was identified while checking records to indicate we do not have a repeat of the prior audit finding from the fiscal year 2014 audit.

The Electric Department had a long history of working with three specific vendors and the practice of using a Purchase Order (PO) instead of having a specific contract was the norm. This was changed by the fiscal year 2014 audit finding. However, before this was issued, the practice had already impacted fiscal year 2015. After the finding was addressed, this was not repeated. The issue is State and Federal grants require a contract in many instances. Before going on, it is also important to note this process has been in compliance with SGC 3.16.020.A:

- The administrator may not make an acquisition or contract authorized by 3.16.010 if the value of the property or contract exceeds fifty thousand dollars without first obtaining assembly approval of the appropriation. Such approval can occur either through the listing of the property, service, or contract in the annual budget as adopted by the assembly or by passage of a motion by the assembly.

None of the expense were in excess of the assembly approved budgets on the projects and services.

Due to the prior practice, there is an issue to address with Electric Power Systems (also under the name Electric Power Constructors) and Northstar Power Engineers.

1. Electric Power Systems (Electric Power Constructors)
  - a. Project 90594 – Blue Lake Third Turbine & Dam Upgrade spent \$253,397.65 without a current contract in place.
  - b. Project 90646 – Jarvis St Diesel Capacity Increase spent \$131,942.18 without a current contract in place.
  - c. Project 90757 – Sitka Transient Float Replacement spent \$896.50 without a current contract. This is not a problem alone, but is included to provide a complete picture.
  - d. Not on a project – Using standard operating costs, \$72,261.12 was spent without a current contract in place.
2. Northstar Power Engineering

  
Providing for today...preparing for tomorrow

- a. Project 90646 – Jarvis St Diesel Capacity Increase spent \$29,490.10 without a current contract in place.
- b. Project 90757 – Sitka Transient Float Replacement spent \$770.00 without a current contract.
- c. Project 90611 – Microwave or Optic Fiber spent \$2,607.50 without a current contract.
- d. Project 90648 – Transmission & 1220 Upgrade spent \$9,160.00 without a current contract.
- e. Project 90672 – Medvejie Hatchery transformer Replacement spent \$18,927.50 without a current contract.

It is important to note these costs were all within the approved budget of the projects and fund. The problem is the lack of a current contract for either vendor.

To prevent a potential finding in the audit, the spending needs to be approved at the Assembly level as this was not done, other than the overall budget.

**Requested Action**

Approve the award of a contract to Electric Power Systems, also doing business as Electric Power Constructors, for a total of \$476,850.80 for fiscal year 2015.

Approve the award of a contract to Northstar Power Engineering for a total of \$57,955.10 for fiscal year 2015.

# CONSULTANT CONTRACT

Electric Power Systems, Inc.(EPS) and The City and Borough of Sitka, Alaska

This professional services agreement is entered into between the City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 herein referred to as C&B of Sitka and David Burlingame of Electric Power Systems, Inc., herein referred to as Consultant.

Whereas C&B of Sitka has need of professional services in the operation and maintenance of its electric utility system; and,  
Whereas, Consultant is capable of performing those services;

C&B of Sitka and Consultant hereby agree as follows:

1. **The Work.** The Consultant shall provide C&B of Sitka with services that may be requested from time to time by C&B of Sitka's Utility Director or his designee to assist the Sitka Electric Department staff in the operation and maintenance of the C&B of Sitka's electric utility system. This work will typically involve engineering analysis and developing recommendations as requested for specific utility system operating and maintenance functions such as the Transmission and Distribution system operations as well as maintenance and engineering analysis and recommendations associated with the hydroelectric and diesel generating plant electrical systems.

C&B of Sitka shall provide a scope of work for specific tasks to the Consultant and the Consultant shall then provide a detailed estimate of the costs to perform those tasks. C&B of Sitka shall then issue purchase orders for specific tasks as appropriate. No work shall commence without a purchase order detailing the scope of work, a figure that the cost shall not exceed, and time frame for the work as appropriate.

2. **Payment.** Consultant shall be paid as follows for his services:  
Electrical Consulting Services per attached rate schedule. Expenses shall include transportation, subsistence, phone calls, printing and copying costs and other miscellaneous costs to complete the work. Expenses shall be documented before any payment is made for expenses. Consultant shall be paid monthly upon presentation of proper invoices. Consultant's invoice will identify invoiced cost by project and assigned purchase order number. This contract will not exceed \$476,850.80 for fiscal year 2015. These payments have already been made.
3. **Documents.** All plans, drawings, calculations, correspondence, supporting data and specifications, originals and tracings, and all electronic files produced under this contract shall become the property of C&B of Sitka. Said documents shall be transmitted to the C&B of Sitka's Utility Director or his designee prior to the time of final payment for any specific task under this contract.
4. **General Conditions.** Consultant shall not subcontract or assign any of the work without C&B of Sitka's approval. C&B of Sitka will supply Consultant with copies of available plans, specifications, and data in its possession needed for the work.

# CONSULTANT CONTRACT

Electric Power Systems, Inc.(EPS) and The City and Borough of Sitka, Alaska

5. **Insurance.** Consultant shall provide general liability insurance in the amount of \$2,000,000.00 and workman's compensation insurance. C&B of Sitka shall be named as additional insured on such insurance policies and Consultant shall provide to C&B of Sitka evidence of such policies no later than thirty days after both parties execute this agreement.
6. **Liability.** The Consultant shall provide professional liability insurance for errors and omissions in the amount of \$2,000,000.00.
7. **Consultant's Accounting Records.** Records of Consultant's services and reimbursable expenses pertaining to the work shall be kept on a recognized accounting basis acceptable to C&B of Sitka and shall be available to C&B of Sitka or its authorized representative at mutually convenient times.
8. **Governing Law, Forum, and Venue.** Unless otherwise specified, this agreement shall be governed by the laws of the State of Alaska. Forum and venue for any interpretation, construction, or dispute over this agreement shall lie exclusively in the Courts of State of Alaska sitting in Sitka, Alaska.
9. **Termination.** Either party giving thirty days written notice and specifying an effective date may terminate this agreement.
10. **Completion.** The completion date for this work will be June 30 2015. This contract is to document the agreement assumed to be in effect for fiscal year 2015 by both parties. A new contract will be created for any work in fiscal year 2016 and beyond. This contract is not subject to renewal.

In witness whereof, the parties have executed this agreement in duplicate on the date shown below.

**City & Borough of Sitka**

\_\_\_\_\_  
Mark Gorman, City Administrator

Date: \_\_\_\_\_, Date: \_\_\_\_\_, IRS Tax I.D. No. \_\_\_\_\_

# CONSULTANT CONTRACT

Northstar Power Engineering and The City and Borough of Sitka, Alaska

This professional services agreement is entered into between the City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 herein referred to as C&B of Sitka and Mike Carson of Northstar Power Engineering, herein referred to as Consultant.

Whereas C&B of Sitka has need of professional services in the operation and maintenance of its electric utility system; and,  
Whereas, Consultant is capable of performing those services;

C&B of Sitka and Consultant hereby agree as follows:

1. **The Work.** The Consultant shall provide C&B of Sitka with services that may be requested from time to time by C&B of Sitka's Utility Director or his designee to assist the Sitka Electric Department staff in the operation and maintenance of the C&B of Sitka's electric utility system. This work will typically involve engineering analysis and developing recommendations as requested for specific utility system operating and maintenance functions such as the Transmission and Distribution system operations and maintenance.

C&B of Sitka shall provide a scope of work for specific tasks to the Consultant and the Consultant shall then provide a detailed estimate of the costs to perform those tasks. C&B of Sitka shall then issue purchase orders for specific tasks as appropriate. No work shall commence without a purchase order detailing the scope of work, a figure that the cost shall not exceed, and time frame for the work as appropriate.

2. **Payment.** Consultant shall be paid as follows for his:

Engineering Services	\$110.00 per hour
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Expenses shall include transportation, subsistence, phone calls, printing and copying costs and other miscellaneous costs to complete the work. Expenses shall be documented before any payment is made for expenses.

Consultant shall be paid monthly upon presentation of proper invoices.

Consultant's invoice will identify invoiced cost by project and assigned purchase order number. This contract will not exceed \$57,955.10 for fiscal year 2015.

3. **Documents.** All plans, drawings, calculations, correspondence, supporting data and specifications, originals and tracings, and all electronic files produced under this contract shall become the property of C&B of Sitka. Said documents shall be transmitted to the C&B of Sitka's Utility Director or his designee prior to the time of final payment for any specific task under this contract.
4. **General Conditions.** Consultant shall not subcontract or assign any of the work without C&B of Sitka's approval. C&B of Sitka will supply Consultant with

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Northstar Power Engineering and The City and Borough of Sitka, Alaska

copies of available plans, specifications, and data in its possession needed for the work.

5. **Insurance.** Consultant shall provide general liability insurance in the amount of \$1,000,000.00 and workman's compensation insurance. C&B of Sitka shall be named as additional insured on such insurance policies and Consultant shall provide to C&B of Sitka evidence of such policies no later than thirty days after both parties execute this agreement.
6. **Liability.** The Consultant shall provide professional liability insurance for errors and omissions in the amount of \$500,000.00
7. **Consultant's Accounting Records.** Records of Consultant's services and reimbursable expenses pertaining to the work shall be kept on a recognized accounting basis acceptable to C&B of Sitka and shall be available to C&B of Sitka or its authorized representative at mutually convenient times.
8. **Governing Law, Forum, and Venue.** Unless otherwise specified, this agreement shall be governed by the laws of the State of Alaska. Forum and venue for any interpretation, construction, or dispute over this agreement shall lie exclusively in the Courts of State of Alaska sitting in Sitka, Alaska.
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City & Borough of Sitka \_\_\_\_\_

\_\_\_\_\_  
Mark Gorman, City Administrator

Date: \_\_\_\_\_,

Date: \_\_\_\_\_,

IRS Tax I.D. No. \_\_\_\_\_