



**AGENDA REPORT**

**PROPOSED ACTION: Resolution:** Approve and Authorize the Executive Director to Enter into a Professional Services Agreement for External Auditing Services with Macias Gini & O'Connell LLP for the Fiscal Years Ending June 30, 2025, 2026, and 2027 with Two Possible One-Year Extensions for Audit Services for Fiscal Years Ending June 30, 2028 and 2029, for a Total Not to Exceed Amount of \$1,777,223 and Finding that the Proposed Action is Exempt Under the California Environmental Quality Act. **(Finance & Admin)**

**Submitted By:** Julie Lam, Chief Financial Officer; Kristi McKenney, Executive Director

**Parties Involved:**

Macias Gini & O'Connell LLP, Walnut Creek, CA, Linda Hurley, Partner

**Amount:** \$1,777,223 (Operating Expense)

**EXECUTIVE SUMMARY:** The Port of Oakland (Port) is required to engage an independent external auditor to perform annual audits on its financial records. The scope of work to be performed consists of the (1) Basic Financial Statement Audit (Annual Comprehensive Financial Report), (2) Single Audit, (3) Passenger Facility Charge (PFC) Audit, (4) Customer Facility Charge (CFC) Audit, (5) Deferred Compensation Plan Audit, and (6) Report to Management.

Historically, the City of Oakland (City) and the Port have joined efforts in soliciting and selecting professional auditing services, because the Port's Annual Comprehensive Financial Report (ACFR) is incorporated into the City's ACFR this coordination creates reporting efficiency and cost savings for both parties. A joint competitive Request for Proposal (RFP) for professional auditing services, lead by the City Staff, was issued in December 2024. In January 2025, staff from the Port and the City evaluated three proposals received and recommended award of this contract to Macias Gini & O'Connell LLP (MGO) based on relevant experience, qualifications, organization, and approach. The City's Finance & Management Committee approved the City's separate contract with MGO for audit services at its April 22, 2025, meeting, and is expected to award the contract to MGO at the City's May 6, 2025, council meeting.

**BACKGROUND & ANALYSIS**

In December 2024, the City and the Port issued a joint competitive RFP with the purpose of selecting the same auditing firm. The scope of work for the Port was included in the RFP as a separate part of the overall scope. The City directly contacted 35 financial firms and associations representing potential bidders and advertised in the local press and on the City's website. Approximately ten (10) firms attended a pre-proposal conference held to address bidders' questions. In January 2025, the City received two (2) responsive proposals and one (1) incomplete proposal. The RFP requested to provide three (3) years of service fees and one proposal provided only two (2) years of service fees for the City and three (3) years of service fees for the Port and thus, was considered incomplete.

Receiving a small number of proposals is consistent with the City and Port's prior experience conducting this solicitation, one (1) proposal was received in 2020, and two (2) proposals were received in 2016. This is due to the complexity of the City's multiple audits, as well as the specialized industry of the Airport and Seaport.

The City and the Port evaluated the proposals independently, and MGO's proposal was ranked significantly higher than its competitors by both the City and the Port on its strong qualifications, comprehensive audit plan, capable small local partner, and unmatched experience providing similar services for large local governments in California. Notable public clients include the cities of Los Angeles, San Jose, San Francisco, and Sacramento, as well as the Counties of Alameda, Contra Costa, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, and Santa Clara. MGO maintains a policy of partner rotation consistent with Assembly Bill 1345, and offers a robust technical review program, assuring that the Port's financial records are examined with fresh eyes. In compliance with this law, MGO rotated the Port's engagement to a new audit partner in 2024, providing a noticeably fresh perspective to the audit engagement.

While the Port's pricing from MGO's proposal was the highest for the Port, the total pricing for the combined Port and City work, was the overall best option, and the Port feels MGO's service proposal is the best value to both the Port and the City together.

The base contract amount will cover auditing services to complete the ACFR, including a Report to Management, Deferred Compensation Audit, Single Audit, PFC and CFC Audit for fiscal years 2025 through 2027 with optional two (2) one-year extensions.

Maximum contracting authority requested is as follows:

	ACFR	Single Audit*	PFC Audit	CFC Audit	Deferred Compensation Audit	Total
<b>FY 2024-2025</b>	215,825	37,005	11,430	13,080	12,305	289,645
<b>FY 2025-2026</b>	223,379	38,300	11,830	13,538	12,736	299,783
<b>FY 2026-2027</b>	231,197	39,641	12,244	14,012	13,182	310,276
<b>FY 2027-2028 (optional estimated)</b>	245,069	42,019	12,979	14,853	13,973	328,893
<b>FY 2028-2029 (optional estimated)</b>	259,773	44,541	13,757	15,744	14,811	348,626
<b>Total Base Services</b>	<u>1,175,243</u>	<u>201,506</u>	<u>62,240</u>	<u>71,227</u>	<u>67,007</u>	<u>1,577,223</u>
<b>Additional Major Program as needed for Single Audit</b>						100,000
<b>Additional Accounting Services as needed</b>						<u>100,000</u>
<b>Total Maximum Authorization</b>						<u><u>1,777,223</u></u>

\* The Proposed pricing for Single Audit includes one major program.

## **OTHER FINDINGS AND PROVISIONS**

### **ENVIRONMENTAL REVIEW**

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

☐ Categorically exempt under the following CEQA Guidelines Section:

Choose an item.

☒ "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).

☐ Other/Notes:

### **BUDGET**

☐ Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR

☒ Operating

☐ Non-Operating

☐ Capital

Analysis: Approval of the proposed action does not impact FY 2025 Operating Expense Budget. Future auditing costs will be included in Port Finance department's future operating expense budgets.

### **STAFFING**

☒ No Anticipated Staffing Impact.

☐ Anticipated Change to Budgeted Headcount.

Reason:

☐ Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

### **MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):**

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

☐ Additional Notes:

### **LIVING WAGE** (City Charter § 728):

Applies?

No (Not Covered Entity) – proposed action involves entity not covered by Living Wage requirements because it is not a covered service provider or tenant, does not employ at least 21 employees, or receive from or pay to Port at least \$50,000.

☐ Additional Notes:

### **SUSTAINABLE OPPORTUNITIES:**

Applies? **No.**

### **GENERAL PLAN** (City Charter § 727):

Conformity Determination:

<p><u>Reason:</u> There are no sustainability opportunities related to the proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities.</p>	<p>No Project – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.</p>
<p><b><u>STRATEGIC PLAN.</u></b> The proposed action would help the Port achieve the following goal(s) in the Port’s Strategic Plan:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base</li> <li><input type="checkbox"/> Modernize and Upgrade Infrastructure</li> <li><input type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience</li> <li><input type="checkbox"/> Maximize Land Use Value and Revenues</li> <li><input type="checkbox"/> Workforce Training and Jobs Development</li> <li><input type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development</li> </ul>	