

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Members

C. April Boling
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Jim Desmond

Mark Kersey

Robert T. Lloyd

Paul Robinson

Johanna Schiavoni

Michael Schumacher

Mark B. West

SPECIAL AUDIT COMMITTEE and SPECIAL BOARD MEETING *

AGENDA

Monday, March 25, 2019

8:30 A.M

San Diego International Airport
SDCRAA Administration Building -- Third Floor
Board Room
3225 N. Harbor Drive
San Diego, CA 92101

Ex-Officio Board Members

Cory Binns

Col. Charles B. Dockery

Jacqueline Wong-Hernandez

President / CEO

Kimberly J. Becker

This Agenda contains a brief general description of each item to be considered. If comments are made to the Board without prior notice, or are not listed on the Agenda, no specific answers or responses should be expected at this meeting pursuant to State law.

Staff Reports and documentation relating to each item of business on the Agenda are on file in Board Services and are available for public inspection.

PLEASE COMPLETE A "REQUEST TO SPEAK" FORM PRIOR TO THE COMMENCEMENT OF THE MEETING AND SUBMIT IT TO THE AUTHORITY CLERK. ***PLEASE REVIEW THE POLICY FOR PUBLIC PARTICIPATION IN BOARD AND BOARD COMMITTEE MEETINGS (PUBLIC COMMENT) LOCATED AT THE END OF THE AGENDA.***

***NOTE:** This Committee Meeting also is noticed as a Special Meeting of the Board (1) to foster communication among Board members in compliance with the Brown Act; and (2) to preserve the advisory function of the Committee.

Board members who are not members of this Committee may attend and participate in Committee discussions. Since sometimes more than a quorum of the Board may be in attendance, to comply with the Brown Act, this Committee meeting also is noticed as a Special Meeting of the Board.

To preserve the proper function of the Committee, only members officially assigned to this Committee are entitled to vote on any item before the Committee. This Committee only has the power to review items and make recommendations to the Board. Accordingly, this Committee cannot, and will not, take any final action that is binding on the Board or the Authority, even if a quorum of the Board is present.

CALL TO ORDER:

PLEDGE OF ALLEGIANCE:

ROLL CALL:

Committee Members: Hollingworth, Lloyd, Robinson (Chair), Schiavoni, Tartre
(Vice Chair), Van Sambeek, West

NON-AGENDA PUBLIC COMMENT:

Non-Agenda Public Comment is reserved for members of the public wishing to address the Committee on matters for which another opportunity to speak **is not provided on the Agenda**, and which is within the jurisdiction of the Committee. Please submit a completed speaker slip to the Authority Clerk. ***Each individual speaker is limited to three (3) minutes. Applicants, groups and jurisdictions referring items to the Board for action are limited to five (5) minutes.***

Note: Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board.

NEW BUSINESS:

1. PROCESS AND SELECTION OF THE EXTERNAL AUDITOR:

RECOMMENDATION: Staff recommends that the Audit Committee forward its nomination of BKD, LLP as the external auditor with the recommendation to award an agreement for an amount not to exceed Nine Hundred Fifty Thousand Dollars (\$950,000) for a three-year term with an option for two (2) one-year extensions, which may be exercised at the sole discretion of the Authority's President/CEO.

Presented by: Kathy Kiefer, Director, Finance and Asset Management

COMMITTEE MEMBER COMMENTS:

ADJOURNMENT:

Policy for Public Participation in Board, Airport Land Use Commission (ALUC), and Committee Meetings (Public Comment)

- 1) Persons wishing to address the Board, ALUC, and Committees shall complete a "Request to Speak" form prior to the initiation of the portion of the agenda containing the item to be addressed (e.g., Public Comment and General Items). Failure to complete a form shall not preclude testimony, if permission to address the Board is granted by the Chair.
- 2) The Public Comment Section at the beginning of the agenda is reserved for persons wishing to address the Board, ALUC, and Committees on any matter for which another opportunity to speak is not provided on the Agenda, and on matters that are within the jurisdiction of the Board.
- 3) Persons wishing to speak on specific items listed on the agenda will be afforded an opportunity to speak during the presentation of individual items. Persons wishing to speak on specific items should reserve their comments until the specific item is taken up by the Board, ALUC and Committees.
- 4) If many persons have indicated a desire to address the Board, ALUC and Committees on the same issue, then the Chair may suggest that these persons consolidate their respective testimonies. Testimony by members of the public on any item shall be limited to **three (3) minutes per individual speaker and five (5) minutes for applicants, groups and referring jurisdictions.**
- 5) Pursuant to Authority Policy 1.33 (8), recognized groups must register with the Authority Clerk prior to the meeting.
- 6) After a public hearing or the public comment portion of the meeting has been closed, no person shall address the Board, ALUC, and Committees without first obtaining permission to do so.

Additional Meeting Information

NOTE: This information is available in alternative formats upon request. To request an Agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device (ALD) for the meeting, please telephone the Authority Clerk's Office at (619) 400-2400 at least three (3) working days prior to the meeting to ensure availability.

For your convenience, the agenda is also available to you on our website at www.san.org.

For those planning to attend the Board meeting, parking is available in the public parking lot located directly in front of the Administration Building. Bring your ticket to the third floor receptionist for validation.

You may also reach the SDCRAA Building by using public transit via the San Diego Metropolitan Transit System, Route 992. For route and fare information, please call the San Diego MTS at (619) 233-3004 or 511.

AUDIT COMMITTEE

Meeting Date: **MARCH 25, 2019**

Subject:

Process and Selection of the External Auditor

Recommendation:

Staff recommends that the Audit Committee forward to the Board its nomination of BKD, LLP as the external auditor with the recommendation to award an agreement for an amount not to exceed Nine Hundred Fifty Thousand Dollars (\$950,000) for a three-year term with an option for two (2) one-year extensions, which may be exercised at the sole discretion of the Authority's President/CEO.

Background/Justification:

Pursuant to Public Utilities Code §170018 and the Charter of the Audit Committee, the Audit Committee is responsible for recommending to the Authority Board its nomination for an external auditor and the compensation of that auditor. Additionally, the Audit Committee should consider at least every three (3) years, whether there should be a rotation of the audit firm or the lead partner to ensure continuing auditor independence. Outlined below is a detailed evaluation of the external auditor selection process that has been conducted:

The Authority issued the Request for Proposals (RFP) for Financial Audit Services on January 10, 2019. Notice of the solicitation was advertised in the San Diego Daily Transcript and on the Authority's Website. Forty-two (42) companies were directly notified of the opportunity and eighteen (18) companies downloaded the documents. The Authority received eight (8) proposals on February 11, 2019, from the following candidates:

- 1) BKD, LLP
- 2) Crowe, LLP
- 3) Eide Bailly, LLP
- 4) Lance, Soll & Lundghard, LLP
- 5) Macias, Gini & O'Connell, LLP
- 6) Moss Adams LLP
- 7) Plante & Moran PLLC
- 8) Vavrinek, Trine, Day & Com. LLP

The Evaluation Panel consisted of staff from the Accounting, Internal Audit, and Finance Departments. The panel found the eight proposals to be responsive. On February 15, 2019 the evaluation panel met to evaluate the proposals received. In-person interviews were held on March 15, 2019.

Evaluation criteria utilized in selection of short-listed respondents included:

- Organizational Experience and Expertise;
- Primary Staff Capabilities;
- Work Plan and Technical Approach;
- Proposed Fees/Cost to Authority;
- Sustainability; and
- Small Business Preference.

The proposal evaluations resulted in the four highest ranking firms to be invited to interview. The top four candidates were:

- 1) Macias, Gini, O'Connell
- 2) BKD, LLP
- 3) Moss Adams
- 4) Plante & Moran PLLC

Interviews were held on March 15, 2019. The Respondents were asked to provide responses to a specific list of questions, prepared by the evaluation panel, which targeted the evaluation criteria presented in the solicitation. The panelist's rankings of the respondents are presented below:

Final Rank	Panelist 1	Panelist 2	Panelist 3	Panelist 4	Panelist 5	Total	Rank
BKD, LLP	1	1	1	1	1	5	1
Macias Gini & O'Connell LLP	3	3	4	4	4	18	4
Moss Adams LLP	4	4	3	3	3	17	3
Plante & Moran, PLLC	2	2	2	2	2	10	2

Combined Scores	SB Preference	Cost / Fees	Sustainability	Organization Experience and Expertise	Primary Staff Capabilities	Work Plan and Technical Approach	Total
BKD, LLP	0	875	165	720	1440	1175	4375
Macias Gini & O'Connell LLP	0	1250	160	495	960	850	3715
Moss Adams LLP	0	1000	170	615	1020	1000	3805
Plante & Moran, PLLC	0	875	170	630	1320	1050	4045

Overview:

Staff recommends BKD, LLP for the Authority's external auditor. The following provides additional information about BKD:

- BKD is the 13th largest CPA firm in the US with 38 offices in 17 states and 280 partners and principals serving clients in all 50 states and internationally.
- BKD has national expertise in serving airports, serving more than 50 airports.
- BKD presented a highly skilled professional staff on multiple levels with airport, capital improvement, passenger facility charges and consolidated rental car experience.

- BKD has extensive single audit experience. Further, BKD is one of the top auditors of Airport Improvement Program expenditures.
- BKD demonstrated a strong and detailed use of innovation and technology that will enhance the efficiency of the audit and implementation of GASB 87 Lease Standard.
- BKD is actively participates in all major airport industry and public sector organizations.
- BKD has continuing education programs that they offer to the Airport Authority professional accounting staff.
- BKD will provide the Authority access to top audit professionals and information resources available nationally at a competitive contract price.
- BKD's large pool of airport experienced professionals at all levels will provide the Authority the opportunity to rotate for a fresh set of eyes.
- BKD has delivered an excellent level of performance, expertise and outstanding service to the Authority during the previous contract.

Fiscal Impact:

Adequate funding for the agreement with BKD, LLP to provide the Authority's financial audit services is included in the proposed FY 2020 Budget and FY 2021 Conceptual Budget within the Services-Auditing line item. Expenses that will impact budget years not yet adopted by the Board will be included in future year budget requests.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy
 Customer Strategy
 Employee Strategy
 Financial Strategy
 Operations Strategy

Environmental Review:

A. CEQA: This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.

B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Application of Inclusionary Policies:

The Authority has the following inclusionary programs/policies: a Disadvantaged Business Enterprise (DBE) Program, an Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, Policy 5.12 and Policy 5.14. These programs/policies are intended to promote the inclusion of small, local, service disabled veteran owned, historically underrepresented businesses and other business enterprises, on all contracts. Only one of the programs/policies named above can be used in any single contracting opportunity.

This contract does not utilize federal funds and provides limited opportunities for sub-contractor participation; therefore; at the option of the Authority, Policy 5.12 was applied to promote the participation of qualified small businesses. Policy 5.12 provides a preference of up to five percent (5%) to small businesses in the award of selected Authority contracts. When bid price is the primary selection criteria, the maximum amount of the preference cannot exceed \$100,000. The preference is only applied in measuring the bid. The final contract award is based on the amount of the original bid.

In accordance to policy 5.12, the recommended firm, BKD, LLP received 0% small business preference.

Prepared by:

KATHRYN KIEFER
SENIOR DIRECTOR, FINANCE AND ASSET MANAGEMENT