



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT**

**Item No.
9**

Meeting Date: APRIL 12, 2012

Subject:

Approve and Authorize the President/CEO to Execute a First Amendment to the Agreement with McGladrey & Pullen LLP for Professional Financial Audit Services

Recommendation:

The Audit Committee recommends that the Board adopt Resolution No. 2012-0039, approving and authorizing the President/CEO to take all necessary steps to execute a first amendment to the agreement between the Authority and McGladrey & Pullen LLP, increasing the compensation by \$400,000 for a total not to exceed compensation of \$850,000, and exercising both one-year options to extend the term of the agreement.

Background/Justification:

On June 1, 2009, the Authority entered into an Agreement with McGladrey & Pullen, LLP to provide professional auditing and consulting services. The term of the Agreement is three years with two one-year options to renew and a total compensation amount of \$450,000. This First Amendment is needed to increase the compensation amount by \$400,000 and to exercise both options to renew the term, resulting in an expiration date of May 6, 2014.

During the initial contract period, the Authority has utilized McGladrey & Pullen to perform the audit of the Authority's financial statements for the Fiscal Years 2009, 2010, 2011, and to provide guidance on accounting treatment related to the Green Build project and other issues relating to implementing and interpreting accounting standards. In addition, McGladrey & Pullen provided auditing services related to Customer Facility Charges (CFC).

By exercising both one-year extension options and increasing the compensation under the agreement, McGladrey & Pullen will be able to continue under the original scope of work and provide services related to the state Controller's requirements under California Civil Code section 1936, which governs the CFC. In order to adjust the CFC related to fund the new Consolidated Rental Car (CONRAC) facility, the Authority will need the attestation by McGladrey & Pullen, a requirement under the law.

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The hourly rates set forth in the Agreement would remain unchanged; however, the total amount of compensation would be increased as follows:

| | |
|--|------------|
| Audit Services for FY2012 and FY 2013 | \$ 292,300 |
| CONRAC attestation engagement and additional consulting services. | \$ 107,700 |
| Total | \$ 400,000 |

The proposed increase for audit services is due to the increased size and complexity of the Authority's financial audit.

This was presented at the March 26, 2012 Audit Committee. The Audit Committee unanimously moved to forward to the Board for approval.

Fiscal Impact:

Funds are available in the Auditing Services account of the Authority's FY13 budget and will be included in the proposed FY14 budget.

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:

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

Equal Opportunity Program:

Not applicable.

Prepared by:

VERNON EVANS
VICE PRESIDENT, FINANCE/TREASURER, CFO

RESOLUTION NO. 2012-0039

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING AND AUTHORIZING THE PRESIDENT/CEO TO TAKE ALL NECESSARY STEPS TO EXECUTE A FIRST AMENDMENT TO THE AGREEMENT WITH MCGLADREY & PULLEN, LLP FOR PROFESSIONAL FINANCIAL AUDIT SERVICES, INCREASING THE COMPENSATION BY \$400,000 FOR A TOTAL NOT TO EXCEED COMPENSATION AMOUNT OF \$850,000 AND EXERCISING BOTH ONE-YEAR OPTIONS TO EXTEND THE TERM OF THE AGREEMENT

WHEREAS, on May 6, 2009, the Authority entered into a professional financial audit services Agreement with McGladrey & Pullent LLP ("Consultant") to provide financial audit services to the Authority;

WHEREAS, the term of the Agreement is three years with two one-year options to renew and a total compensation amount of \$450,000; and

WHEREAS, a First Amendment is needed to increase the compensation and extend the term by exercising both one-year options to renew the Agreement to May 6, 2014, thus allowing Consultant to continue its audit work under the Agreement and assist the Authority in matters related to Customer Facilities Charges under California Civil Code section 1936 ("CFC"); and

WHEREAS, McGladrey & Pullen, LLP has staff that has expertise with the issues of the Green Build Program and as well as the CFC adjustment requirements relating to the CONRAC; and

WHEREAS, the Board finds that it is in the best interest of the Authority to increase the compensation amount and extend the term of the Agreement for the reasons set forth herein.

NOW THEREFORE BE IT RESOLVED that the Board hereby approves and authorizes the President/CEO to take all necessary steps to execute a First Amendment to the Agreement with McGladrey & Pullen, LLP for professional financial audit services, increasing the compensation amount by \$400,000 for a total not to exceed compensation amount of \$850,000, and exercising both one-year options to extend the term of the agreement.

BE IT FURTHER RESOLVED that the Board finds that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA) Pub. Res. Code Section 21605; and is not a "development" as defined by the California Coastal Act Pub. Res. Code Section 30106; and

BE IT FURTHER RESOLVED THAT the Authority and its officers, employees and agents hereby are authorized, empowered and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolution.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 12th day of April, 2012, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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