DATE: October 6, 2026

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT Adopt a Resolution Authorizing the City Manager to Execute an Amendment or Amendments to the Professional Services Agreement with Maze & Associates for Audit and Financial Services, Increasing the Maximum Compensation from $389,807 Up to a Total Maximum Compensation Amount Not To Exceed $750,000 if All Contract Extensions Are Exercised

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to negotiate and execute an amendment or amendments to the Professional Services Agreement with Maze & Associates to increase the contract's maximum compensation amount from $389,807 to a total maximum compensation amount not-to-exceed $750,000 if two options to extend the term are exercised for professional audit services required to complete any annual audits incorporated into any exercised option period and including additional audit services required to complete the Fiscal Year 2024-25 annual audit.

SUMMARY

After an extensive request for proposal process to perform the City's annual independent financial audit reports, the City entered into a Professional Services Agreement with Maze & Associates in July 2024. For the Fiscal Year 2025-25 annual audit, additional audit procedures became necessary due to the City's current fiscal challenges and the increased level of audit work required to complete the audit. Therefore, the work exceeded the hours originally anticipated in the engagement.

In addition to additional work needed for the FY 2024-25 annual audit, staff is recommending that the City Manager is authorized to execute an amendment or amendments to exercise options to extend the contract term. The contract provides for up to two one-year options to extend the agreement with compensation increase based on Consumer Price Index (CPI). Therefore, staff has recommended an authorization to increase the maximum compensation by an amount slightly greater than 5%. During the Fiscal Year 2025-26 audit process, staff will evaluate if the options will be exercised and confirm the cost of each option period.

BACKGROUND

The City entered into a Professional Services Agreement with Maze & Associates in July 2024 for a period of three years with a maximum compensation amount not-to-exceed $389,807 to perform the annual independent audit of the City's financial statements. Maze & Associates specializes in governmental auditing and provides audit, accounting, and consulting services exclusively to California local governments and special districts. The firm's experience with municipal finance and governmental accounting standards enables it to provide independent assurance that the City's financial statements are presented fairly in accordance with applicable accounting principles.

As part of the annual audit process, the auditors evaluate the City's internal controls, perform risk assessments, review financial transactions, and issue required reports to meet state and federal reporting requirements.

DISCUSSION

During the current audit engagement, circumstances associated with the City's fiscal condition have resulted in additional audit procedures beyond those originally anticipated. Maze & Associates determined that additional audit procedures and staff time was necessary to evaluate financial information and complete all required reporting. The City's financial circumstances have increased the complexity of the audit and require expanded review and documentation to comply with professional auditing standards.

Approval of the amendment will allow the auditors to complete the Fiscal Year 2024-2025 annual audit and issue the City's required financial reports which includes the City's Annual Comprehensive Financial Report (ACFR), issue the Independent Auditor's Report, prepare any required Government Auditing Standards reports, and complete any applicable Single Audit requirements.

The agreement with Maze & Associates is for a term of three years with an option to extend the agreement for two additional fiscal years. As part of the current agreement, the City may exercise up to two options to extend the term for one year for a total of five years. Staff recommends the term is clarified to reflect the timing needed to complete the annual audit reflected in each option period. For example, generally, an audit is complete within the following fiscal year but, in the case of the Fiscal Year 2024-25 annual audit, audit activity was required into Fiscal Year 2026-27. The table below provides the terms and pricing:

Year 1	Audit Service for Fiscal Year Ending June 30, 2024	$124,383 ***Completed***
Year 2	Audit Service for Fiscal Year Ending June 30, 2025	$129,855 ***Revised: $169,855***
Year 3	Audit Service for Fiscal Year Ending June 30, 2026	$135,569
Year 4 (optional)	Audit Service for Fiscal Year Ending June 30, 2027	Base Rate + CPI Approx. $143,025
Year 5 (optional)	Audit Service for Fiscal Year Ending June 30, 2028	Base Rate + CPI Approx. $150,891
	Total	$723,723*

*Additional funds (+$26,277=750k) should years 3-5 audits be faced with unexpected costs, as seen for Fiscal Year 2024-25.

Although the City continues to face budget constraints, completion of the annual independent audit is a required governmental function and is essential to maintaining compliance with applicable accounting and auditing standards. Timely completion of the audit supports transparency, satisfies reporting obligations, maintains the City's financial credibility with regulatory agencies, bondholders, and grantor agencies, and helps preserve eligibility for current and future grant funding.

Funding for the amendment will be provided through the Finance Department budget using available appropriations and/or budget adjustments, as appropriate.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to the Strategic Roadmap.

ECONOMIC IMPACT

There is no economic impact associated with this action.

FISCAL IMPACT

The first proposed amendment increases the Professional Services Agreement with Maze & Associates by $40,000 for additional services needed to support the Fiscal Year 2024-25 annual audit.

Costs for these services are budgeted in the operating budget for the Finance Department. Audit services for Fiscal Year 2025-26 are already incorporated into the agreement. If the City exercises the option for Maze and Associates to complete audit services for Fiscal Year 2026-27 or for both Fiscal Year 2026-27 and Fiscal Year 2027-28 the estimated maximum compensation is up to $750,000 as increases to compensation for those two years are based on CPI increases. If the City elects to exercise these options to extend the term, costs for future years will be incorporated into the regular budget process for approval.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act standards.

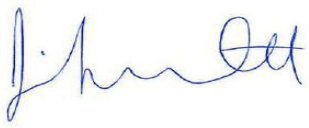
NEXT STEPS

If Council approves staff's recommendation, the City Manager will execute an amendment with Maze & Associates for completion of the Fiscal Year 2024-2025 annual audit and may negotiate future amendments to exercise options to extend the term of the agreement for the period required to complete any annual audits incorporated into any exercised option period.

Prepared by: Crissy Mello, Administrative Secretary

Recommended by: DeAnna Hilbrants, Director of Finance

Approved by:



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Jennifer Ott, City Manager