



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 10/20/2026

ITEM NO: 10

DATE: October 20, 2026
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Finance Commission's Recommendation and Authorize the Town Manager to Execute an Agreement with Badawi & Associates to Provide Auditing Services for the Town of Los Gatos**

RECOMMENDATION: Receive the Finance Commission's Recommendation and authorize the Town Manager to execute a three-year agreement with Badawi & Associates and include the option to extend for two additional one-year terms in an amount of \$163,094 for the three-year term, \$57,660 for the first year extension, \$59,389 for the second year extension, and a \$5,000 contingency.

FISCAL IMPACT:

The proposed agreement would include three years of auditing services for a total amount of \$163,094 with the option to extend for two (2) additional one-year terms for \$57,660 for the first year extension, \$59,389 for the second year extension, and a \$5,000 contingency. Sufficient funds for auditing services are included in the Town's Adopted FY 2026-27 Operating Budget. Funding for additional years will be budgeted on an annual basis.

STRATEGIC PRIORITY:

Auditing services support the Council's Strategic Priority of Fiscal Stability by ensuring accuracy in financial reporting.

BACKGROUND:

The Finance Commission received the auditor contract at their September 14, 2026, regular meeting and recommended unanimously that the Town Council approve the agreement. The

PREPARED BY: Eric Lemon
Finance & Accounting Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

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Town made a few changes to the agreement term and amount after the Finance Commission approved the agreement. The changes were to include the total amount for the full five years that were in the bid and to adjust the agreement term to include the optional years.

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

- (9) Provide written comments and recommendations regarding the selection of auditors for the Comprehensive Annual Financial Report (now called the Annual Comprehensive Financial Report).

For the past five years, the Town's annual audits were completed by Chavan and Associates. Consistent with Governmental Accounting Standards Board best practices and State law, it is the Town's practice to solicit audit proposals every five years to ensure audit independence and competitive prices. If the Town is satisfied with the current audit firm's work, then that firm may submit a proposal but must propose with an alternate audit engagement partner.

DISCUSSION:

The Town of Los Gatos sent Requests for Proposals (RFP) to qualified independent certified public accounting firms to audit its financial statement for three fiscal years, with an option to extend the agreement an additional two fiscal years with Town Council approval. The RFP was sent to thirty-seven qualified firms known to provide local government auditing services. Five firms responded with proposals.

The initial scoring panel consisted of the Administrative Services Director, Finance and Accounting Manager, Senior Administrative Analyst, and Accountant / Finance Analyst. The firms were evaluated based on their technical expertise with local government audits, qualified personnel, and responsiveness to the RFP. The top three proposals were moved forward in the evaluation process, and they had dollar cost bids that were comparable. They were Badawi & Associates, Eide Bailly, and Vasquez & Company.

The interview selection panel consisted of one Finance Commissioner, the Administrative Services Director, and the Finance and Accounting Manager. Based upon the proposals and interviews, Town staff selected the firm of Badawi & Associates.

The managing partner at Badawi & Associates is Mr. Ahmed Badawi, who has over 25 years of municipal audit experience with a special focus on cities. He is a licensed CPA in California and is a member of the Government Accounting and Auditing Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous Town,

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county and special district governments, as well as non-profit entities. The firm's clients that are close to the Town of Los Gatos include Mountain View, Scotts Valley, Foster City, and Millbrae.

The firm will provide the following services for the Town:

- The annual audit of the basic financial statements in accordance with Governmental Accounting Standards and preparation of the Town's Annual Comprehensive Financial Report;
- A report communicating information related to the audit to those in charge of governance (Town Council) at the conclusion of the audit;
- A management letter containing any comments or recommendations resulting from the review of systems of internal controls in connection with the financial audit;
- A Single Audit for grant funding if required under the Title 2 U.S. Code of Federal Regulations;
- Measure G district sales tax Agreed-upon Procedures;
- GANN Limit Agreed Upon Procedures; and
- Optional additional services, include the preparation of the annual report of financial transactions to the State Controller, TDA Audit, and Annual Street Report Preparation.

CONCLUSION:

Receive the Town Finance Commission recommendation and authorize the Town Manager to execute a three-year agreement with Badawi & Associates and include two optional one-year terms to provide auditing services for the Town of Los Gatos in the amount of \$163,094 for the three-year term, \$57,660 for the first year extension, \$59,389 for the second year extension, and a \$5,000 contingency for a five year total of \$285,143.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Agreement to provide auditing and optional services with Badawi & Associates, LLP.