

City of Cupertino
Audit Committee Regular Meeting
Minutes
April 22, 2024

CALL TO ORDER

At 4:00 p.m., Chair ~~Chen-Schmidt~~ called the ~~special-regular~~ meeting to order in the City of Cupertino Conference Room A, 10300 Torre Avenue.

ROLL CALL

Committee Members Present: Chair Eno Schmidt, Mayor Sheila Mohan, Committee member Hanyan Wu, Councilmember Hung Wei

City Staff Present: Kristina Alfaro, Thomas Leung, Janet Liang, Matt Morley, Jonathan Orozco

Absent: Committee member Angela Chen

Guests: Carlos Oblites (Chandler), Haile Garcia (Moss Adams), Ryan Maxey (U.S. Bank), Jennifer Meza (PARS), Will Rogers (PARS), Dennis Mullins (PFM Asset Management), Rick Rosenthal (PFM Asset Management)

ORDERS OF THE DAY

1. APPROVE MINUTES OF SPECIAL MEETING ON MARCH 21, 2024

Mayor Mohan motioned; Committee member Wei seconded. No public comment. The motion passes unanimously.

Chair Schmidt motioned an amendment to edit future minutes so that the Audit Committee members that are on the City Council should be addressed as Council member in the minutes instead of Committee member. The motion passes as amended unanimously.

POSTPONEMENTS

ORAL COMMUNICATIONS

Rhoda Fry provided comments. Brooke Ezzat provided comments.

OLD BUSINESS

NEW BUSINESS

2. Receive the Internal Audit and Fraud, Waste, and Abuse programs update

Garcia provided an update. Chair Schmidt asked if committee members were interested in seeing the Fraud, Waste and Abuse reports, would it be available to view. Garcia noted that the reports are confidential and is a requirement of State law and City policy.

No public comment.

Mayor Mohan motioned to receive the report, Committee member Wu seconded. The motion passes unanimously.

3. Receive OPEB & Pension Section 115 Trust Performance Report for Quarter Ending December 31, 2023 and March 31, 2024

Meza provided an overview of the report. Rosenthal provided an overview of the report. Chair Schmidt asked what the process is for eliminating certain stocks and if they are in communication with city staff. Rosenthal noted that they do not communicate trades directly with the City, it is included in the statements and the report shows the top 5 and bottom 5 contributors. Chair Schmidt asked if they are worried about regional banking failures. Rosenthal noted that they have not seen much of it in the last year. Committee member Wu asked if they have any recommendations on the market trend. Rosenthal noted that they do not as they did a through review not too long ago.

No Public Comment.

Councilmember Wei motioned to receive the report, Committee member Wu seconded. The motion passes unanimously.

4. Receive the Treasurer's Investment Report for the Quarter Ending December 31, 2023 and March 31, 2024

Orozco provided an overview. Oblites provided an overview. Chair Schmidt asked if we should expect the portfolio to vary from the index in the future because of the duration. Oblites noted yes, particularly on the front end because of the benchmark. Chair Schmidt asked if this leads into the cash management issue for the City. Oblites noted yes and that there is a liquidity component at the bank and at the State Pool - LAIF to cover expenditures, payroll runs and AP runs.

Committee member Wu asked about the \$45 million LAIF transfer. Orozco noted that the City transferred funds out and withholding the funds until then was driven by the unknown of the CDTFA audit and a few other outstanding liabilities.

Mayor Mohan asked if it is common to move funds to LAIF. Orozco noted that the City historically has maintained approximately \$20 million but with clarity in the CDTFA audit and repayment portion of it, funds were moved. Alfaro noted that staff looks at it on a regular basis and make a decision on what we know at a given point in time. Mayor Mohan asked one of our priorities is liquidity, how does LAIF play into it. Orozco noted that it is relatively liquid and that it is around 4% return.

Committee member Wu asked what is the composition of the LAIF fund. Orozco noted that LAIF is administered by the State of California and they set the restrictions and baseline. Oblites noted that LAIF invests in money market securities and longer treasuries.

Rhoda Fry provided public comment.

Councilmember Wei motioned to receive the report, Committee member Wu seconded. The motion passes unanimously.

5. Annual Review of the City's Investment Policy

Orozco provided an overview. Chair Schmidt asked about the initial allocation of \$56.5 million that was set aside for disputed sales tax revenue, how does it get into the investment policy. Orozco noted that the funds are set aside in the City's accounting software and is unaffected or may be affected by the investment policy as the City wants to shorten the maturity date.

Rhoda Fry provided public comment.

Mayor Mohan motioned to accept the report and forward to the City Council for approval, Committee member Wu seconded. The motion passes unanimously.

6. Update on FY 2022-23 ACFR and Supplemental Reports

Orozco provided an overview.

Rhoda Fry provided public comment.

7. Receive the proposed Audit Committee 2024 Schedule and Workplan

Orozco provided an overview.

Govind Tatachari and Rhoda Fry provided public comment.

STAFF AND COMMITTEE REPORTS

COMMITTEEMEMBER ATTENDANCE AT UPCOMING MEETINGS AND EVENTS

FUTURE AGENDA SETTING

ADJOURNMENT

The meeting adjourned at 5:56 p.m.

Recording Secretary:

Janet Liang, Management Analyst