CITY OF CUPERTINO

AGENDA

AUDIT COMMITTEE

This will be a teleconference meeting without a physical location.
Monday, July 26, 2021
4:00 PM

TELECONFERENCE / PUBLIC PARTICIPATION INFORMATION TO HELP STOP THE SPREAD OF COVID-19

In accordance with Governor Newsom's Executive Order No-29-20, this will be a teleconference meeting without a physical location to help stop the spread of COVID-19. Members of the public wishing comment on an item on the agenda may do so in the following ways:

1) E-mail comments by 8:00 a.m. on Monday, July 26 to the Audit Committee at AuditCommittee@cupertino.org. These e-mail comments will be received by the Audit Committee members before the meeting and posted to the City's website after the meeting.

2) E-mail comments during the times for public comment during the meeting to the Audit Committee at AuditCommittee@cupertino.org. The staff liaison will read the emails into the record, and display any attachments on the screen, for up to 3 minutes (subject to the Chair's discretion to shorten time for public comments). Members of the public that wish to share a document must email AuditCommittee@cupertino.org prior to speaking.

3) Teleconferencing Instructions
Members of the public may observe the teleconference meeting or provide oral public comments as follows:

Oral public comments will be accepted during the teleconference meeting. Comments may be made during "oral communications" for matters not on the agenda, and during the public comment period for each agenda item.

To address the Audit Committee, click on the link below to register in advance and access the meeting:

You are invited to a Zoom webinar.
When: Jul 26, 2021 04:00 PM Pacific Time (US and Canada)
Topic: Cupertino Audit Committee Teleconference Meeting - July 26, 2021 (Meeting Begins

at 4:00 p.m.)

Register in advance for this webinar:
https://cityofcupertino.zoom.us/webinar/register/WN_G1DyaOLkSIidV1FO5-71IA

Or an H.323/SIP room system:
H.323:
162.255.37.11 (US West)
162.255.36.11 (US East)
213.19.144.110 (Amsterdam Netherlands)
213.244.140.110 (Germany)
103.122.166.55 (Australia Sydney)
103.122.167.55 (Australia Melbourne)
69.174.57.160 (Canada Toronto)
65.39.152.160 (Canada Vancouver)
Meeting ID: 934 3281 2123
SIP: 93432812123@zoomcrc.com

After registering, you will receive a confirmation email containing information about joining the webinar.

Please read the following instructions carefully:

1. You can directly download the teleconference software or connect to the meeting in your internet browser. If you are using your browser, make sure you are using a current and up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers, including Internet Explorer.

2. You will be asked to enter an email address and a name, followed by an email with instructions on how to connect to the meeting. Your email address will not be disclosed to the public. If you wish to make an oral public comment but do not wish to provide your name, you may enter "Cupertino Resident" or similar designation.

3. When the Chair calls for the item on which you wish to speak, click on "raise hand." Speakers will be notified shortly before they are called to speak.

4. When called, please limit your remarks to the time allotted and the specific agenda topic. In compliance with the Americans with Disabilities Act (ADA), anyone who is planning to attend this teleconference meeting who is visually or hearing impaired or has any disability that needs special assistance should call the City Clerk's Office at 408-777-3223, at least 48 hours in advance of the meeting to arrange for assistance. In addition, upon request, in

advance, by a person with a disability, meeting agendas and writings distributed for the meeting that are public records will be made available in the appropriate alternative format.

ROLL CALL

APPROVAL OF MINUTES

1. Subject: Approval of minutes from Special Meeting on May 24, 2021
Recommended Action: Approve minutes from Special Meeting on May 24, 2021
A - Draft Minutes 05.24.21

ORAL COMMUNICATIONS

This portion of the meeting is reserved for persons wishing to address the Committee on any matter within the jurisdiction of the Committee and not on the agenda. Speakers are limited to three (3) minutes. In most cases, State law will prohibit the Commission from making any decisions with respect to a matter not on the agenda.

NEW BUSINESS

2. Subject: Receive Multi Factor Authorization Training from City's Infrastructure Division
Recommended Action: Receive Multi Factor Authorization Training from City's Infrastructure Division

3. Subject: Quarterly Review of Treasurer's Report as of June 30, 2021
Recommended Action: Receive Quarterly Review of Treasurer's Report as of June 30, 2021
B1 - Treasurer's Staff Report
B2 - Treasurer's Report 6.30.2021
B3 - WF Custodial Statement 6.30.2021
B4 - WF Workers' Compensation Statement 6.30.2021
B5 - WF Operating Statement 6.30.2021
B6 - LAIF Statement 6.30.2021

4. Subject: OPEB & Pension Section 115 Trust Performance Report
Recommended Action: Receive OPEB & Pension Section 115 Trust Performance Report
C - US Bank Performance Report 6.30.21

5. Subject: Interim Report on CAFR and AUP by Independent Auditor
Recommended Action: Receive Interim Report on CAFR and AUP by Independent Auditor

6. Subject: HdL Contract and Refund Error
Recommended Action: Receive HdL Contract and Refund Error
E - HdL Contract and Refund Error Staff Report

7. Subject: Audit Committee Meeting Frequency
Recommended Action: Consider Approving Changes to the Audit Committee Meeting Frequency.
F - Audit Committee Meeting Frequency

9. Subject: Budget Format Review
Recommended Action: Receive Budget Format Review
G1 - Budget Format Review Update
G2 - Sub-Committee Initial Comments on Budget Format Review
G3 - Sub-Committee Formal Memorandum on Budget Format Review
G4 - Budget Format Review Update PPT
G5 - Questions Regarding the Current Budget Report

10. Subject: Follow-up on Previous FY Management Letter Items and Management Response
Recommended Action: Receive Follow-up on Previous FY Management Letter Items and Management Response

11. Subject: Embezzlement Update
Recommended Action: Receive Embezzlement Update

OLD BUSINESS

STAFF AND COMMITTEE REPORTS

FUTURE AGENDA SETTING

ADJOURNMENT

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Any writings or documents provided to a majority of the members after publication of the agenda will be made available for public inspection. Please contact the City Clerk's Office in City Hall located at 10300 Torre Avenue during normal business hours.

IMPORTANT NOTICE: Please be advised that pursuant to Cupertino Municipal Code 2.08.100 written communications sent to the Cupertino City Council, Commissioners or City staff concerning a matter on the agenda are included as supplemental material to the agendized item. These written communications are accessible to the public through the City's website and kept in packet archives. You are hereby admonished not to include any personal or private information in written communications to the City that you do not wish to make public; doing so shall constitute a waiver of any privacy rights you may have on the information provided to the City.

Members of the public are entitled to address the members concerning any item that is described in the notice or agenda for this meeting, before or during consideration of that item. If you wish to address the members on any other item not on the agenda, you may do so during the public comment.

CITY OF CUPERTINO

Agenda Item

21-9587

Agenda Date: 7/26/2021
Agenda #: 1.

Subject: Approval of minutes from Special Meeting on May 24, 2021

Approve minutes from Special Meeting on May 24, 2021

City of Cupertino
Audit Committee Special Meeting
Minutes
May 24, 2021

1. CALL TO ORDER
At 4:00 p.m., Chair Daisy Liang called the special meeting to order. This was a teleconference meeting with no physical location.

2. ROLL CALL
Committee Members Present: Vice Mayor Chao, Councilmember Moore, Vice Chair Daisy Liang, Committee Member Angela Chen, Committee Member Song (arrived 10 minutes late)
City Staff Present: Deborah Feng, Kristina Alfaro, Zach Korach
Absent: None
Guests: Mark Steranka, Emily Hayes, Tammy Lohr (Moss Adams), and Kathy Lai and Matt Geerdes (Crowe),

3. APPROVAL OF MINUTES
Councilmember Moore did not recall being nominated for Vice Chair by Vice Mayor Chao. This was confirmed by Vice Mayor Chao. Councilmember Moore moved to approve the April 28, 2021 minutes and Vice Chair Chen seconded. The motion carried unanimously with Councilmember abstaining and Committee Member Song absent.

ORAL COMMUNICATIONS
Peggy Griffin noted concerns regarding adequate checks and balances and red flags as noted below:

1. "In February 2021, all City Council candidates mistakenly were sent a full refund of their $2,860 candidate statement fee! That's a $14,300 mistake. It was the candidates that caught it, not the City!
2. The actual refund of $284 these candidates were supposed to get has yet to be paid to them!
3. The recent disclosure that a contractor was permitted to submit invoices that exceeded the contracted amount **AND** that the City paid it! (Reference City Council Meeting 05-18-2021, Agenda Item #15)
4. Very old invoices yet to be paid! (Reference City Council Meeting 05-18-2021, Agenda Item #15 where Mayor Paul points this out.)
5. Accounts Payable statements not appearing on the City Council Agenda regularly to be approved. There are long dry spells followed by bursts which make it very difficult for Council and the public to review them all.
6. Allowing contractors to submit invoices quarterly rather than monthly increases the risk of overruns."

Vice Mayor Chao moved to add the items mentioned by Peggy Griffin to the next regular meeting agenda. Councilmember Moore seconded. The motion carried unanimously.

5 - NEW BUSINESS

5A – Internal Audit Report – ***60 minutes***

Mark Steranka provided an overview of the enterprise risk assessment report. He discussed the recommended projects to be conducted in FY21 and FY22 including procurement, capital program effectiveness, policy inventory, and fraud waste and abuse program (FWA).

Councilmember Moore inquired if FWA could be moved up in the schedule and expressed interest in the vendor management internal controls piece. Mark Steranka noted that the recommended projects included in the report can be selected "a la carte."

Councilmember Moore asked if City's budgets are ever audited. Mark noted that the external auditor audits the financial statements which includes a review and comparison presentation of the budget to actuals. On the internal audit side, they do audit budgets, but it's more common at the program/activity level. Councilmember Moore asked what the review of policies would look like. Steranka noted that a review would look for gaps in policies and ensuring they're up to date.

Vice Mayor Chao asked about the timing and schedule of the recommended projects and about the policy inventory and FWA and its ongoing costs. Steranka confirmed the schedule and the potential for ongoing supporting costs at the discretion of the Committee and Council.

Vice Mayor Chao recommended these items require Council approval. Korach confirmed the internal audit plan will go to Council for approval.

Vice Mayor Chao also asked about the scope of the capital project effectiveness project. Steranka explained the project.

Committee Member Song asked about the embezzlement and the recent council candidate refund error and if they were related. She asked if this is a segregation of duties issue and what the process is for payments. Steranka noted that they would expect to review internal controls across the City. Korach explained that the embezzlement and the refund error were unrelated and that the refund error was not a matter of fraud, but rather human error. Korach asserted that there are controls in place and pursuant to Council approval of the internal audit plan, the City will be reviewing the procurement process and related controls in depth.

Councilmember Moore inquired about the policies around procurement, budgeting, and what triggers Council approval for contracts. Furthermore, Councilmember Moore expressed interest

in additional internal audit plan items (Senior Center Operational Review, vendor management and internal controls, grant management review, employee performance management review, and AR control review). Steranka noted that the recommended list of projects for FY 21-22 are priority projects and all other recommended projects in the report would be recommended subsequently.

Vice Chair Chen recommended tying the recommended projects to the risk areas identified in the enterprise risk assessment report. Chen also inquired about the funding source for these projects. City Manager Feng noted that the necessary amounts of funding are included in the budget and anything above and beyond would require Council approval.

Councilmember Moore noted that in FY13, the Adopted Budget added a contingency budget and expressed concern over the budget's growth in years since. City Manager Feng noted that responses to her questions would be addressed in advance of the next budget study session.

Vice Mayor Chao expressed interest in the employee performance management project and senior center operational review as well as a possible sports center operational review. Lastly, Vice Mayor Chao asked about what internal audit is going to be doing in FY 21-22. Steranka reiterated that the ten projects in the report are important projects, but the four projects currently recommended represent the first round of projects to be completed. Additional projects will be candidates for the subsequent fiscal year.

Councilmember Moore asked about the recommended action and if the Committee could add projects. Korach noted that they could, but that adding projects could impact the timing of completion of the four projects currently being recommended.

Vice Mayor Chao asked why vendor management was not included on the list of recommended projects. Steranka noted that it would likely be a project slated for FY 22-23. Vice Mayor Chao noted that a fraud waste and abuse program may not be necessary and that vendor management be added. Councilmember Moore recommended fraud waste and abuse program not be removed. Vice Mayor Chao expressed that the current process is working. Committee Member Song expressed concern about the cost. Steranka recommended to represent the Committee's interest to add additional projects to Council.

5C – Interim External Audit Procedures – Crowe – ***10 minutes***
Korach recommended this item be reordered in consideration of the City's guests. Vice Mayor Chao motioned to reorder and Chen seconded. The motion carried unanimously.
Kathy Lai and Geerdes provided a presentation on the FY 20-21 external audit plan.

5B - Budget Format Review – Vice Chair Chen moved to continue to next meeting and Committee Member Song seconded. The motion carried unanimously with Vice Mayor Chao and Councilmember Moore absent.

5D - FY 2019-20 Management Letter Response – Vice Chair Chen moved to continue to next meeting and Committee Member Song seconded. The motion carried unanimously with Vice Mayor Chao and Councilmember Moore absent.
5E - Embezzlement Debrief – Vice Chair Chen moved to continue to next meeting and Committee Member Song seconded. The motion carried unanimously with Vice Mayor Chao and Councilmember Moore absent.

6 - OLD BUSINESS
7 – STAFF AND COMMITTEE REPORTS
8 - ADJOURNMENT
The meeting adjourned at 5:41 p.m.

CITY OF CUPERTINO

Agenda Item

21-9588

Agenda Date: 7/26/2021
Agenda #: 2.

Subject: Receive Multi Factor Authorization Training from City's Infrastructure Division

Receive Multi Factor Authorization Training from City's Infrastructure Division

CITY OF CUPERTINO

Agenda Item

21-9597

Agenda Date: 7/26/2021
Agenda #: 3.

Subject: Quarterly Review of Treasurer's Report as of June 30, 2021

Receive Quarterly Review of Treasurer's Report as of June 30, 2021

CUPERTINO

ADMINISTRATIVE SERVICES DEPARTMENT
CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3227 www.cupertino.org

AUDIT COMMITTEE STAFF REPORT

Meeting: July 26, 2021

Subject

Treasurer's Investment Report for period ending June 30, 2021

Recommended Action

Accept staff report and provide recommendations.

Discussion

Background

The City retained Chandler Asset Management (Chandler) through a formal Request for Proposal (RFP) process in 2018. Chandler began their work with the City in the winter of 2018, conducting multiple meetings with staff to determine an investment structure and strategy. Using an assumption for the compound annualized growth rate (CAGR) of 2% over the next three years and a continued 10% liquidity cushion, the initial core portfolio was estimated to total at approximately $121 million, leaving the City with liquid funds ranging between $13-$20 million. Additionally, Chandler performed a comprehensive review of the City's investment policy. Although the policy was sufficient for operational purposes, significant recommended changes were made for completeness and clarification purposes. These changes were approved by City Council on May 21, 2019. Beginning in March 2019, Chandler began forming the City's portfolio by purchasing agency (FHLB), corporate medium-term notes, and negotiable certificates of deposit.

Portfolio Report Overview

As of and for the quarter ending June 30, 2021, the City transferred $20,000,000 from its operating account and initiated $18,531,033 in corporate, and treasury purchases. The City also made treasury dispositions of $8,126,597. Ending book and market value for the portfolio was $138,285,168 and $140,772,864, respectively. In accordance with California Government Code §53646 (b)(3), the City maintains the ability to meets its expenditure requirements for the next six months. City's holdings were as follows:

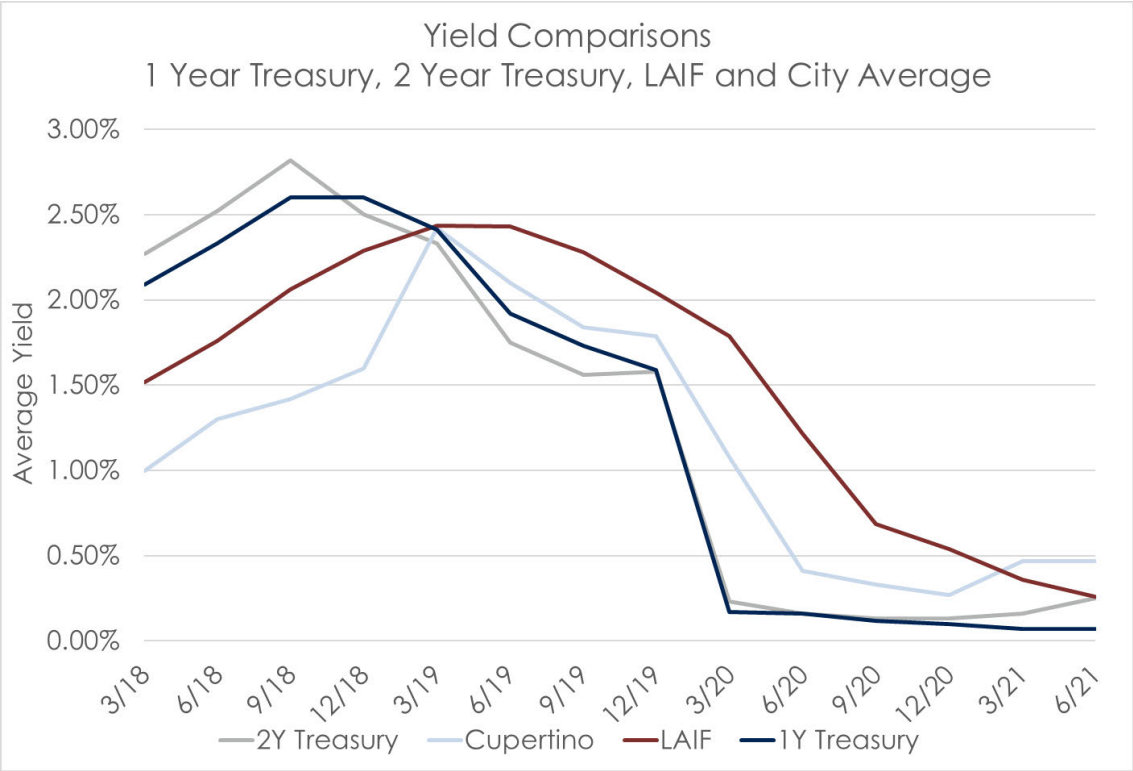
Wells Fargo – Workers Comp Checking	$ 19,412
Wells Fargo – Regular Checking	$ 19,281,316
LAIF State Pool	$ 21,001,116
Total Cash & Cash Equivalents	$ 40,301,844
Total Investments	$140,772,864

TOTAL	$181,074,708

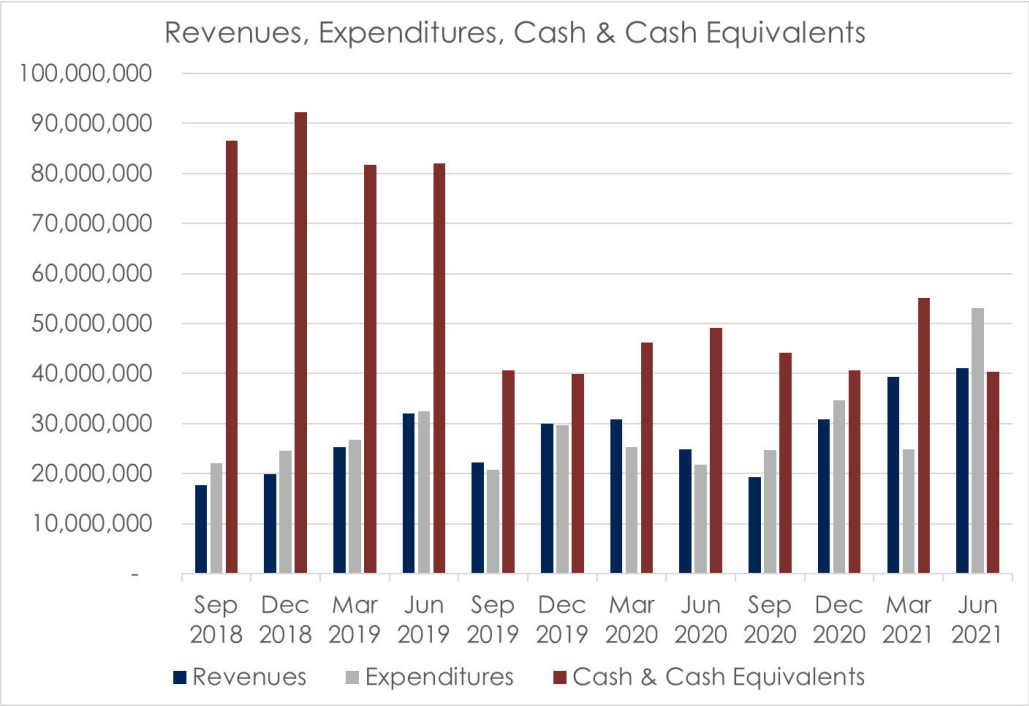
Below are some historical quarterly comparisons for the City's portfolio:

- Total cash and investment balance increased approximately $5.5 million over previous quarter to $181.1 million
- Average maturity decreased from 2.84 years to 2.75 years
- Average purchase yield decreased from 1.51% to 1.24%
- Average market yield remained at 0.47%
- Duration decreased from 2.55 to 2.49

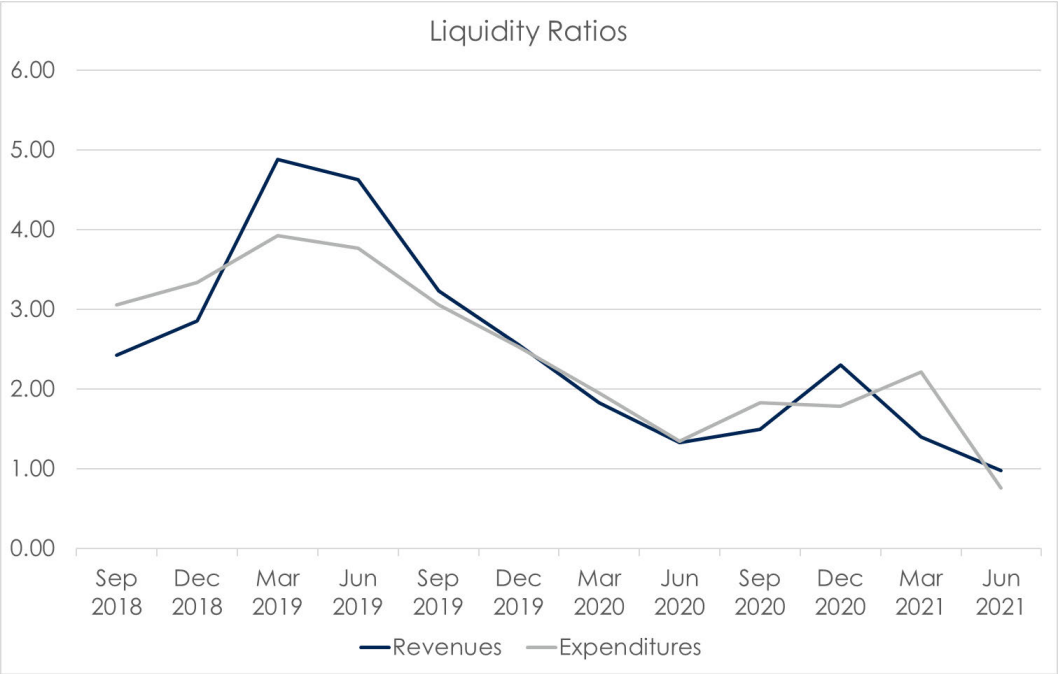
Yield comparisons for the 1Y Treasury, 2Y Treasury, LAIF, and City average are presented below:



Historical revenues, expenditures, and liquidity ratios are presented below:

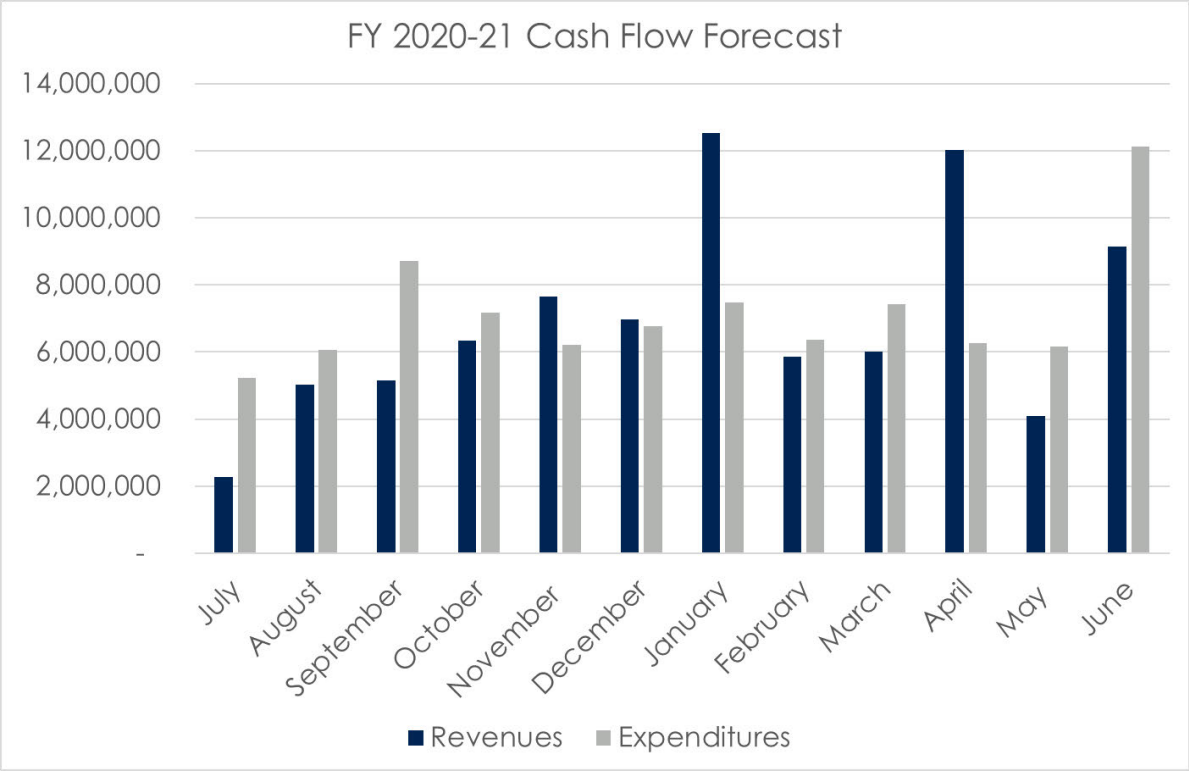


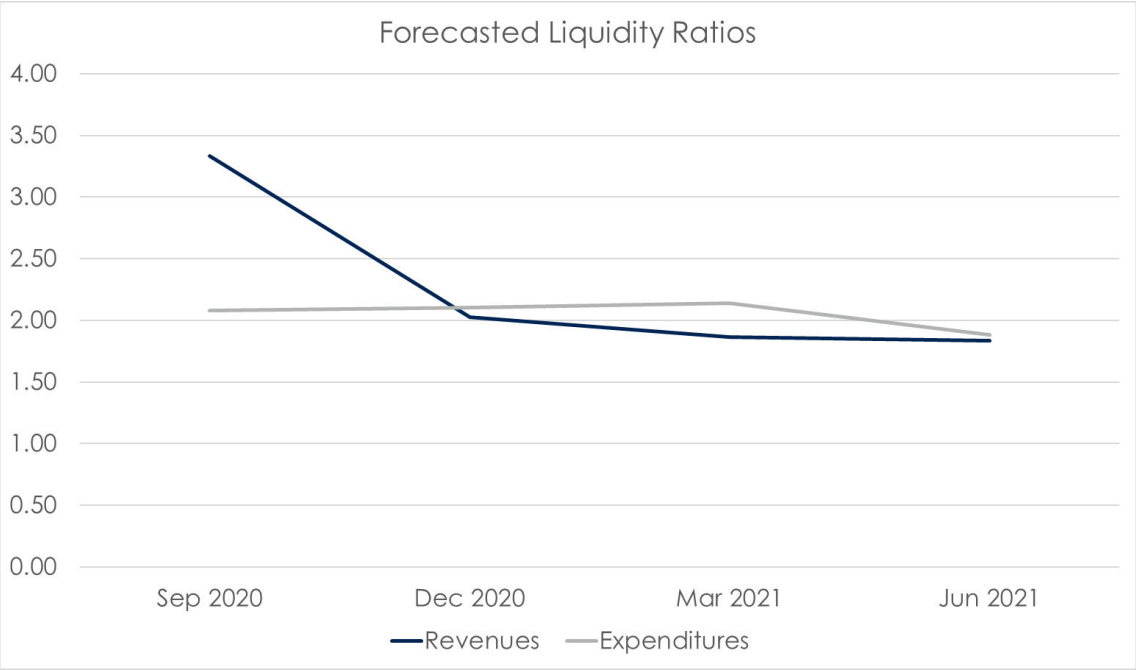
Using three-year historical trend data, the City estimates revenues of $19.7 million and expenditures of $22.5 million, resulting in an ending cash and cash equivalent balance of $37.5 million for the period ending September 30, 2021.

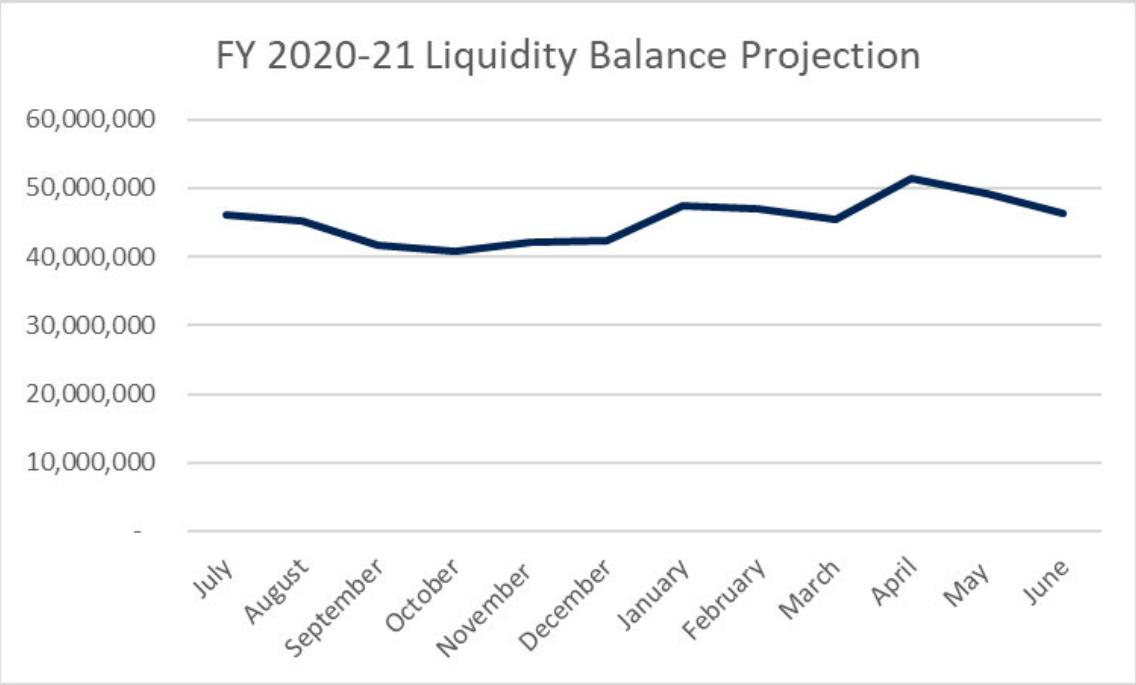


As the City's portfolio becomes less liquid over time, the ratio of cash and cash equivalents to revenues and expenditures will decrease. The portfolio's benchmark structure is complete as we will anticipate the City's revenues, expenditures, and cash equivalents to continue to flatten out moving forward. While a formal liquidity level has yet to be established or desired, significant and consistent fluctuations in the ratio may provide indication that additional funds could be invested or conversely that investments should be liquidated. In recent years, sufficient liquidity levels in respect to operating revenues and expenditures have approximated a ratio of 1.0. City staff have recognized the increasing liquidity the start of FY 2020-21 and as a result, transferred $20,000,000 from its operating account to the City's investment portfolio as of the quarter ending June 30, 2021. The COVID-19 pandemic has had a unique impact upon the City's revenues and expenditures. Most notably, the City's sales tax revenues have increased tremendously due to reductions in brick-and-mortar retail, causing a spike in on-line sales. This, coupled with increased demand for electronics throughout the telework environment, has also positively impacted the City's county pool allocation share. While these increases are considered to be one-time experiences, the City's cash flow, particularly in its operating account, is positioned to make a sizable transfer to the City's investment portfolio. Staff are anticipating transferring $15 million to the investment portfolio during the upcoming quarter.

Using three-year historical trend data for each of the City's revenue and expenditures line-items and applied to the FY 2020-21 Adopted Budget, the City estimates the following cash flow forecast for FY 2020-21:







The purpose of this cash flow and liquidity forecast is to illustrate the timing of the City's revenues and expenditures throughout a fiscal year using historical trend data. The first quarter of the fiscal year experiences expenditures exceeding revenues which is reasonable since the City begins receiving its property tax distributions in November and again in April of the respective fiscal year. The month of June tends to experience higher activities, particularly expenditures, due to the year-end close/accrual process. From one fiscal year to the next, the City typically

incurs one-time special project or capital expenditure costs and the timing of these costs is more difficult to pinpoint to a particular month.

From a cash flow analysis perspective, the Adopted and Amended Budgets are efficient planning tools in determining cash flow needs for a single fiscal year. If a budget is adopted at a position in which revenues and expenditures are balanced, then it's reasonable to conclude cash flow is unlikely to be of a concern. Beyond one fiscal year, a City requires a multi-year forward-looking forecast using historical as well as prospective assumptions. This forecasting model is incorporated and presented to the City's Fiscal Strategic Planning Committee as well as the City Council as part of the City's Adopted Budget process.

Investment Trust Portfolio

A Section 115 Trust is a tax-exempt investment tool that allows local governments to pre-fund pension and retiree health costs. Once contributions are placed into the trust, assets from the trust can only be used for retirement plan purposes. Withdrawals may be made to either reimburse the City for retirement system contributions or to directly pay CalPERS. The benefits of a Section 115 Trust include the following:

- Local control over assets: The City controls the contributions, withdrawals, investment strategy, and risk level of assets in the Trust.
- Pension rate stabilization: Assets can be transferred to CalPERS at the City's discretion to pay for Normal Cost or UAL contributions, and can be used to reduce or eliminate large fluctuations in the City's pension costs.
- Potential for higher investment returns than General Fund: Investment requirements that apply to the City's General Fund assets under Government Code 53601 are not applicable to Trust assets.
- Diversification: Trust assets will be diversified from CalPERS investments.

Given that pension obligations are one of the City's largest financial obligations, the City has taken proactive steps to reduce the impacts of pension cost volatility. In March 2018, the City provided options to Council on address rising pension costs and in April 2018, the City presented a long-term pension funding strategy to the Fiscal Strategic Plan Committee. In May 2018, the City implemented a Pension Rate Stabilization Program (PRSP), also known as a Section 115 Trust, to reduce the effect of pension rate volatility on the City's budget. The City contributed $8.0 million in FY 2017-18, $4.0 million in FY 2019-20, and $2 million in FY 2020-21. This brings total contributions to $14.0 million and investment earnings of $4.0 million for a total balance of $18 million as of June 30, 2021.

As a fiscal sustainability measure, the City funds the Section 115 Trust using a more conservative discount rate of 6.5%. The City plans to accumulate sufficient funds in the Section 115 Trust to fund the difference between a 6.25% and a 7% discount rate. By using a more conservative discount rate than CalPERS, the City is able to allocate more funds towards pensions each year than required by CalPERS.

With the $15.2 million set aside for pension funding, the City is in a strong position to withstand the effects of pension cost increases. If CalPERS investment returns fall short of their assumptions and expectations, the City will be better prepared for future pension cost increases. If the discount rate is lowered in the future, which is a distinct possibility, the City will be better prepared to absorb these costs.

The table below illustrates CalPERS' historical performance with similar date ranges as presented by US Bank in their quarterly performance reports:

Market Value (3/30/2021)	Fiscal Year to Date (9 months)	1-Yr	3-Yr	5-Yr	10-Yr
$ 450,000,000,000	15.0%	25.5%	8.9%	9.6%	8.1%

The CalPERS Public Employees' Retirement Fund (PERF) ended the previous fiscal year with a market value of $389 billion (as of 6/30/2020). For the current fiscal year, PERF ended the fourth quarter with a market value of $469 billion, representing returns of 21.3% for the fiscal year.

While performance comparisons can be made from one financial institution to the next, it is important to understand that investment portfolios are not all designed equally. While two portfolios can have similar target rates of return, the size of the portfolio, available resources, regulation and oversight, and stakeholder interests may differ. These variations result in fluctuations in performance and return through time. While City staff monitor the performance of CalPERS and the City's investment trusts, diversification, General Fund stabilization, and local control over assets remain key factors for continuing to fund the City's Section 115 Pension Trust.

Prepared by: Zach Korach, Finance Manager
Reviewed by: Kristina Alfaro, Director of Administrative Services
Approved by: Greg Larson, Interim City Manager

Attachments:
B1 – Staff Report
B2 – Treasurer's Report 6.30.2021
[redacted]
B6 – LAIF Statement 6.30.2021

CHANDLER ASSET MANAGEMENT

City of Cupertino

Period Ending June 30, 2021

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com

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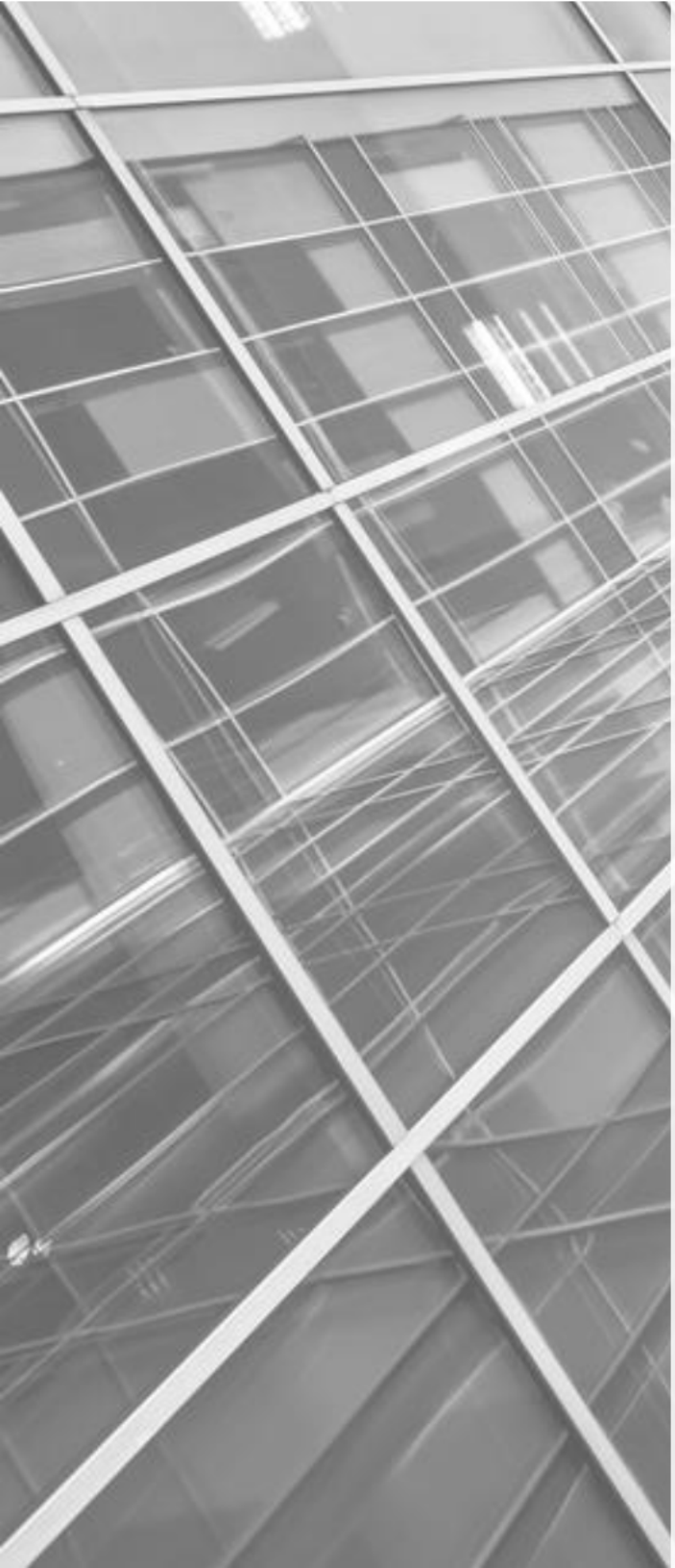
As of June 30, 2021



Section 1 | Economic Update

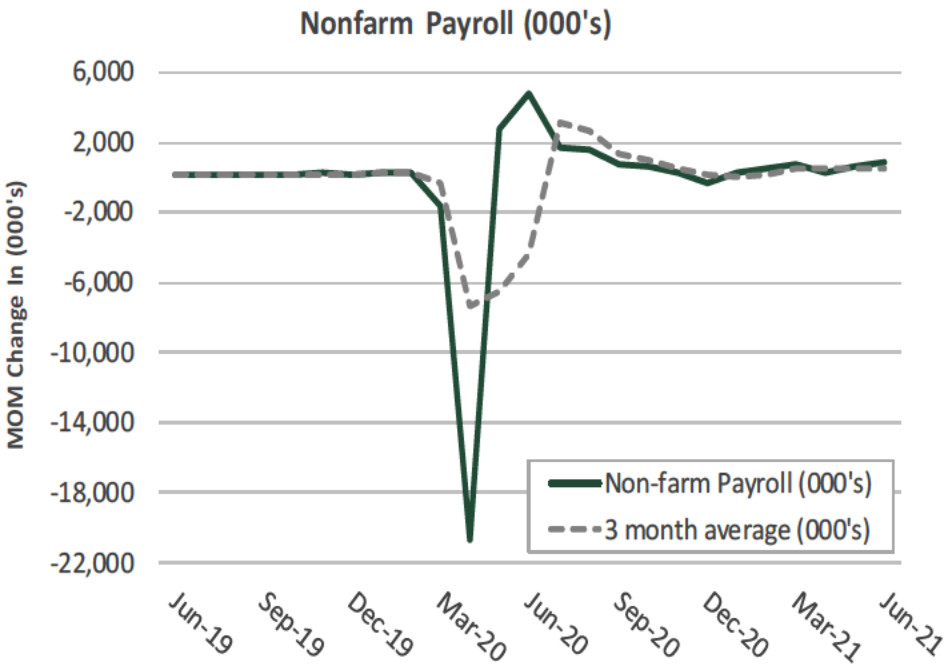
Economic Update

- The US economy continues to recover and while some pockets of the economy remain dislocated, real gross domestic product (GDP) is approaching pre-pandemic levels. The recovery has been fueled by robust fiscal spending, accommodative monetary policy, and a swift vaccine rollout. These factors are beginning to moderate but should continue to provide tailwinds for the economy in the coming quarters. Vaccinations have slowed down, and infection rates in the US have recently ticked up but remain well below their peak. Some pandemic-related fiscal relief is starting to phase out, but President Biden and a group of bipartisan senators have agreed to an overall framework for a roughly $1 trillion infrastructure plan (including about $579 billion in new federal spending above previously approved levels). Though the details still need to be hashed out and a deal would need full congressional approval, the negotiations signal that more fiscal stimulus is likely on the horizon. Meanwhile, the Federal Reserve continues to signal that it will look past any near-term uptick in inflation to facilitate continued improvement in the labor market. Estimates for US GDP growth remain strong. The current Bloomberg consensus estimate for 2021 and 2022 US GDP growth are 6.6% and 4.1%, respectively.

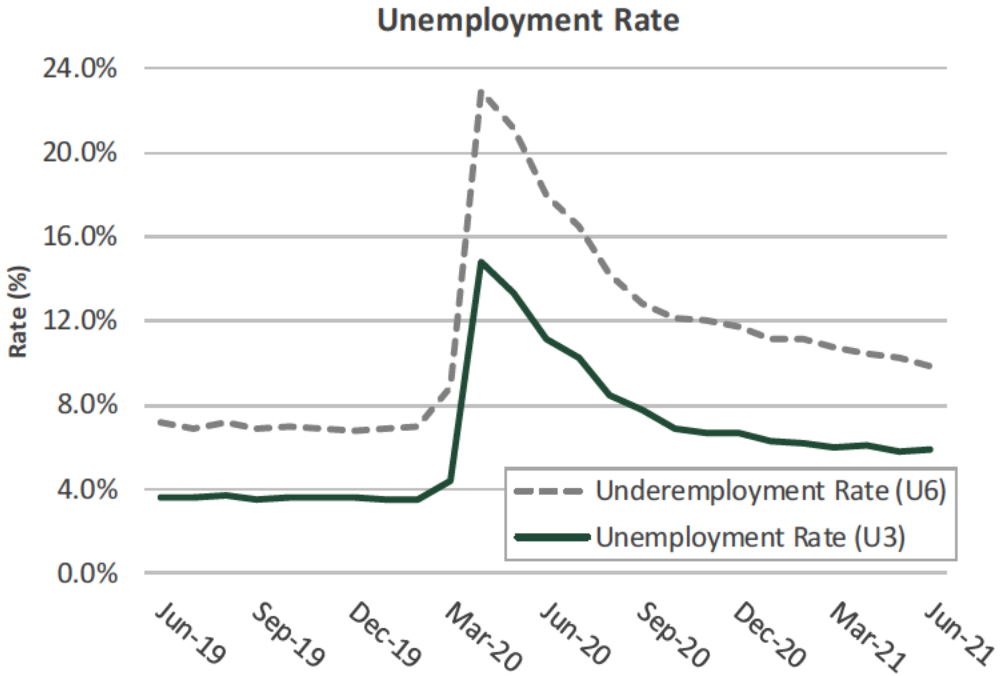
- The Federal Open Market Committee (FOMC) kept monetary policy unchanged at its June meeting. The fed funds target rate remains in the range of 0.0% to 0.25%, and the Fed continues to purchase $80 billion of Treasuries per month, and $40 billion of agency mortgage-backed securities per month. The Fed has started to discuss the idea of reducing its asset purchases at some point, but that decision remains uncertain. FOMC members' updated economic projections also suggest that the Fed may start to raise interest rates in 2023, versus the previous estimate of 2024, as the economy may be on track to reach their employment and inflation goals at a faster than expected pace. Overall, monetary policy remains highly accommodative for now, but the Fed seems to be inching toward a path of policy normalization. We anticipate the Fed will remain on the sidelines over the near-term, but we believe the probability that the Fed will begin tapering its asset purchases during the first half of next year has increased.

- The yield curve flattened in June. We believe multiple factors influenced Treasury rates in the month, including market technicals, dollar strengthening, uneven global vaccination rates, and a more modest forecast for U.S. infrastructure spending than initially expected. Nevertheless, we believe longer-term rates have room to move higher this year and we believe the Treasury yield curve is poised to steepen in the second half of the year.

Employment



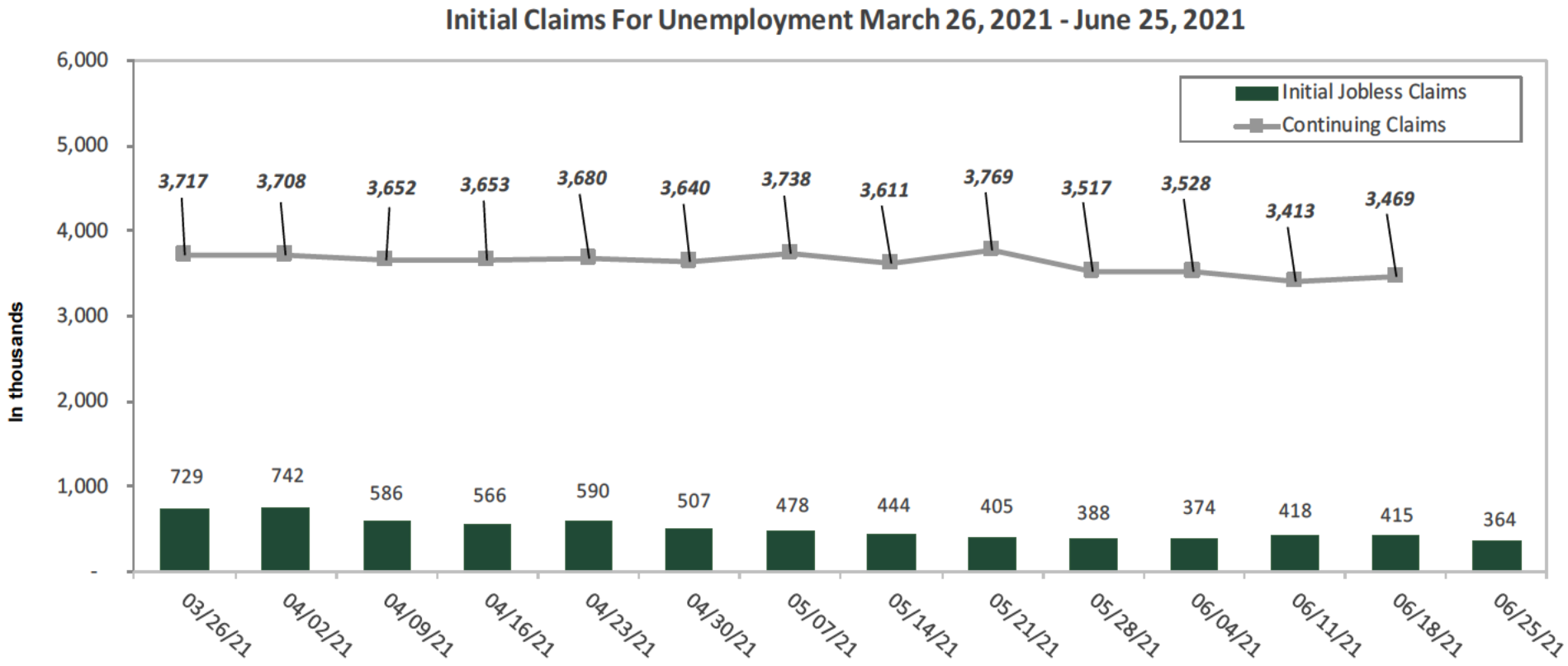
Source: US Department of Labor



Source: US Department of Labor

Job growth was stronger than expected in June. U.S. nonfarm payrolls increased by 850,000, versus the consensus forecast of 720,000. May payrolls were also revised up by 24,000 to 583,000. On a trailing 3-month and 6-month basis, payrolls increased by an average of 567,000 and 543,000 per month, respectively, which is indicative of a steady recovery in the labor market. The leisure and hospitality sectors continue to drive the job gains in June and increased by 343,000. Government payrolls also posted a solid increase of 188,000 in June. The labor participation rate was unchanged at 61.6% in June and is 1.7% lower than the pre-pandemic level. The employment-population ratio was also unchanged in the month at 58.0% and is 3.1% below the pre-pandemic level. The unemployment rate ticked higher to 5.9% in June from 5.8% in May and remains well above the pre-pandemic low of 3.5% in February 2020. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, declined to 9.8% in June from 10.2% in May (versus 7.0% in February 2020). The index of aggregate private weekly payrolls was up 2.8% in June from February 2020, suggesting a solid increase in aggregate wages.

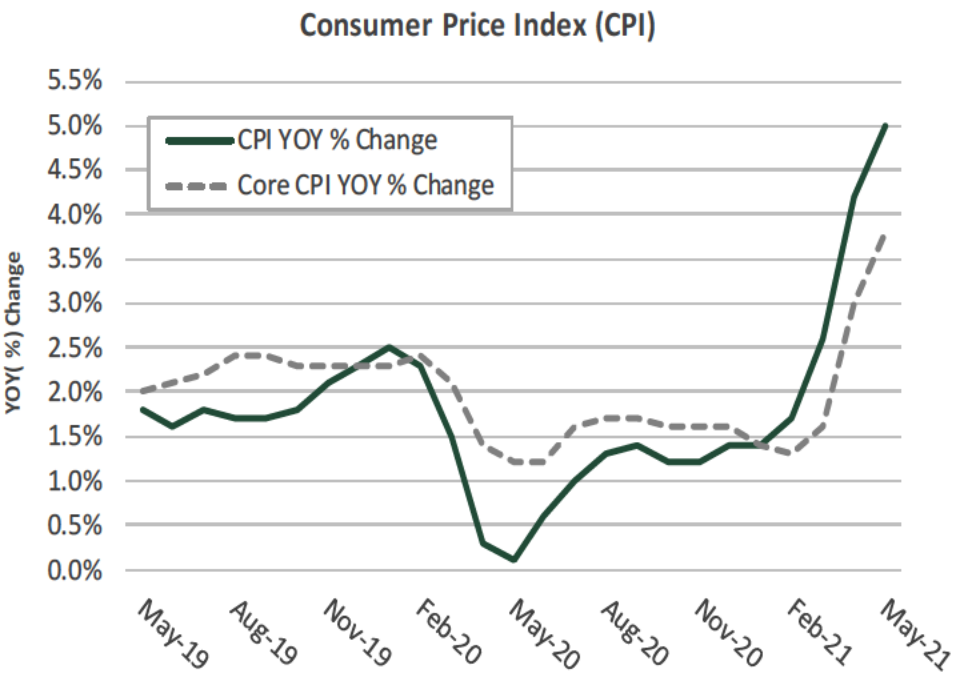
Initial Claims for Unemployment



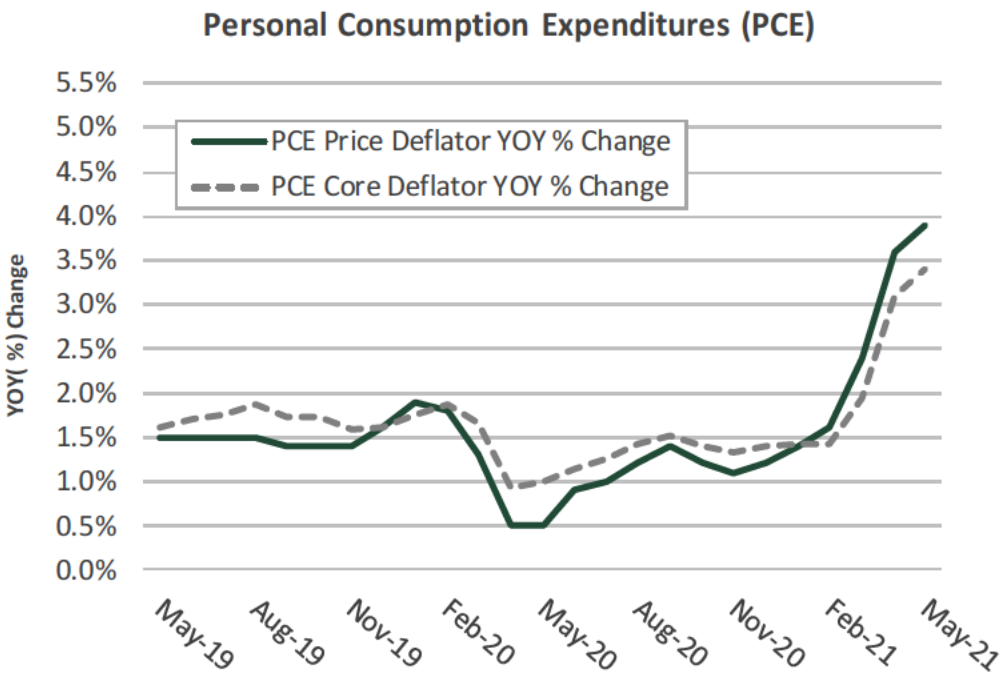
Source: US Department of Labor

In the most recent week, the number of initial jobless claims declined to 364,000 versus 415,000 in the prior week. The level of continuing unemployment claims (where the data is lagged by one week) was little changed at 3.469 million versus 3.413 million in the prior week. Although continuing jobless claims have declined significantly from the peak of nearly 25 million last May, they remained above the 2019 (pre-pandemic) average of 1.7 million.

Inflation



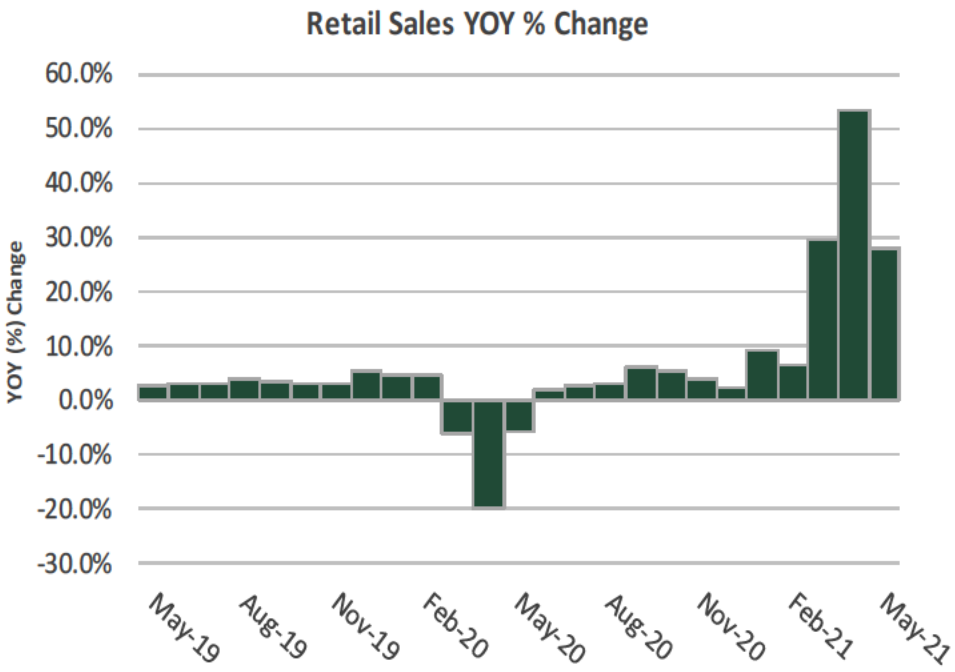
Source: US Department of Labor



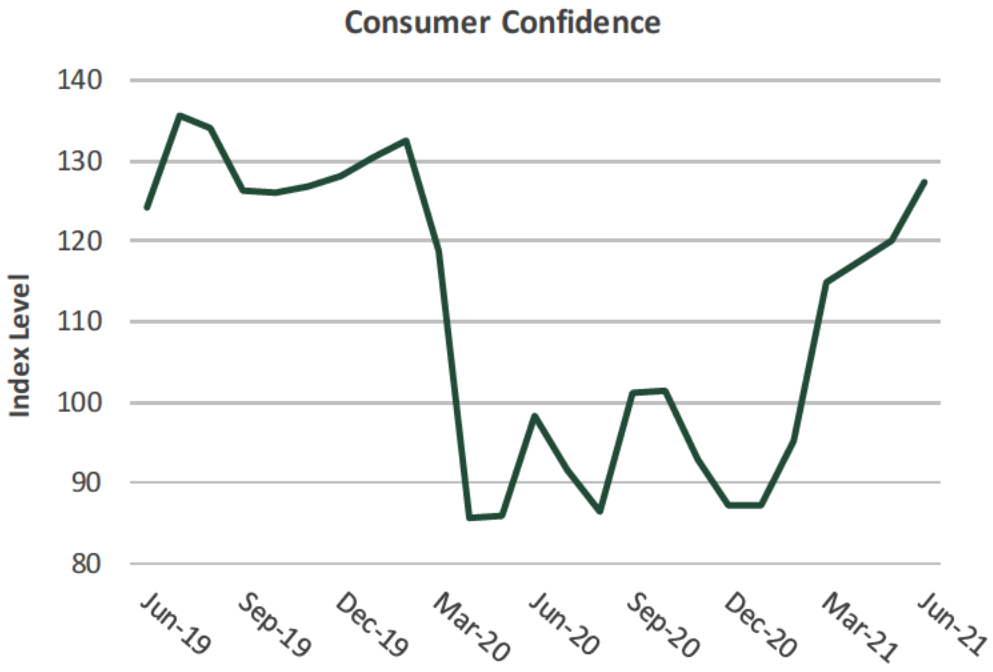
Source: US Department of Commerce

The Consumer Price Index (CPI) was up 5.0% year-over-year in May versus up 4.2% in April. Core CPI (CPI less food and energy) was up 3.8% year-over-year in May, versus up 3.0% in April. The Personal Consumption Expenditures (PCE) index was up 3.9% year-over-year in May, versus up 3.6% year-over-year in April. Core PCE was up 3.4% year-over-year in May, versus up 3.1% year-over-year in April. Current inflation readings are running well above the Fed's longer-run target of around 2.0%. However, the Fed believes that much (if not all) of the recent pricing pressure have been caused by pandemic-related factors (e.g., base effects and supply chain disruptions). Fed policymakers have reiterated that they believe most of those factors will be temporary.

Consumer



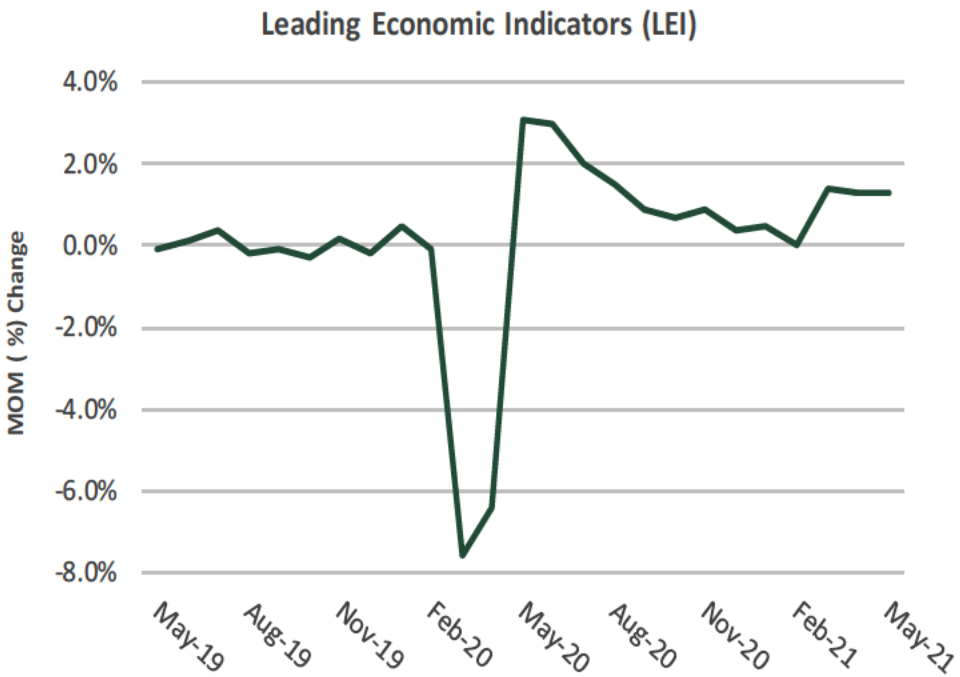
Source: US Department of Commerce



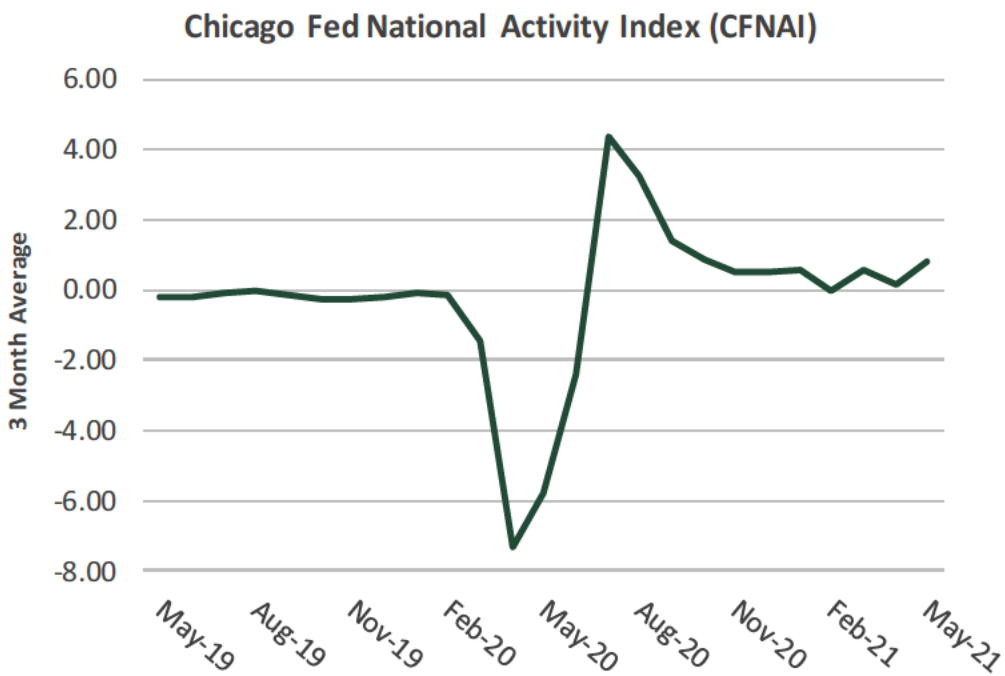
Source: The Conference Board

On a year-over-year basis, retail sales were up 28.1% in May versus up 53.4% in April. The year-over-year gains are distorted by the drop-off in spending and activity at the early stage of the pandemic last year. On a month-over-month basis, retail sales declined 1.3% in May, following a 0.9% increase in April. Retail sales have been somewhat uneven on a monthly basis due to the timing of fiscal stimulus and economic reopening. Overall, we believe consumer spending remains healthy and consistent with an ongoing recovery in economic activity. The Consumer Confidence index jumped to 127.3 in June from 120.0 in May, reflecting a strong view of current conditions and a more upbeat outlook.

Economic Activity



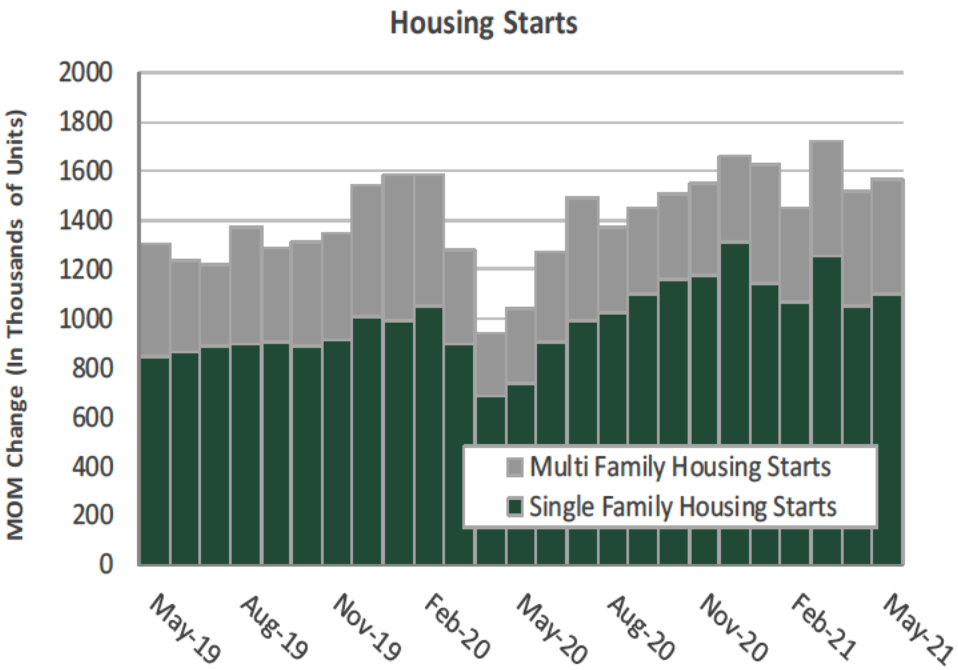
Source: The Conference Board



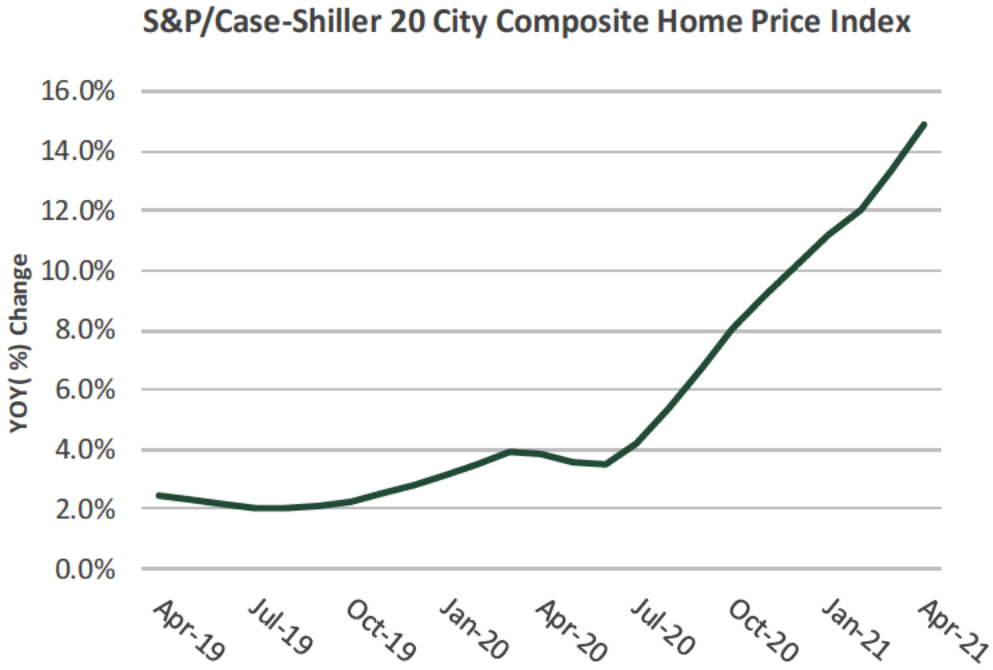
Source: Federal Reserve Bank of Chicago

The Conference Board's Leading Economic Index (LEI) increased 1.3% month-over-month in May (in line with expectations), following a 1.3% increase in April. On a year-over-year basis, the LEI was up 14.7% in May against a severe decline in the index during the early stage of the pandemic last year. According to the Conference Board, the index suggests that economic growth will remain strong in the near term. Meanwhile, the Chicago Fed National Activity Index (CFNAI) increased to 0.29 in May from -0.09 in April. On a 3-month moving average basis, the CFNAI increased to 0.81 in May from 0.17 in April, and it continues to signal above-trend economic growth.

Housing



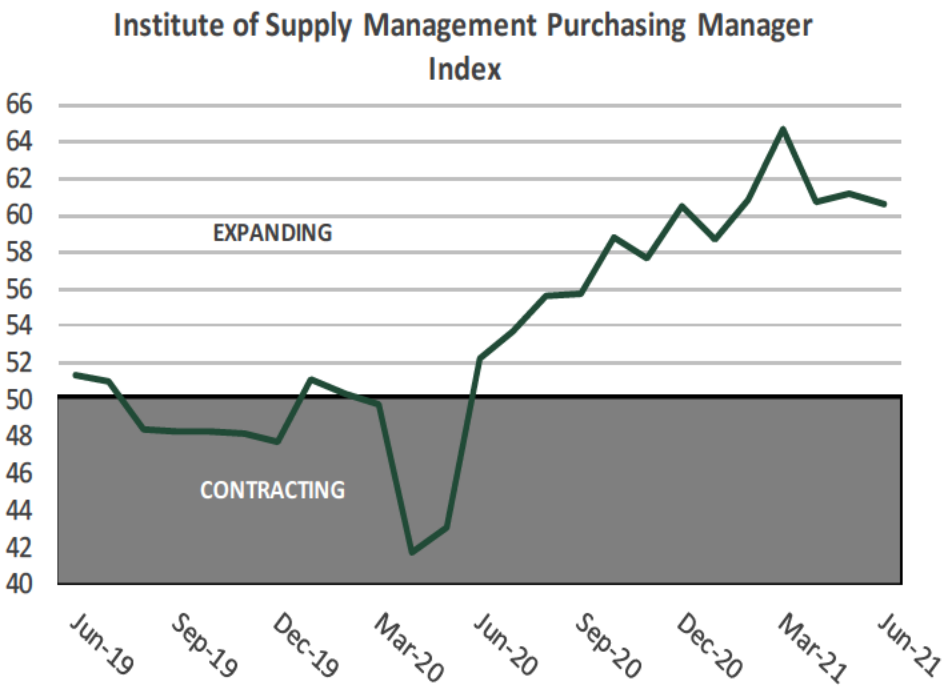
Source: US Department of Commerce



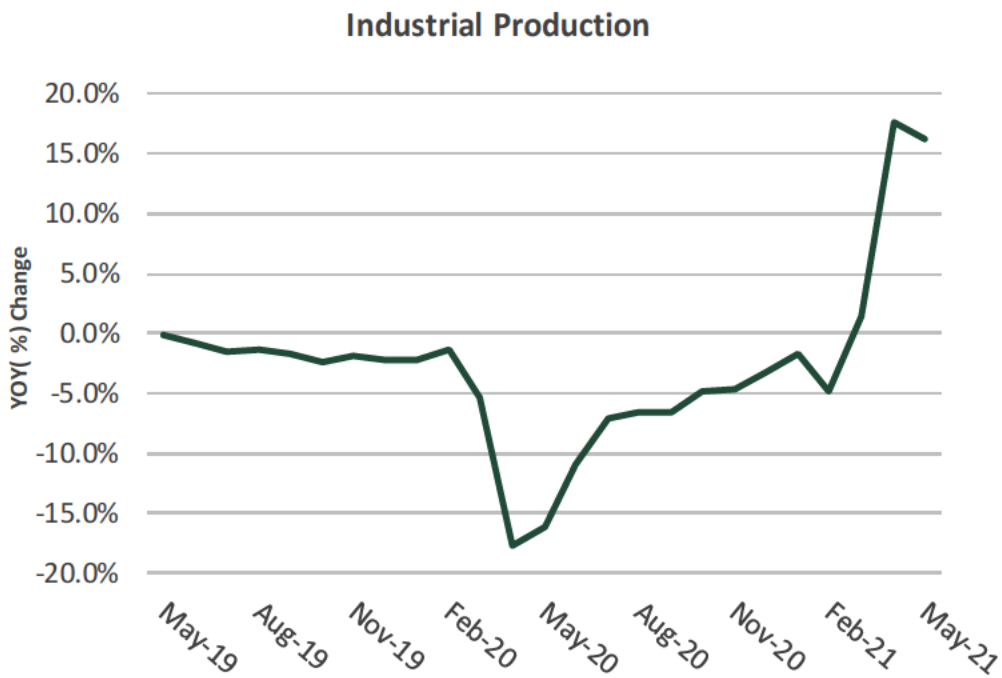
Source: S&P

Total housing starts rose 3.6% in May to an annual pace of 1,572,000. Single-family starts rose 4.2% in May while multi-family starts were up 2.4%. On a year-over-year basis, housing starts were up 50.3% in May, due in part to the steep decline in activity during the early stage of the pandemic last year. According to the Case-Shiller 20-City home price index, home prices were up 14.9% year-over-year in April versus up 13.4% year-over-year in March. Low inventory and strong demand continue to put upward pressure on home prices.

Manufacturing



Source: Institute for Supply Management



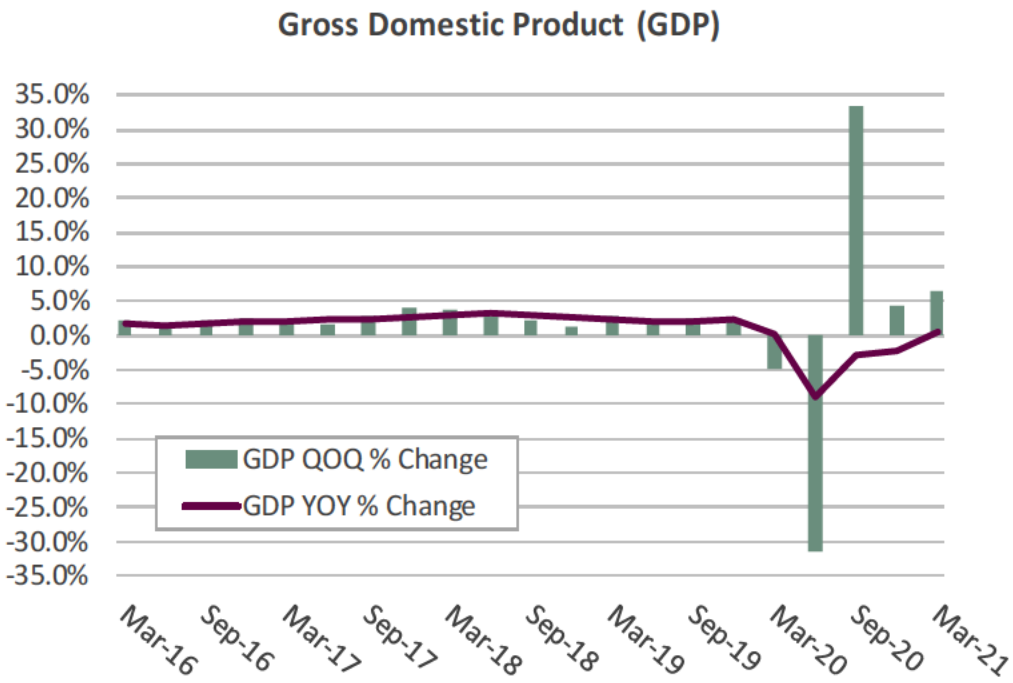
Source: Federal Reserve

The Institute for Supply Management (ISM) manufacturing index eased slightly to 60.6 in June from 61.2 in May. The index continues to point to strength in manufacturing, as readings above 50.0 are indicative of expansion in the manufacturing sector. We believe a weaker US dollar has been supportive of the US manufacturing sector during the pandemic, though the dollar index has been creeping higher since the end of May. The Industrial Production index was up 16.3% year-over-year in May, versus up 17.6% in April. The year-over-year rates are distorted by the effects of the pandemic last year. On a month-over-month basis, the Industrial Production index increased 0.8% in May, following a 0.1% increase in April. Capacity Utilization increased to 75.2% in May from 74.6% in April but remains well below the long-run average of 79.8%. Chip shortages continue to weigh on activity in the manufacturing sector.

Gross Domestic Product (GDP)

Components of GDP	6/20	9/20	12/20	3/21
Personal Consumption Expenditures	-24.0%	25.4%	1.6%	7.4%
Gross Private Domestic Investment	-8.8%	12.0%	4.4%	-0.6%
Net Exports and Imports	0.6%	-3.2%	-1.5%	-1.5%
Federal Government Expenditures	1.2%	-0.4%	-0.1%	0.9%
State and Local (Consumption and Gross Investment)	-0.4%	-0.4%	-0.1%	0.1%
Total	**-31.4%**	**33.4%**	**4.3%**	**6.4%**

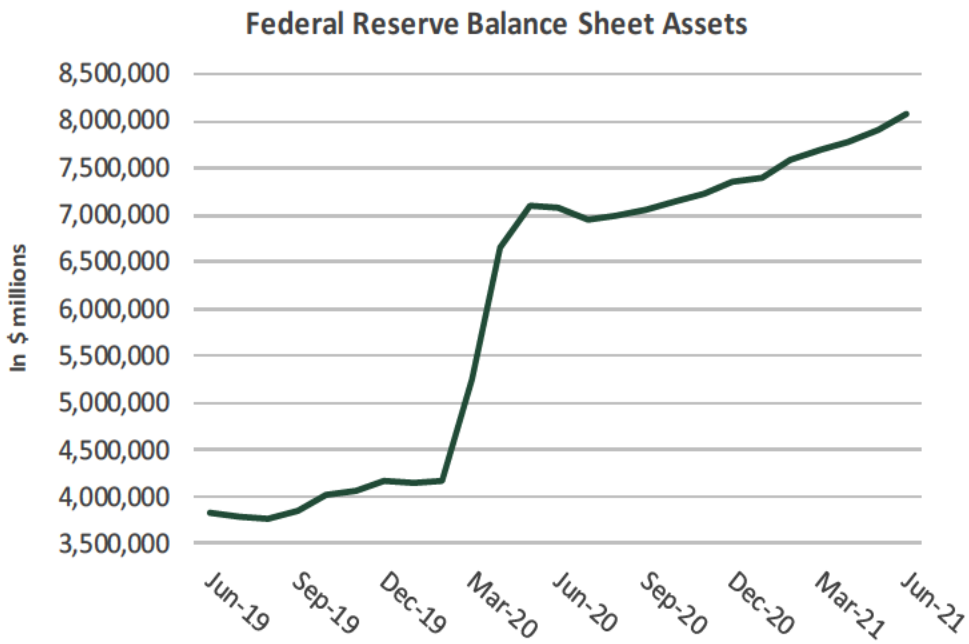
Source: US Department of Commerce



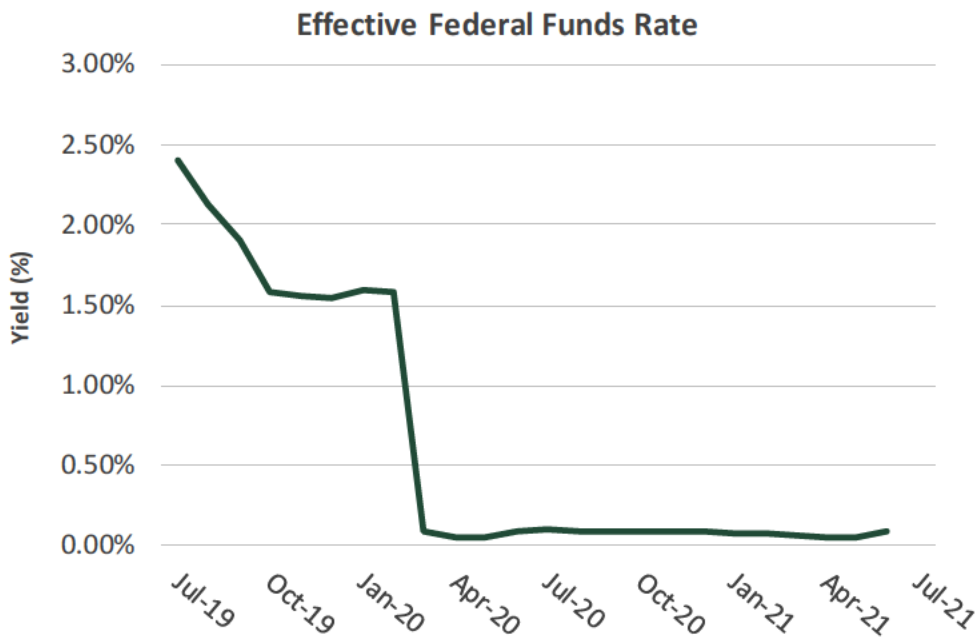
Source: US Department of Commerce

US economic growth accelerated in the first quarter. According to the third estimate, real US gross domestic product (GDP) grew at an annualized rate of 6.4% in the first quarter, following 4.3% growth in the fourth quarter of 2020. Economic growth is believed to have accelerated even further in the second quarter to an annualized rate of 10.0%. The consensus forecast for full year 2021 US gross domestic product growth is 6.6%, following a 3.5% decline in 2020.

Federal Reserve



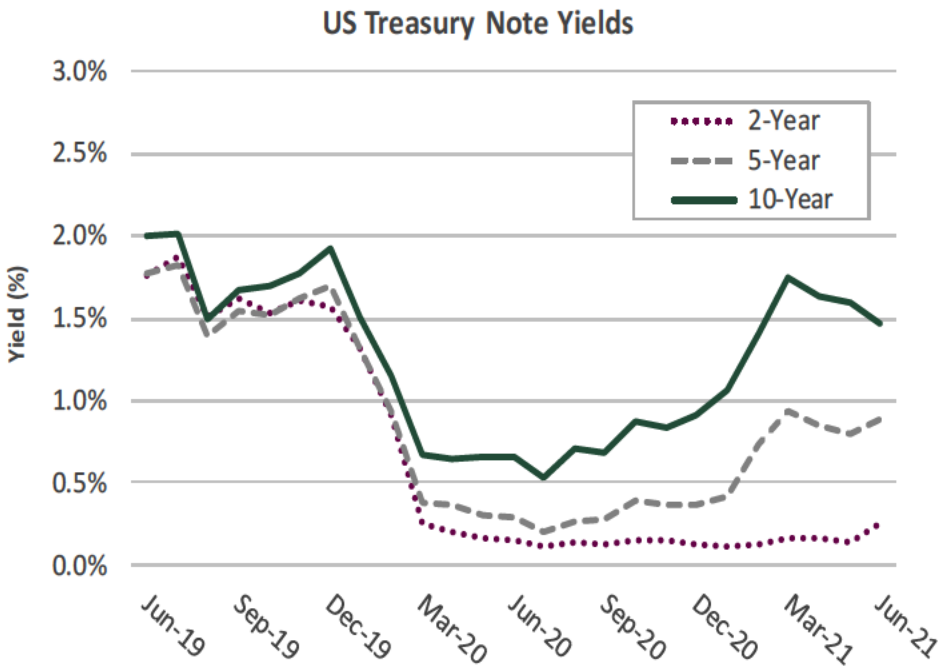
Source: Federal Reserve



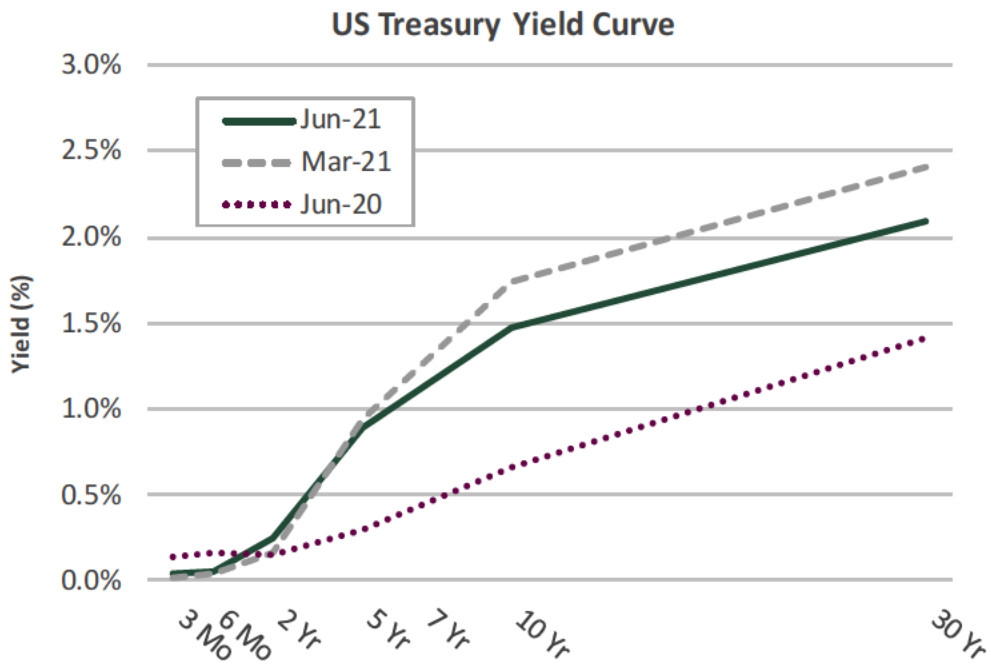
Source: Bloomberg

Last year, the Fed took a wide range of aggressive actions to help stabilize and provide liquidity to the financial markets. The Fed lowered the fed funds target rate to a range of 0.0%-0.25% and continues to purchase Treasury and agency mortgage-backed securities to support smooth market functioning. Last year, policymakers reinstated the Commercial Paper Funding Facility and Money Market Mutual Fund Liquidity Facility. The Fed also established the Primary Market Corporate Credit Facility, Secondary Market Corporate Credit Facility, Term Asset-Backed Securities Loan Facility, Paycheck Protection Program Liquidity Facility, Main Street Lending Facility, and Municipal Liquidity Facility. The Fed has also provided short-term funding through large-scale repo operations and lowered the reserve requirement for depository institutions. Notably, many of the Fed's lending facilities expired at the end of 2020, including the Fed's corporate credit, asset-backed securities, municipal lending, and Main Street Lending programs. In June 2021, the Fed announced plans to gradually unwind its corporate credit facility and expects to sell the full portfolio by year-end.

Bond Yields

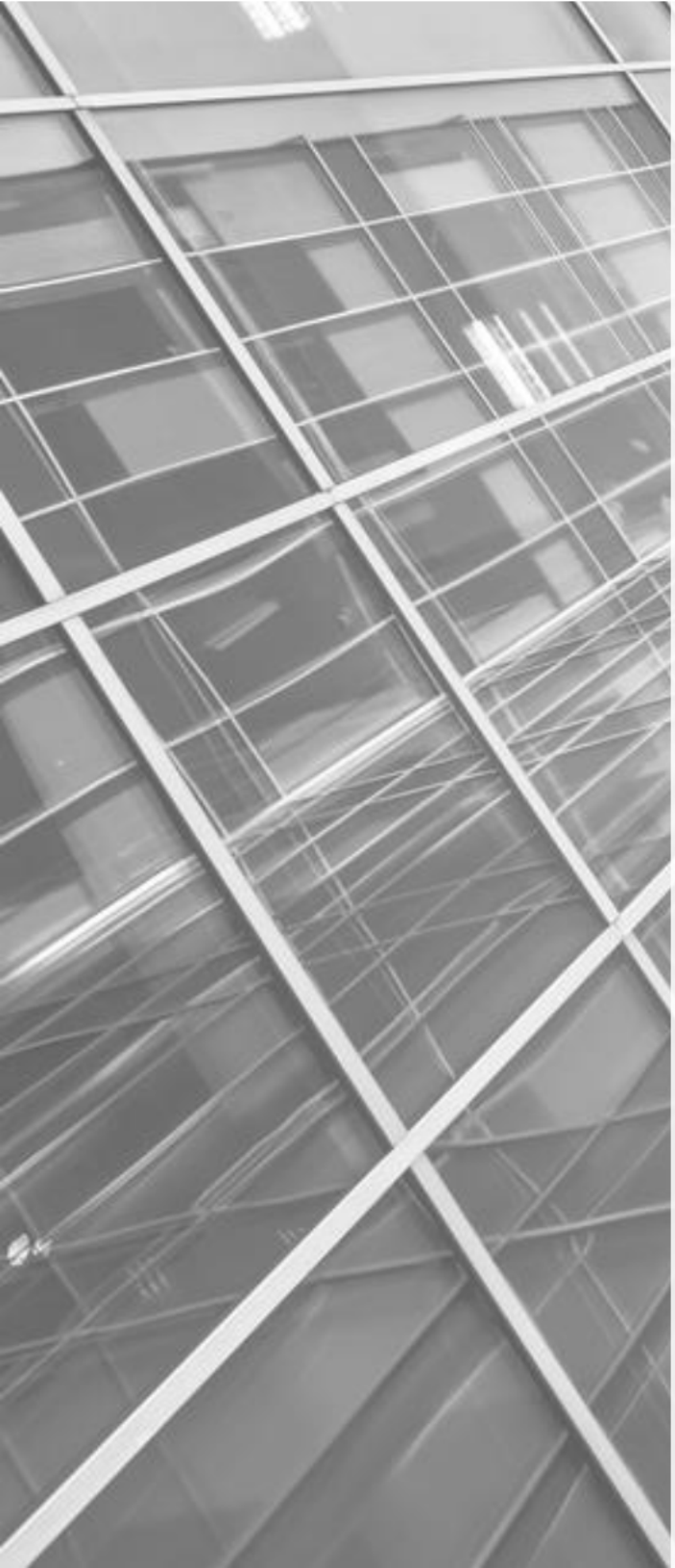


Source: Bloomberg



Source: Bloomberg

The treasury yield curve is steeper on a year-over-year basis. The 3-month T-bill yield was about nine basis points lower, while the 2-year Treasury yield was about ten basis points higher, and the 10-Year Treasury yield was about 81 basis points higher, year-over-year, as of June month-end. The Fed has signaled plans to keep the front end of the Treasury yield curve anchored near zero until 2023. We believe longer-term rates still have room to move higher this year.



Section 2 | Account Profile

Objectives

As of June 30, 2021

Investment Objectives

The City of Cupertino's investment objectives, in order of priority, are to provide safety to ensure the preservation of capital in the overall portfolio, provide sufficient liquidity for cash needs and a market rate of return consistent with the investment program.

Chandler Asset Management Performance Objective

The performance objective for the portfolio is to earn a total rate of return through a market cycle that is equal to or above the return on the benchmark index.

Strategy

In order to achieve these objectives, the portfolio invests in high quality fixed incomes securities consistent with the investment policy and California Government Code.

Compliance

As of June 30, 2021

City of Cupertino

Assets managed by Chandler Asset Management are in full compliance with state law and with the City's investment policy.

Category	Standard	Comment
Treasury Issues	No Limitation	*Complies*
Agency Issues	25% per Agency/GSE issuer; 20% max agency callable securities; Issued by Federal Agencies or U.S. Government Sponsored Enterprise obligations.	*Complies*
Supranational	"AA" rating category or better by a NRSRO; 30% maximum; 10% max per issuer; USD denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by IBRD, IFC, or IADB.	*Complies*
Municipal Securities	"A" rating category or better by a NRSRO; 30% maximum; 5% max per issuer; Obligations of the City, State of California, and any local agency within the State of California; Obligations of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California.	*Complies*
Corporate Medium Term Notes	"A" rating category or better by a NRSRO; 30% maximum; 5% max per issuer; Issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	*Complies*
Asset Backed/ Mortgage Backed/ Collateralized Mortgage Obligation	"AA" rating category or better by a NRSRO; 20% maximum; 5% max per issuer on Asset-Backed or Commercial Mortgage security; There is no issuer limitation on any Mortgage security where the issuer is the U.S. Treasury or a Federal Agency/GSE .	*Complies*
Negotiable Certificates of Deposit (NCDs)	No rating required if amount of the NCD is insured up to the FDIC limit; If above FDIC insured limit, requires "A-1" short-term rated or "A" long-term rating category or better by a NRSRO; 30% maximum; 5% max per issuer; Issued by nationally or state chartered banks, state or federal savings associations, or state or federal credit unions, or by a federally licensed or state-licensed branch of a foreign bank.	*Complies*
Certificates of Deposit (CDs)/Time Deposit (TDs)	30% maximum; 5% max per issuer; Certificates of Deposit, Time Deposit, non-negotiable, and collateralized in accordance with California Government Code.	*Complies*
Banker's Acceptances	"A-1" short-term rated or better by a NRSRO; or "A" long-term rating category or better by a NRSRO; 40% maximum; 5% max per issuer; 180 days max maturity	*Complies*
Commercial Paper	"A-1" short term rated or better a NRSRO; "A" long-term issuer rating category or better by a NRSRO; 25% maximum; 5% max per issuer; 270 days max maturity; Issued by corporations organized and operating in the U.S. with assets > $500 million; 10% max outstanding paper of the issuing corporation.	*Complies*

Compliance

As of June 30, 2021

City of Cupertino

Assets managed by Chandler Asset Management are in full compliance with state law and with the City's investment policy.

Category	Standard	Comment
Money Market Funds	20% maximum; Daily money market funds administered for or by trustees, paying agents and custodian banks contracted by a City of Cupertino as allowed under California Government Code; Only funds holding U.S. Treasury obligations, Government agency obligations or repurchase agreements collateralized by U.S. Treasury or Government agency obligations can be utilized.	*Complies*
Local Agency Investment Fund (LAIF)	Maximum amount permitted by LAIF; Not used by investment adviser	*Complies*
Repurchase Agreements	1 year max maturity; 102% collateralized; A PSA Master Repurchase Agreement is required between City of Cupertino and the broke/dealer or financial institution for all repurchase agreements; Not used by investment adviser	*Complies*
Prohibited Securities	Reverse Repurchase Agreement; Common stocks; Long-term (> 5 years maturity) notes and bonds; Special circumstances arise that necessitate purchase of securities beyond the 5-year limitation. On such occasions, request must be approved by City Council prior to purchase; Futures/Options; Inverse floaters; Ranges notes, Mortgage-derived, Interest-only strips; Zero interest accrual securities; Purchasing/selling securities on margin; Foreign currency denominated securities.	*Complies*
Minimum Budgeted Operating Expenditures in Short Term Investments	Minimum 6 months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements	*Complies*
Max Per Issuer	5% per issuer, unless otherwise specified in the policy	*Complies*
Maximum maturity	5 years	*Complies*

Portfolio Characteristics

As of June 30, 2021

City of Cupertino

	6/30/2021		3/31/2021
	Benchmark*	**Portfolio**	**Portfolio**
Average Maturity (yrs)	2.66	2.75	2.84
Average Modified Duration	2.59	2.49	2.55
Average Purchase Yield	n/a	1.24%	1.51%
Average Market Yield	0.41%	0.47%	0.47%
Average Quality**	NR	AA+/Aa1	AA/Aa1
Total Market Value		140,772,864	120,564,038

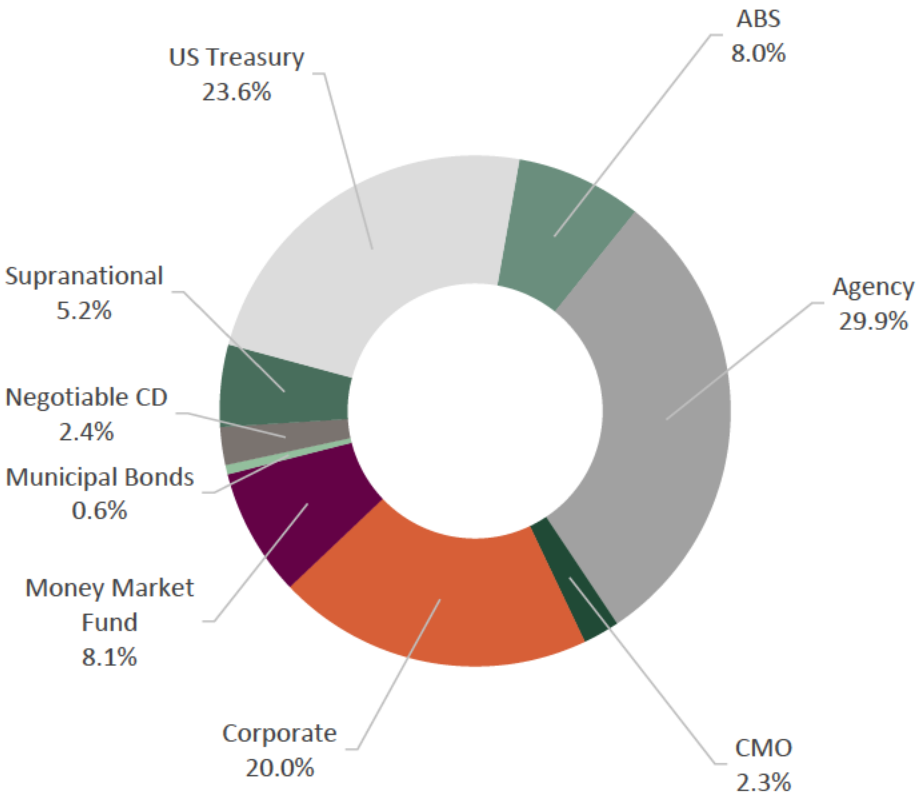
**ICE BAML 1-5 Year US Treasury/Agency Index*
***Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.*

Sector Distribution

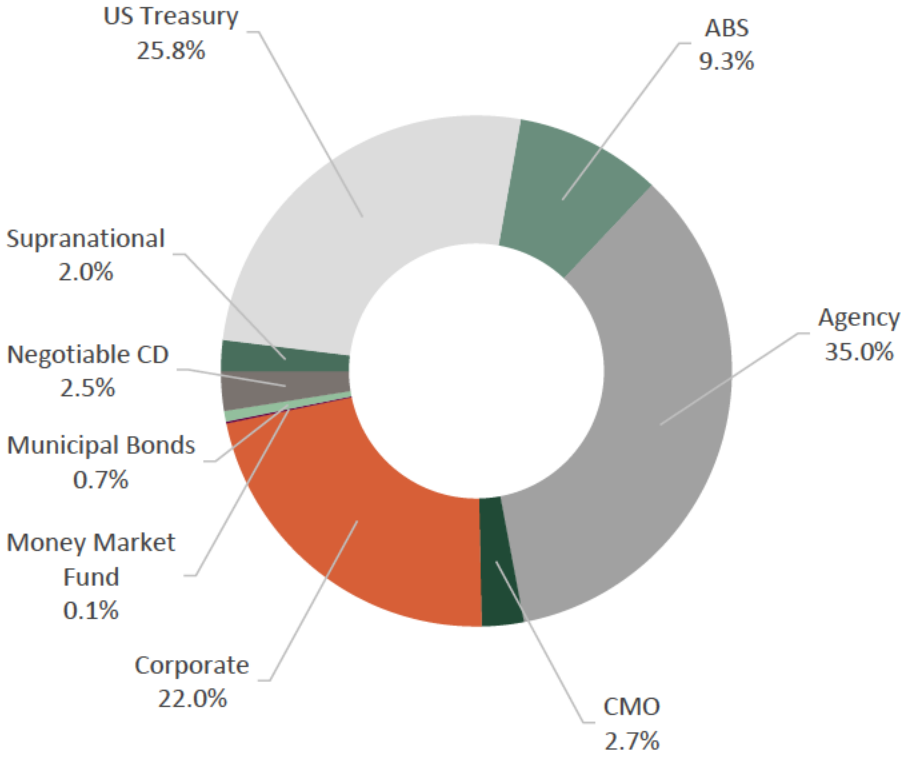
As of June 30, 2021

City of Cupertino

June 30, 2021

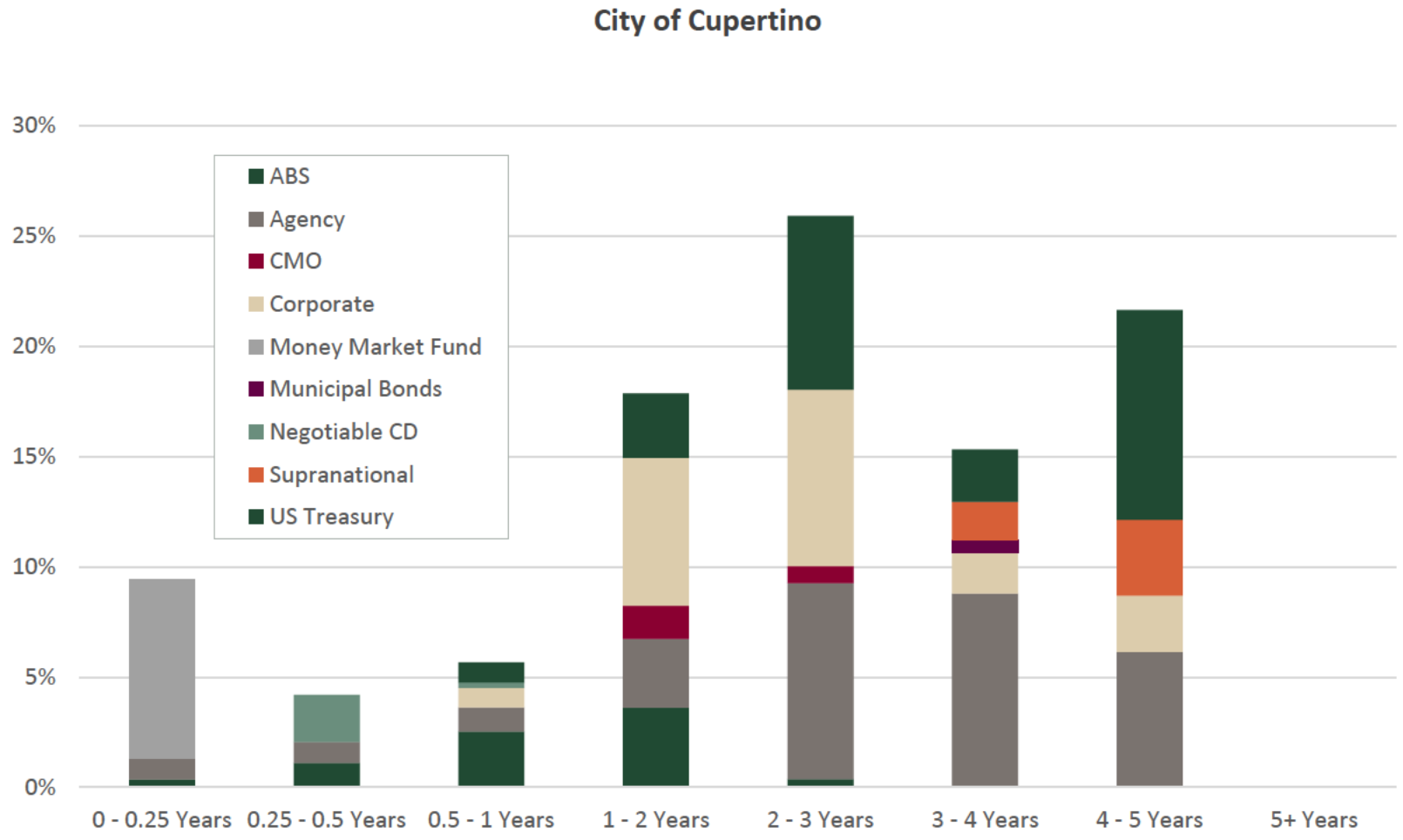


March 31, 2021



Duration Allocation

As of June 30, 2021

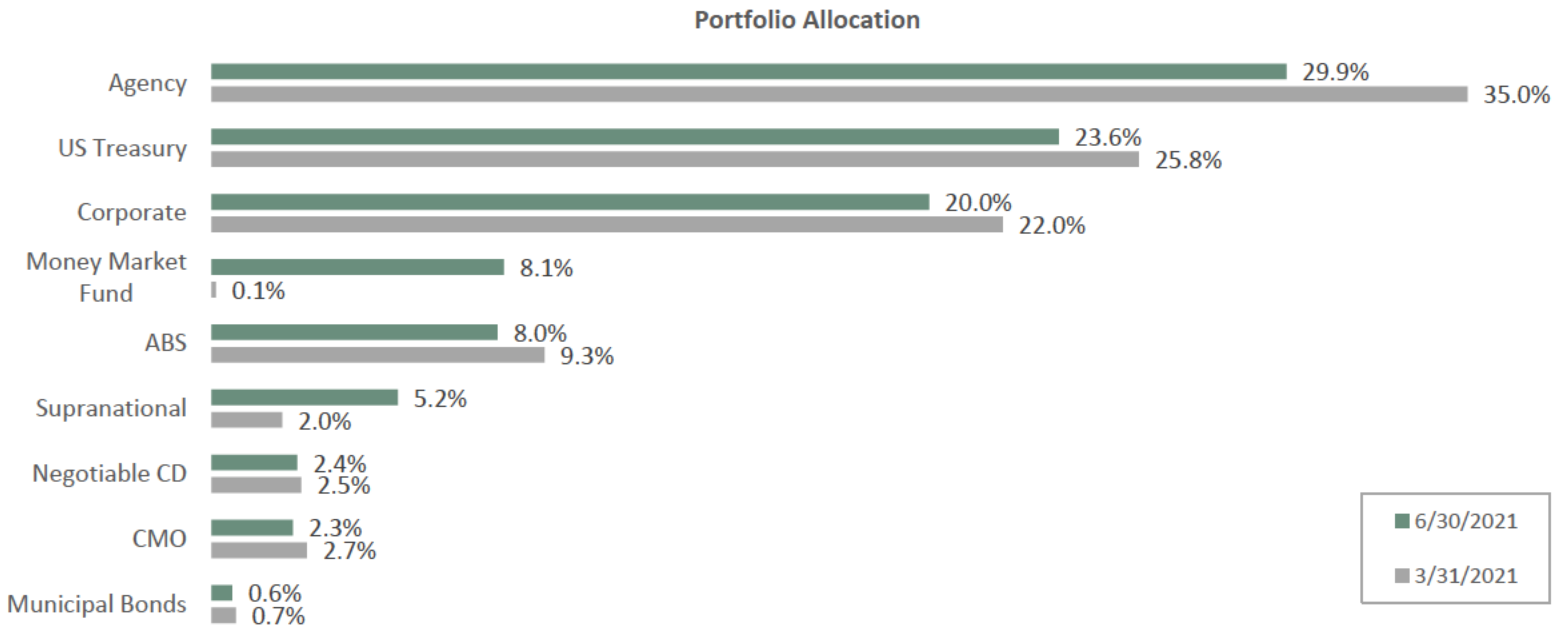


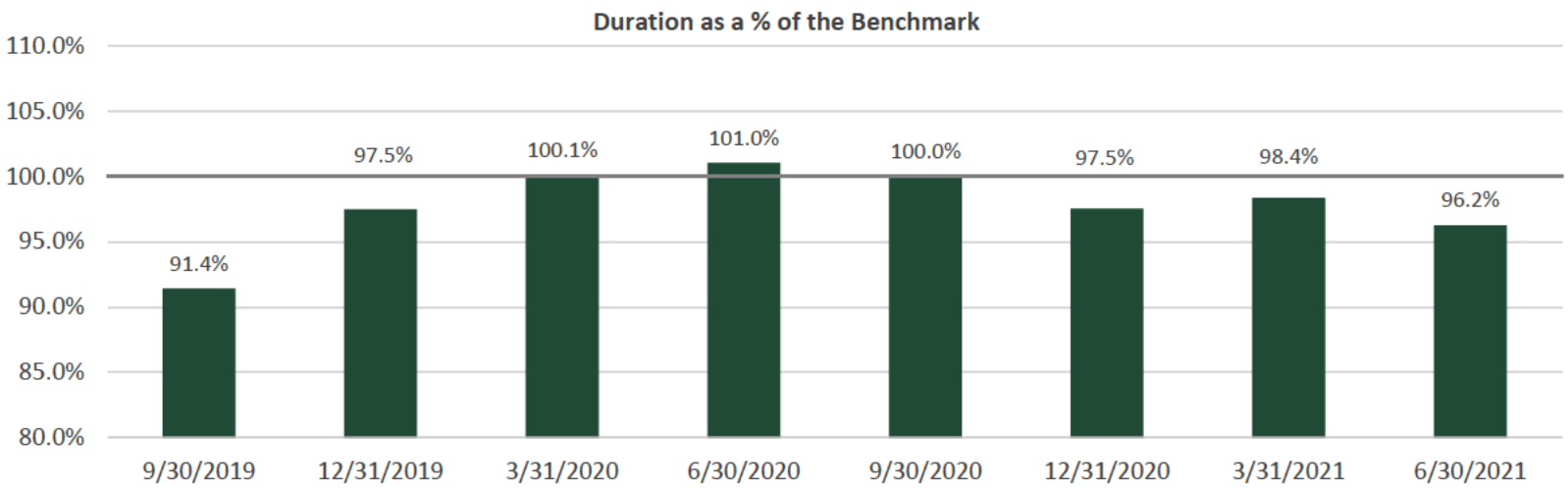
	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
06/30/21	9.4%	4.2%	5.7%	17.9%	25.9%	15.3%	21.6%	0.0%

Portfolio Allocation & Duration Changes

As of June 30, 2021

City of Cupertino





Benchmark: ICE BAML 1-5 Year US Treasury/Agency Index

Issuers

As of June 30, 2021

City of Cupertino – Account #10659

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	23.59%
Federal National Mortgage Association	Agency	11.27%
Federal Home Loan Bank	Agency	10.29%
Federal Home Loan Mortgage Corp	Agency	8.37%
Wells Fargo 100% Treasury MMKT Fund	Money Market Fund	8.14%
Federal Home Loan Mortgage Corp	CMO	2.26%
Bank of Nova Scotia Houston	Negotiable CD	2.13%
Inter-American Dev Bank	Supranational	1.75%
International Finance Corp	Supranational	1.75%
JP Morgan Chase & Co	Corporate	1.73%
Intl Bank Recon and Development	Supranational	1.69%
Bank of America Corp	Corporate	1.65%
Honda ABS	ABS	1.60%
Deere & Company	Corporate	1.48%
John Deere ABS	ABS	1.38%
Nissan ABS	ABS	1.34%
Amazon.com Inc	Corporate	1.33%
Air Products & Chemicals	Corporate	1.30%
Toyota ABS	ABS	1.26%
Toyota Motor Corp	Corporate	1.23%
HSBC Holdings PLC	Corporate	1.14%
Royal Bank of Canada	Corporate	1.14%
Toronto Dominion Holdings	Corporate	1.13%
Charles Schwab Corp/The	Corporate	1.11%
Honda Motor Corporation	Corporate	1.00%
US Bancorp	Corporate	0.94%
Verizon Owner Trust	ABS	0.94%
PNC Financial Services Group	Corporate	0.88%
Caterpillar Inc	Corporate	0.82%
Bank of New York	Corporate	0.76%
Wal-Mart Stores	Corporate	0.75%
Apple Inc	Corporate	0.74%
Paccar Financial	Corporate	0.61%
State of California	Municipal Bonds	0.57%
Hyundai Auto Lease Securitization	ABS	0.56%
Mercedes-Benz Auto Lease Trust	ABS	0.51%
Hyundai Auot Receivables	ABS	0.37%
Toronto Dominion Holdings	Negotiable CD	0.25%

Issuers

As of June 30, 2021

City of Cupertino – Account #10659

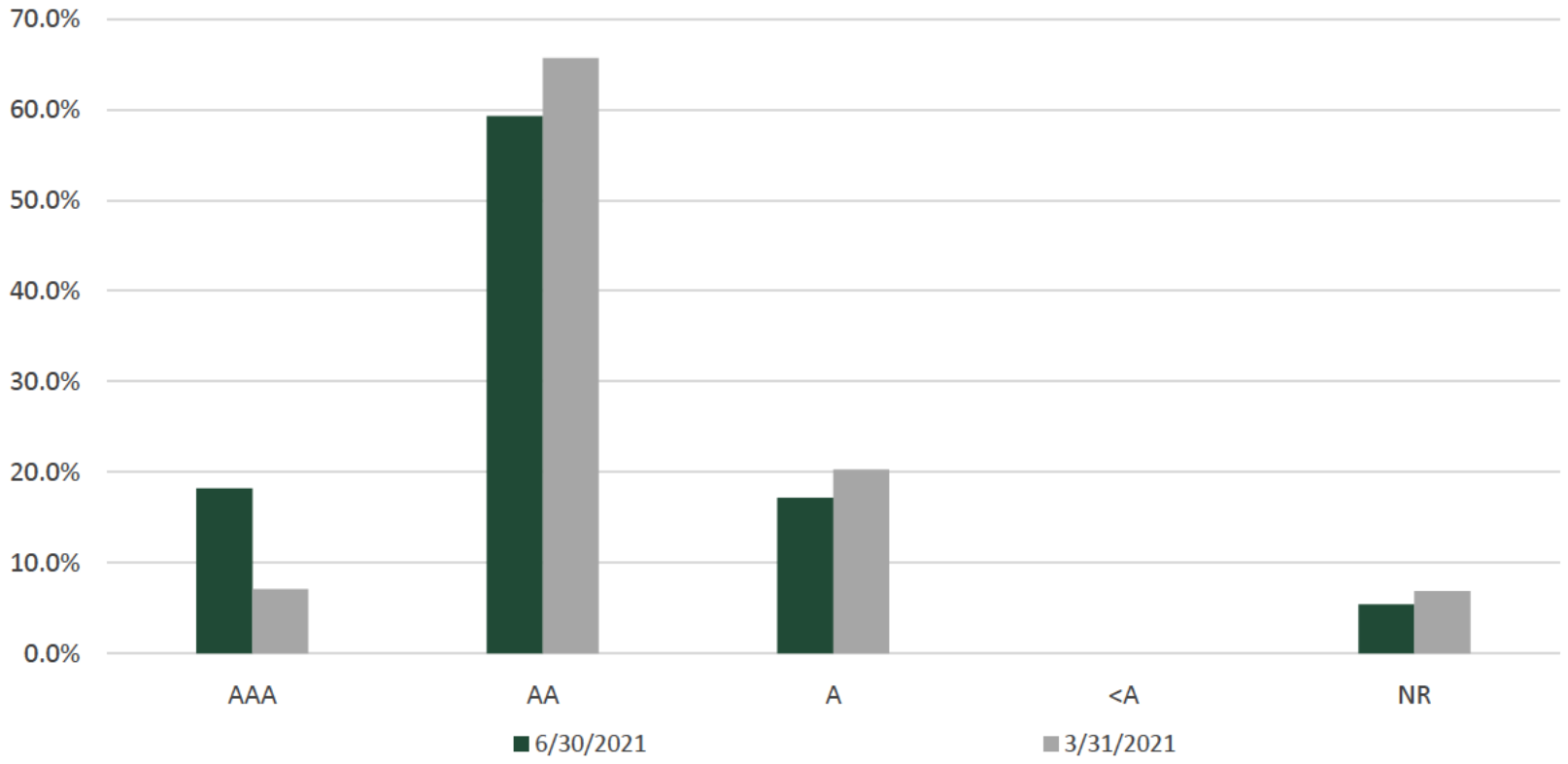
Issue Name	Investment Type	% Portfolio
United Health Group Inc	Corporate	0.24%
TOTAL		**100.00%**

Quality Distribution

As of June 30, 2021

City of Cupertino

June 30, 2021 vs. March 31, 2021

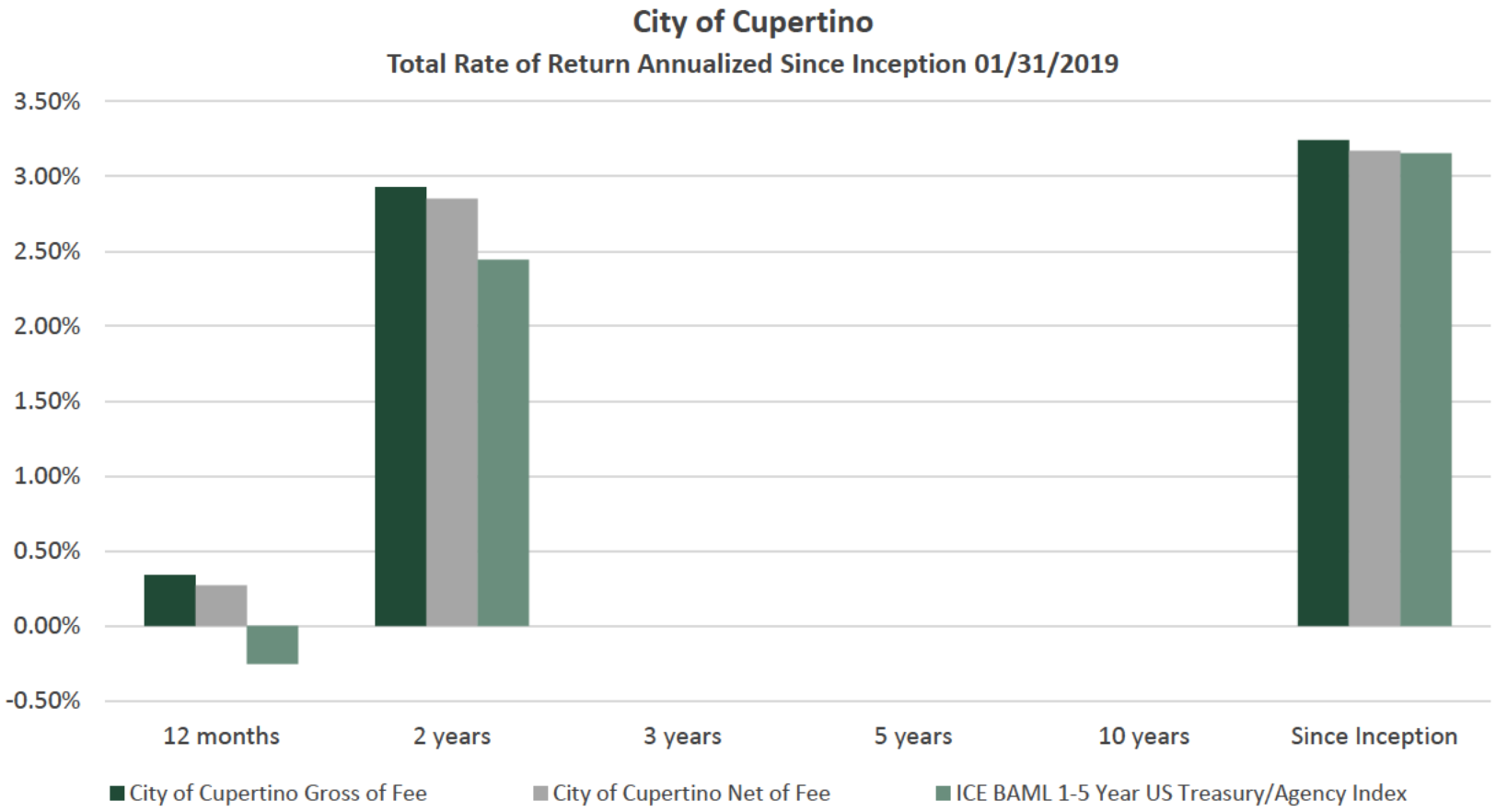


	AAA	AA	A	<A	NR
06/30/21	18.2%	59.3%	17.2%	0.0%	5.4%
03/31/21	7.1%	65.7%	20.3%	0.0%	6.9%

Source: S&P Ratings

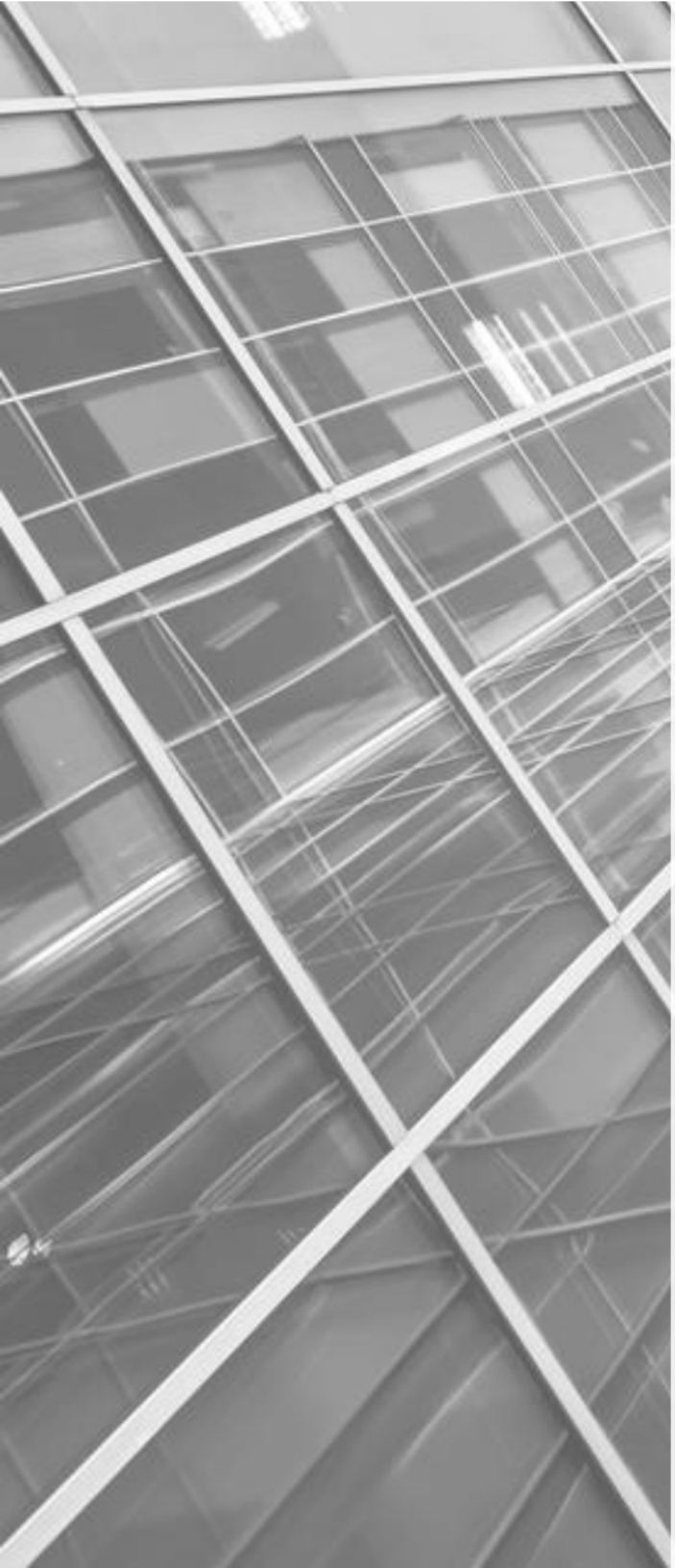
Investment Performance

As of June 30, 2021



			Annualized				
TOTAL RATE OF RETURN	**3 months**	**12 months**	**2 years**	**3 years**	**5 years**	**10 years**	**Since Inception**
City of Cupertino Gross of Fee	0.21%	0.34%	2.93%	N/A	N/A	N/A	3.24%
City of Cupertino Net of Fee	0.20%	0.27%	2.85%	N/A	N/A	N/A	3.17%
ICE BAML 1-5 Year US Treasury/Agency Index	0.11%	-0.25%	2.44%	N/A	N/A	N/A	3.15%

Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.



Section 3 | Portfolio Holdings

Holdings Report

As of June 30, 2021

City of Cupertino - Account #10659

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
ABS									
43815HAC1	Honda Auto Receivables Trust 2018-3 A3	265,655.39	09/16/2019	268,457.23	100.52	267,033.61	0.19%	Aaa / NR	1.15
	2.950% Due 08/22/2022		1.45%	266,748.34	0.30%	217.69	285.27	AAA	0.20
89238TAD5	Toyota Auto Receivables Trust 2018-B A3	234,395.79	09/10/2019	237,133.46	100.40	235,327.75	0.17%	Aaa / AAA	1.21
	2.960% Due 09/15/2022		2.20%	235,494.35	0.26%	308.36	(166.60)	NR	0.15
58770FAC6	Mercedes Benz Auto Lease Trust 2020-A A3	375,000.00	01/21/2020	374,950.58	100.73	377,746.13	0.27%	Aaa / AAA	1.46
	1.840% Due 12/15/2022		1.85%	374,974.98	0.20%	306.67	2,771.15	NR	0.45
65479GAD1	Nissan Auto Receivables Trust 2018-B A3	482,433.87	09/16/2019	489,255.78	100.79	486,259.42	0.35%	Aaa / AAA	1.71
	3.060% Due 03/15/2023		1.65%	484,207.10	0.37%	656.11	2,052.32	NR	0.29
47789JAD8	John Deere Owner Trust 2019-A A3	677,470.57	Various	690,774.25	101.15	685,289.27	0.49%	Aaa / NR	2.05
	2.910% Due 07/17/2023		1.94%	682,574.72	0.18%	876.19	2,714.55	AAA	0.42
43815NAC8	Honda Auto Receivables Trust 2019-3 A3	925,885.17	Various	924,328.72	100.92	934,409.80	0.66%	Aaa / AAA	2.13
	1.780% Due 08/15/2023		1.93%	925,235.26	0.23%	732.48	9,174.54	NR	0.59
58769EAC2	Mercedes-Benz Auto Lease Trust 2020-B A3	345,000.00	09/15/2020	344,982.51	100.18	345,611.69	0.25%	NR / AAA	2.38
	0.400% Due 11/15/2023		0.40%	344,988.33	0.25%	61.33	623.36	AAA	1.16
477870AC3	John Deere Owner Trust 2019-B A3	702,420.80	08/27/2019	708,923.68	101.30	711,579.66	0.51%	Aaa / NR	2.46
	2.210% Due 12/15/2023		1.79%	706,138.51	0.09%	689.93	5,441.15	AAA	0.61
92348AAA3	Verizon Owner Trust 2019-C A1A	515,000.00	10/01/2019	514,960.29	101.41	522,274.38	0.37%	NR / AAA	2.81
	1.940% Due 04/22/2024		1.95%	514,975.43	0.22%	305.28	7,298.95	AAA	0.82
44891VAC5	Hyundai Auto Lease Trust 2021-B A3	790,000.00	06/08/2021	789,881.50	99.82	788,559.83	0.56%	Aaa / AAA	2.97
	0.330% Due 06/17/2024		0.34%	789,883.67	0.43%	108.63	(1,323.84)	NR	1.89
65479JAD5	Nissan Auto Receivables Owner 2019-C A3	1,375,000.00	Various	1,381,821.10	101.24	1,392,100.88	0.99%	Aaa / AAA	3.04
	1.930% Due 07/15/2024		1.70%	1,379,903.83	0.29%	1,179.44	12,197.05	NR	0.76
43813DAC2	Honda Auto Receivables 2020-2 A3	175,000.00	05/18/2020	174,986.23	100.64	176,122.63	0.13%	Aaa / AAA	3.04
	0.820% Due 07/15/2024		0.83%	174,989.88	0.27%	63.78	1,132.75	NR	1.15
47789KAC7	John Deere Owner Trust 2020-A A3	285,000.00	03/04/2020	284,982.59	100.77	287,193.65	0.20%	Aaa / NR	3.13
	1.100% Due 08/15/2024		1.11%	284,987.72	0.34%	139.33	2,205.93	AAA	1.01
43813KAC6	Honda Auto Receivables Trust 2020-3 A3	575,000.00	09/22/2020	574,915.53	100.13	575,739.45	0.41%	NR / AAA	3.30
	0.370% Due 10/18/2024		0.38%	574,935.82	0.28%	76.83	803.63	AAA	1.43
47787NAC3	John Deere Owner Trust 2020-B A3	260,000.00	07/14/2020	259,960.38	100.25	260,645.06	0.19%	Aaa / NR	3.38
	0.510% Due 11/15/2024		0.52%	259,971.09	0.29%	58.93	673.97	AAA	1.13
89236XAC0	Toyota Auto Receivables 2020-D A3	455,000.00	10/06/2020	454,915.23	100.09	455,413.14	0.32%	NR / AAA	3.55
	0.350% Due 01/15/2025		0.36%	454,929.46	0.28%	70.78	483.68	AAA	1.32
92290BAA9	Verizon Owner Trust 2020-B A	800,000.00	08/04/2020	799,832.00	100.27	802,151.20	0.57%	Aaa / NR	3.65
	0.470% Due 02/20/2025		0.48%	799,864.83	0.30%	114.89	2,286.37	AAA	1.58

Holdings Report

As of June 30, 2021

City of Cupertino - Account #10659

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
43813GAC5	Honda Auto Receivables Trust 2021-1 A3 0.270% Due 04/21/2025	295,000.00	02/17/2021 0.27%	294,994.60 294,995.21	99.93 0.32%	294,791.73 22.13	0.21% (203.48)	Aaa / NR AAA	3.81 1.49
89240BAC2	Toyota Auto Receivables Owners 2021-A A3 0.260% Due 05/15/2025	1,090,000.00	02/02/2021 0.27%	1,089,797.70 1,089,823.28	99.91 0.32%	1,089,058.24 125.96	0.77% (765.04)	Aaa / NR AAA	3.88 1.58
44933LAC7	Hyundai Auto Receivables Trust 2021-A A3 0.380% Due 09/15/2025	515,000.00	04/20/2021 0.38%	514,945.82 514,948.94	99.97 0.40%	514,838.81 86.98	0.37% (110.13)	NR / AAA AAA	4.21 2.11
TOTAL ABS		**11,138,261.59**	**1.12%**	**11,174,799.18 11,154,570.75**	**0.28%**	**11,202,146.33 6,201.72**	**7.96% 47,575.58**	**Aaa / AAA Aaa**	**2.88 1.05**
Agency									
313378JP7	FHLB Note 2.375% Due 09/10/2021	1,300,000.00	09/06/2019 1.57%	1,320,501.00 1,301,988.48	100.44 0.10%	1,305,742.10 9,519.79	0.93% 3,753.62	Aaa / AA+ AAA	0.20 0.19
313376C94	FHLB Note 2.625% Due 12/10/2021	1,325,000.00	01/19/2017 1.90%	1,369,559.75 1,329,041.81	101.13 0.09%	1,339,947.33 2,028.91	0.95% 10,905.52	Aaa / AA+ AAA	0.45 0.44
3137EADB2	FHLMC Note 2.375% Due 01/13/2022	1,500,000.00	06/21/2019 1.84%	1,520,100.00 1,504,217.99	101.23 0.08%	1,518,444.00 16,625.00	1.09% 14,226.01	Aaa / AA+ AAA	0.54 0.53
313380GJ0	FHLB Note 2.000% Due 09/09/2022	2,000,000.00	10/10/2019 1.55%	2,025,400.00 2,010,384.40	102.25 0.11%	2,045,000.00 12,444.44	1.46% 34,615.60	Aaa / AA+ NR	1.19 1.18
3137EAER6	FHLMC Note 0.375% Due 05/05/2023	1,500,000.00	05/05/2020 0.39%	1,499,370.00 1,499,612.09	100.25 0.24%	1,503,793.50 875.00	1.07% 4,181.41	Aaa / AA+ AAA	1.85 1.84
3137EAEN5	FHLMC Note 2.750% Due 06/19/2023	800,000.00	06/21/2019 1.83%	828,320.00 813,965.49	104.91 0.25%	839,253.60 733.33	0.60% 25,288.11	Aaa / AA+ AAA	1.97 1.93
3130A3DL5	FHLB Note 2.375% Due 09/08/2023	2,000,000.00	09/06/2019 1.52%	2,066,320.00 2,036,294.30	104.52 0.30%	2,090,398.00 14,909.72	1.50% 54,103.70	Aaa / AA+ NR	2.19 2.13
3135G0U43	FNMA Note 2.875% Due 09/12/2023	1,500,000.00	06/21/2019 1.89%	1,559,805.00 1,531,163.80	105.69 0.28%	1,585,297.50 13,057.29	1.14% 54,133.70	Aaa / AA+ AAA	2.20 2.13
3137EAFA2	FHLMC Note 0.250% Due 12/04/2023	1,755,000.00	12/02/2020 0.28%	1,753,262.55 1,753,594.17	99.87 0.30%	1,752,706.22 329.06	1.25% (887.95)	Aaa / AA+ AAA	2.43 2.42
3130A0F70	FHLB Note 3.375% Due 12/08/2023	2,100,000.00	Various 1.74%	2,222,418.00 2,180,236.13	107.34 0.35%	2,254,232.40 4,528.13	1.60% 73,996.27	Aaa / AA+ AAA	2.44 2.36
3130A0XE5	FHLB Note 3.250% Due 03/08/2024	1,500,000.00	03/28/2019 2.27%	1,568,115.00 1,536,999.34	107.56 0.42%	1,613,371.50 15,302.08	1.16% 76,372.16	Aaa / AA+ NR	2.69 2.57
3130A1XJ2	FHLB Note 2.875% Due 06/14/2024	1,500,000.00	06/18/2019 1.96%	1,564,890.20 1,538,428.39	106.99 0.49%	1,604,857.51 2,036.46	1.14% 66,429.12	Aaa / AA+ NR	2.96 2.85
3135G0V75	FNMA Note 1.750% Due 07/02/2024	1,500,000.00	07/16/2019 1.96%	1,484,895.00 1,490,855.31	103.97 0.42%	1,559,575.50 13,052.08	1.12% 68,720.19	Aaa / AA+ AAA	3.01 2.91

Holdings Report

As of June 30, 2021

City of Cupertino - Account #10659

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
3130A2UW4	FHLB Note	2,000,000.00	09/13/2019	2,103,380.00	107.44	2,148,800.00	1.54%	Aaa / AA+	3.21
	2.875% Due 09/13/2024		1.79%	2,066,312.83	0.53%	17,250.00	82,487.17	AAA	3.06
3135G0W66	FNMA Note	1,975,000.00	Various	1,965,802.75	103.59	2,045,906.45	1.46%	Aaa / AA+	3.30
	1.625% Due 10/15/2024		1.73%	1,968,774.78	0.52%	6,775.35	77,131.67	AAA	3.20
3135G0X24	FNMA Note	1,295,000.00	Various	1,309,953.95	103.56	1,341,136.97	0.96%	Aaa / AA+	3.53
	1.625% Due 01/07/2025		1.37%	1,305,933.77	0.60%	10,171.14	35,203.20	AAA	3.40
3137EAEP0	FHLMC Note	2,365,000.00	02/13/2020	2,363,178.95	103.21	2,440,864.47	1.74%	Aaa / AA+	3.62
	1.500% Due 02/12/2025		1.52%	2,363,680.86	0.60%	13,697.29	77,183.61	AAA	3.51
3135G03U5	FNMA Note	1,860,000.00	04/22/2020	1,856,168.40	99.91	1,858,374.36	1.32%	Aaa / AA+	3.81
	0.625% Due 04/22/2025		0.67%	1,857,077.98	0.65%	2,228.13	1,296.38	AAA	3.76
3135G04Z3	FNMA Note	2,500,000.00	Various	2,499,227.30	99.41	2,485,280.00	1.77%	Aaa / AA+	3.97
	0.500% Due 06/17/2025		0.50%	2,499,554.49	0.65%	486.11	(14,274.49)	AAA	3.92
3137EAEU9	FHLMC Note	1,250,000.00	07/21/2020	1,243,775.00	98.63	1,232,876.25	0.88%	Aaa / AA+	4.06
	0.375% Due 07/21/2025		0.48%	1,244,945.60	0.72%	2,083.33	(12,069.35)	AAA	4.01
3135G05X7	FNMA Note	2,500,000.00	Various	2,487,983.75	98.56	2,463,940.00	1.75%	Aaa / AA+	4.16
	0.375% Due 08/25/2025		0.48%	2,489,724.98	0.73%	3,281.25	(25,784.98)	AAA	4.10
3137EAEX3	FHLMC Note	2,500,000.00	Various	2,489,362.80	98.47	2,461,860.00	1.75%	Aaa / AA+	4.24
	0.375% Due 09/23/2025		0.46%	2,490,801.35	0.74%	2,552.08	(28,941.35)	AAA	4.18
3135G06G3	FNMA Note	2,500,000.00	Various	2,492,700.00	98.91	2,472,822.50	1.76%	Aaa / AA+	4.36
	0.500% Due 11/07/2025		0.56%	2,493,624.18	0.75%	1,875.00	(20,801.68)	AAA	4.29
				41,594,489.40		**41,964,480.16**	**29.93%**	**Aaa / AA+**	**2.88**
TOTAL Agency		**41,025,000.00**	**1.25%**	**41,307,212.52**	**0.46%**	**165,840.97**	**657,267.64**	**Aaa**	**2.81**
CMO									
3137B4WB8	FHLMC K033 A2	1,000,000.00	08/13/2019	1,037,656.25	104.87	1,048,685.00	0.75%	Aaa / NR	2.07
	3.060% Due 07/25/2023		2.02%	1,019,730.93	0.44%	510.00	28,954.07	NR	1.88
3137B5JM6	FHLMC K034 A2	1,000,000.00	09/26/2019	1,053,867.19	105.81	1,058,070.00	0.75%	NR / NR	2.07
	3.531% Due 07/25/2023		2.00%	1,029,157.12	0.46%	2,942.50	28,912.88	AAA	1.91
3137B7MZ9	FHLMC K036 A2	1,000,000.00	08/19/2019	1,061,914.06	106.39	1,063,885.00	0.76%	Aaa / NR	2.32
	3.527% Due 10/25/2023		1.92%	1,034,347.08	0.48%	587.83	29,537.92	AAA	2.11
				3,153,437.50		**3,170,640.00**	**2.26%**	**Aaa / NR**	**2.15**
TOTAL CMO		**3,000,000.00**	**1.98%**	**3,083,235.13**	**0.46%**	**4,040.33**	**87,404.87**	**Aaa**	**1.97**
Corporate									
69353RFE3	PNC Bank Callable Note Cont 6/28/2022	1,200,000.00	06/20/2019	1,210,236.00	102.16	1,225,868.40	0.88%	A2 / A	1.08
	2.450% Due 07/28/2022		2.16%	1,203,368.57	0.28%	12,495.00	22,499.83	A+	0.98

Holdings Report

As of June 30, 2021

City of Cupertino - Account #10659

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
808513AT2	Charles Schwab Corp Callable Note Cont 12/25/2022	1,500,000.00	Various	1,504,955.00	103.36	1,550,452.50	1.11%	A2 / A	1.57
	2.650% Due 01/25/2023		2.53%	1,502,416.86	0.38%	17,225.00	48,035.64	A	1.45
24422ETG4	John Deere Capital Corp Note	1,000,000.00	03/28/2019	1,007,580.00	104.19	1,041,874.00	0.75%	A2 / A	1.68
	2.800% Due 03/06/2023		2.60%	1,003,231.25	0.30%	8,944.44	38,642.75	A	1.64
89236TJD8	Toyota Motor Credit Corp Note	355,000.00	04/06/2021	354,712.45	100.03	355,089.11	0.25%	A1 / A+	1.77
	0.400% Due 04/06/2023		0.44%	354,745.28	0.39%	323.44	343.83	A+	1.76
06406RAG2	Bank of NY Mellon Corp Note	1,000,000.00	03/05/2019	1,013,650.00	105.80	1,057,974.00	0.76%	A1 / A	1.83
	3.500% Due 04/28/2023		3.15%	1,006,008.53	0.32%	6,125.00	51,965.47	AA-	1.78
037833AK6	Apple Inc Note	1,000,000.00	03/11/2019	984,840.00	103.75	1,037,483.00	0.74%	Aa1 / AA+	1.84
	2.400% Due 05/03/2023		2.79%	993,272.25	0.36%	3,866.67	44,210.75	NR	1.80
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023	1,000,000.00	03/13/2019	1,023,630.00	105.98	1,059,756.00	0.75%	Aa2 / AA	1.99
	3.400% Due 06/26/2023		2.80%	1,010,697.47	0.25%	472.22	49,058.53	AA	1.86
69371RP59	Paccar Financial Corp Note	435,000.00	06/18/2019	449,315.85	106.18	461,862.56	0.33%	A1 / A+	2.11
	3.400% Due 08/09/2023		2.56%	442,285.83	0.45%	5,833.83	19,576.73	NR	2.02
02665WCQ2	American Honda Finance Note	1,300,000.00	Various	1,345,306.00	107.11	1,392,463.80	1.00%	A3 / A-	2.28
	3.625% Due 10/10/2023		2.77%	1,323,790.20	0.48%	10,603.13	68,673.60	NR	2.19
24422EVN6	John Deere Capital Corp Note	1,030,000.00	03/01/2021	1,029,268.70	99.90	1,028,943.22	0.73%	A2 / A	2.55
	0.450% Due 01/17/2024		0.47%	1,029,351.66	0.49%	1,506.38	(408.44)	A	2.53
06051GHF9	Bank of America Corp Callable Note 1X 3/5/2023	1,600,000.00	Various	1,635,071.00	105.06	1,680,979.20	1.21%	A2 / A-	2.68
	3.550% Due 03/05/2024		2.38%	1,623,463.74	0.52%	18,302.23	57,515.46	AA-	1.63
404280BS7	HSBC Holdings PLC Callable Note 1X 5/18/2023	1,500,000.00	Various	1,572,790.00	106.22	1,593,253.50	1.14%	A3 / A-	2.88
	3.950% Due 05/18/2024		2.22%	1,544,886.00	0.62%	7,077.09	48,367.50	A+	1.82
89114QCA4	Toronto Dominion Bank Note	1,500,000.00	09/11/2019	1,527,255.00	105.86	1,587,831.00	1.13%	Aa3 / A	2.95
	2.650% Due 06/12/2024		2.24%	1,516,928.28	0.64%	2,097.92	70,902.72	AA-	2.85
78013XZU5	Royal Bank of Canada Note	1,500,000.00	Various	1,533,359.18	105.46	1,581,948.00	1.14%	A2 / A	3.05
	2.550% Due 07/16/2024		1.98%	1,524,664.21	0.73%	17,531.26	57,283.79	AA	2.91
91159HHX1	US Bancorp Callable Note Cont 6/28/2024	1,250,000.00	10/10/2019	1,268,262.50	105.20	1,315,027.50	0.94%	A1 / A+	3.08
	2.400% Due 07/30/2024		2.07%	1,261,618.69	0.64%	12,583.33	53,408.81	A+	2.87
009158AV8	Air Products & Chemicals Callable Note Cont 4/30/2024	1,675,000.00	08/07/2019	1,771,212.00	107.62	1,802,696.98	1.30%	A2 / A	3.09
	3.350% Due 07/31/2024		2.07%	1,732,638.01	0.63%	23,536.08	70,058.97	NR	2.69
69371RQ25	Paccar Financial Corp Note	370,000.00	08/08/2019	369,182.30	104.45	386,459.82	0.28%	A1 / A+	3.13
	2.150% Due 08/15/2024		2.20%	369,489.33	0.71%	3,005.22	16,970.49	NR	3.01
14913Q3B3	Caterpillar Finl Service Note	1,100,000.00	01/28/2020	1,111,517.00	104.89	1,153,770.20	0.82%	A2 / A	3.36
	2.150% Due 11/08/2024		1.92%	1,108,096.24	0.67%	3,481.81	45,673.96	A	3.24

Holdings Report

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City of Cupertino - Account #10659

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
46647PCH7	JP Morgan Chase & Co Callable Note Cont 6/1/2024	1,370,000.00	05/24/2021	1,371,773.90	99.82	1,367,479.20	0.97%	A2 / A-	3.92
	0.824% Due 06/01/2025		0.74%	1,371,737.48	0.89%	940.73	(4,258.28)	AA-	2.88
46647PCK0	JP Morgan Chase & Co Callable Note Cont 6/23/2024	655,000.00	Various	655,406.85	100.13	655,825.30	0.47%	A2 / A-	3.98
	0.969% Due 06/23/2025		0.87%	655,404.90	0.93%	141.05	420.40	AA-	2.93
06051GHY8	Bank of America Corp Callable Note Cont 2/13/2025	600,000.00	05/24/2021	620,988.00	103.14	618,835.20	0.44%	A2 / A-	4.63
	2.015% Due 02/13/2026		1.00%	620,549.74	1.13%	4,634.50	(1,714.54)	AA-	3.47
46647PBK1	JP Morgan Chase & Co Callable Note Cont 4/22/2025	401,000.00	05/20/2021	415,969.33	103.44	414,797.61	0.30%	A2 / A-	4.81
	2.083% Due 04/22/2026		1.11%	415,571.27	1.16%	1,600.96	(773.66)	AA-	3.65
023135BX3	Amazon.com Inc Callable Note Cont 4/12/2026	1,875,000.00	05/10/2021	1,866,900.00	100.06	1,876,078.13	1.33%	A1 / AA	4.87
	1.000% Due 05/12/2026		1.09%	1,867,121.80	0.99%	2,552.08	8,956.33	AA-	4.65
91324PEC2	United Health Group Inc Callable Note Cont 4/15/2026	335,000.00	Various	336,083.35	100.05	335,172.53	0.24%	A3 / A+	4.88
	1.150% Due 05/15/2026		1.08%	336,074.33	1.14%	449.46	(901.80)	A	4.64
89236TJK2	Toyota Motor Credit Corp Note	1,385,000.00	06/15/2021	1,384,390.60	99.77	1,381,880.98	0.98%	A1 / A+	4.97
	1.125% Due 06/18/2026		1.13%	1,384,394.94	1.17%	562.66	(2,513.96)	A+	4.81
				27,363,655.01		**27,963,801.74**	**19.98%**	**A1 / A**	**2.95**
TOTAL Corporate		**26,936,000.00**	**1.94%**	**27,201,806.86**	**0.63%**	**165,891.49**	**761,994.88**	**A+**	**2.60**
Money Market Fund									
94975H270	Wells Fargo 100% Treasury Money Mkt Fund	11,464,670.43	Various	11,464,670.43	1.00	11,464,670.43	8.14%	Aaa / AAA	0.00
			0.01%	11,464,670.43	0.01%	0.00	0.00	NR	0.00
				11,464,670.43		**11,464,670.43**	**8.14%**	**Aaa / AAA**	**0.00**
TOTAL Money Market Fund		**11,464,670.43**	**0.01%**	**11,464,670.43**	**0.01%**	**0.00**	**0.00**	**NR**	**0.00**
Municipal Bonds									
13063DRK6	California State Taxable GO	755,000.00	10/16/2019	772,342.35	105.51	796,570.30	0.57%	Aa2 / AA-	3.26
	2.400% Due 10/01/2024		1.91%	766,420.57	0.69%	4,530.00	30,149.73	AA	3.12
				772,342.35		**796,570.30**	**0.57%**	**Aa2 / AA-**	**3.26**
TOTAL Municipal Bonds		**755,000.00**	**1.91%**	**766,420.57**	**0.69%**	**4,530.00**	**30,149.73**	**AA**	**3.12**

Holdings Report

As of June 30, 2021

City of Cupertino - Account #10659

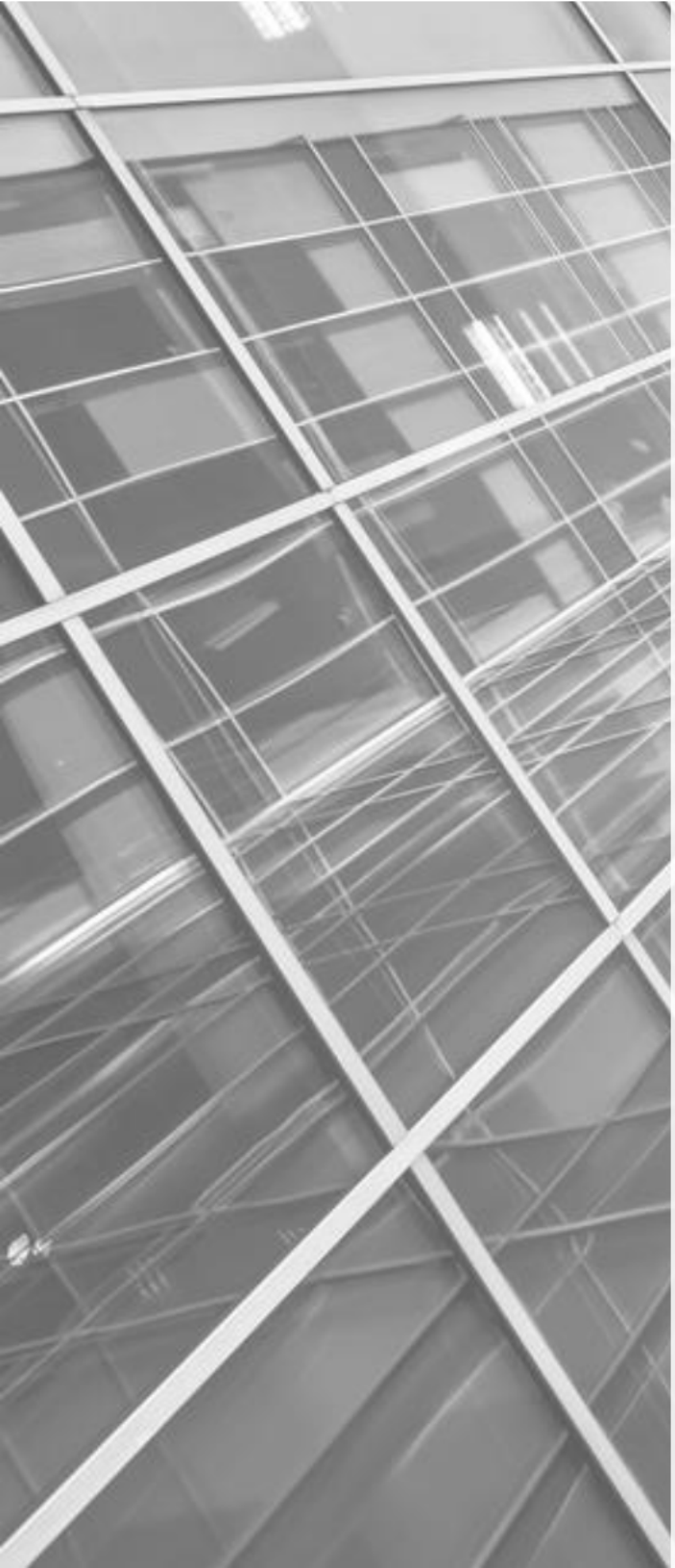
CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Negotiable CD									
06417MMB8	Bank of Nova Scotia Houston Yankee CD	3,000,000.00	11/24/2020	3,000,000.00	100.00	3,000,000.00	2.13%	P-1 / A-1	0.40
	0.280% Due 11/24/2021		0.28%	3,000,000.00	0.28%	5,086.67	0.00	F-1+	0.40
89114W7M1	Toronto Dominion Yankee CD	350,000.00	04/29/2021	349,999.99	100.04	350,128.45	0.25%	P-1 / A-1	0.83
	0.240% Due 04/28/2022		0.24%	349,999.99	0.20%	149.33	128.46	F-1+	0.83
				3,349,999.99		**3,350,128.45**	**2.38%**	**Aaa / AA**	**0.45**
TOTAL Negotiable CD		**3,350,000.00**	**0.28%**	**3,349,999.99**	**0.27%**	**5,236.00**	**128.46**	**Aaa**	**0.45**
Supranational									
45950KCT5	International Finance Corp Note	2,500,000.00	05/27/2021	2,471,150.00	98.16	2,453,900.00	1.75%	Aaa / AAA	4.05
	0.375% Due 07/16/2025		0.66%	2,471,724.70	0.84%	4,296.88	(17,824.70)	NR	3.99
459058JL8	Intl. Bank Recon & Development Note	2,400,000.00	Various	2,388,859.25	98.81	2,371,428.01	1.69%	Aaa / AAA	4.33
	0.500% Due 10/28/2025		0.60%	2,389,747.14	0.78%	2,100.01	(18,319.13)	AAA	4.27
4581X0DV7	Inter-American Dev Bank Note	2,460,000.00	04/13/2021	2,448,733.20	100.04	2,460,888.06	1.75%	Aaa / AAA	4.81
	0.875% Due 04/20/2026		0.97%	2,449,177.45	0.87%	4,245.21	11,710.61	AAA	4.69
				7,308,742.45		**7,286,216.07**	**5.18%**	**Aaa / AAA**	**4.40**
TOTAL Supranational		**7,360,000.00**	**0.74%**	**7,310,649.29**	**0.83%**	**10,642.10**	**(24,433.22)**	**Aaa**	**4.32**
US Treasury									
912828XG0	US Treasury Note	1,250,000.00	09/11/2019	1,267,626.96	102.02	1,275,195.00	0.91%	Aaa / AA+	1.00
	2.125% Due 06/30/2022		1.61%	1,256,278.10	0.11%	72.18	18,916.90	AAA	0.99
912828L57	US Treasury Note	2,000,000.00	09/11/2019	2,007,890.63	102.01	2,040,234.00	1.46%	Aaa / AA+	1.25
	1.750% Due 09/30/2022		1.62%	2,003,229.92	0.14%	8,797.81	37,004.08	AAA	1.24
912828N30	US Treasury Note	2,000,000.00	Various	2,029,085.94	102.91	2,058,282.00	1.46%	Aaa / AA+	1.50
	2.125% Due 12/31/2022		1.68%	2,013,020.94	0.18%	115.49	45,261.06	AAA	1.48
912828T91	US Treasury Note	2,000,000.00	Various	1,973,554.69	103.04	2,060,704.00	1.47%	Aaa / AA+	2.34
	1.625% Due 10/31/2023		1.94%	1,986,073.30	0.32%	5,475.55	74,630.70	AAA	2.29
912828V23	US Treasury Note	1,500,000.00	06/21/2019	1,529,472.66	104.71	1,570,722.00	1.12%	Aaa / AA+	2.50
	2.250% Due 12/31/2023		1.80%	1,516,298.33	0.35%	91.71	54,423.67	AAA	2.44
912828B66	US Treasury Note	2,000,000.00	Various	2,053,613.28	106.20	2,123,906.00	1.52%	Aaa / AA+	2.63
	2.750% Due 02/15/2024		2.13%	2,030,565.84	0.38%	20,662.99	93,340.16	AAA	2.53
91282CBR1	US Treasury Note	1,450,000.00	03/30/2021	1,446,488.28	99.60	1,444,223.20	1.03%	Aaa / AA+	2.71
	0.250% Due 03/15/2024		0.33%	1,446,787.43	0.40%	1,063.86	(2,564.23)	AAA	2.69
912828X70	US Treasury Note	1,700,000.00	06/10/2019	1,705,976.56	104.45	1,775,636.40	1.27%	Aaa / AA+	2.84
	2.000% Due 04/30/2024		1.92%	1,703,462.05	0.42%	5,728.26	72,174.35	AAA	2.76

Holdings Report

As of June 30, 2021

City of Cupertino - Account #10659

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
912828XX3	US Treasury Note 2.000% Due 06/30/2024	2,000,000.00	Various 1.80%	2,018,574.22 2,011,520.42	104.59 0.46%	2,091,718.00 108.69	1.49% 80,197.58	Aaa / AA+ AAA	3.00 2.92
912828D56	US Treasury Note 2.375% Due 08/15/2024	1,700,000.00	09/18/2019 1.71%	1,753,191.41 1,733,867.97	105.88 0.48%	1,800,007.60 15,168.51	1.29% 66,139.63	Aaa / AA+ AAA	3.13 3.00
912828ZC7	US Treasury Note 1.125% Due 02/28/2025	1,500,000.00	03/18/2020 0.81%	1,523,144.53 1,517,137.45	101.85 0.61%	1,527,774.00 5,640.29	1.09% 10,636.55	Aaa / AA+ AAA	3.67 3.58
91282CAB7	US Treasury Note 0.250% Due 07/31/2025	1,500,000.00	03/12/2021 0.72%	1,469,765.63 1,471,807.73	98.14 0.71%	1,472,167.50 1,564.23	1.05% 359.77	Aaa / AA+ AAA	4.09 4.05
91282CAM3	US Treasury Note 0.250% Due 09/30/2025	2,400,000.00	Various 0.56%	2,366,140.63 2,368,549.33	97.93 0.75%	2,350,219.20 1,508.20	1.67% (18,330.13)	Aaa / AA+ AAA	4.25 4.21
91282CAT8	US Treasury Note 0.250% Due 10/31/2025	2,450,000.00	Various 0.49%	2,422,492.19 2,425,039.96	97.81 0.76%	2,396,310.70 1,031.93	1.70% (28,729.26)	Aaa / AA+ AAA	4.34 4.29
91282CAZ4	US Treasury Note 0.375% Due 11/30/2025	2,250,000.00	03/26/2021 0.77%	2,209,658.20 2,211,879.72	98.24 0.78%	2,210,361.75 714.65	1.57% (1,517.97)	Aaa / AA+ AAA	4.42 4.37
91282CBH3	US Treasury Note 0.375% Due 01/31/2026	2,500,000.00	05/27/2021 0.75%	2,456,445.31 2,457,311.82	98.04 0.81%	2,450,880.00 3,910.57	1.74% (6,431.82)	Aaa / AA+ AAA	4.59 4.52
91282CBW0	US Treasury Note 0.750% Due 04/30/2026	2,500,000.00	05/27/2021 0.80%	2,493,652.34 2,493,772.37	99.55 0.85%	2,488,672.50 3,158.97	1.77% (5,099.87)	Aaa / AA+ AAA	4.84 4.73
TOTAL US Treasury		**32,700,000.00**	**1.23%**	**32,726,773.46** **32,646,602.68**	**0.52%**	**33,137,013.85** **74,813.89**	**23.59%** **490,411.17**	**Aaa / AA+** **Aaa**	**3.23** **3.17**
TOTAL PORTFOLIO		**137,728,932.02**	**1.24%**	**138,908,909.77** **138,285,168.22**	**0.47%**	**140,335,667.33** **437,196.50**	**100.00%** **2,050,499.11**	**Aa1 / AA+** **Aaa**	**2.75** **2.49**
TOTAL MARKET VALUE PLUS ACCRUALS						**140,772,863.83**			



Section 4 | Transactions

Transaction Ledger

As of June 30, 2021

City of Cupertino - Account #10659

March 31, 2021 through June 30, 2021

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITIONS										
Purchase	04/09/2021	89236TJD8	355,000.00	Toyota Motor Credit Corp Note 0.4% Due: 04/06/2023	99.919	0.44%	354,712.45	0.00	354,712.45	0.00
Purchase	04/20/2021	4581X0DV7	2,460,000.00	Inter-American Dev Bank Note 0.875% Due: 04/20/2026	99.542	0.97%	2,448,733.20	0.00	2,448,733.20	0.00
Purchase	04/28/2021	44933LAC7	515,000.00	Hyundai Auto Receivables Trust 2021-A A3 0.38% Due: 09/15/2025	99.989	0.38%	514,945.82	0.00	514,945.82	0.00
Purchase	04/30/2021	89114W7M1	350,000.00	Toronto Dominion Yankee CD 0.24% Due: 04/28/2022	100.000	0.24%	349,999.99	4.67	350,004.66	0.00
Purchase	05/12/2021	023135BX3	1,875,000.00	Amazon.com Inc Callable Note Cont 4/12/2026 1% Due: 05/12/2026	99.568	1.09%	1,866,900.00	0.00	1,866,900.00	0.00
Purchase	05/24/2021	46647PBK1	401,000.00	JP Morgan Chase & Co Callable Note Cont 4/22/2025 2.083% Due: 04/22/2026	103.733	1.11%	415,969.33	742.47	416,711.80	0.00
Purchase	05/26/2021	06051GHY8	600,000.00	Bank of America Corp Callable Note Cont 2/13/2025 2.015% Due: 02/13/2026	103.498	1.00%	620,988.00	3,459.08	624,447.08	0.00
Purchase	05/28/2021	91282CBH3	2,500,000.00	US Treasury Note 0.375% Due: 01/31/2026	98.258	0.75%	2,456,445.31	3,030.04	2,459,475.35	0.00
Purchase	05/28/2021	91282CBW0	2,500,000.00	US Treasury Note 0.75% Due: 04/30/2026	99.746	0.80%	2,493,652.34	1,426.63	2,495,078.97	0.00
Purchase	06/01/2021	45950KCT5	2,500,000.00	International Finance Corp Note 0.375% Due: 07/16/2025	98.846	0.66%	2,471,150.00	3,515.63	2,474,665.63	0.00
Purchase	06/01/2021	46647PCH7	275,000.00	JP Morgan Chase & Co Callable Note Cont 6/1/2024 0.824% Due: 06/01/2025	100.000	0.77%	275,000.00	0.00	275,000.00	0.00
Purchase	06/01/2021	46647PCH7	730,000.00	JP Morgan Chase & Co Callable Note Cont 6/1/2024 0.824% Due: 06/01/2025	100.163	0.73%	731,189.90	0.00	731,189.90	0.00
Purchase	06/01/2021	46647PCH7	365,000.00	JP Morgan Chase & Co Callable Note Cont 6/1/2024 0.824% Due: 06/01/2025	100.160	0.73%	365,584.00	0.00	365,584.00	0.00

Transaction Ledger

As of June 30, 2021

City of Cupertino - Account #10659

March 31, 2021 through June 30, 2021

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Purchase	06/16/2021	44891VAC5	790,000.00	Hyundai Auto Lease Trust 2021-B A3 0.33% Due: 06/17/2024	99.985	0.34%	789,881.50	0.00	789,881.50	0.00
Purchase	06/16/2021	91324PEC2	220,000.00	United Health Group Inc Callable Note Cont 4/15/2026 1.15% Due: 05/15/2026	100.333	1.08%	220,732.60	189.75	220,922.35	0.00
Purchase	06/17/2021	91324PEC2	115,000.00	United Health Group Inc Callable Note Cont 4/15/2026 1.15% Due: 05/15/2026	100.305	1.08%	115,350.75	102.86	115,453.61	0.00
Purchase	06/18/2021	89236TJK2	1,385,000.00	Toyota Motor Credit Corp Note 1.125% Due: 06/18/2026	99.956	1.13%	1,384,390.60	0.00	1,384,390.60	0.00
Purchase	06/23/2021	46647PCK0	260,000.00	JP Morgan Chase & Co Callable Note Cont 6/23/2024 0.969% Due: 06/23/2025	100.000	0.89%	260,000.00	0.00	260,000.00	0.00
Purchase	06/24/2021	46647PCK0	395,000.00	JP Morgan Chase & Co Callable Note Cont 6/23/2024 0.969% Due: 06/23/2025	100.103	0.86%	395,406.85	10.63	395,417.48	0.00
Subtotal			**18,591,000.00**				**18,531,032.64**	**12,481.76**	**18,543,514.40**	**0.00**
TOTAL ACQUISITIONS			**18,591,000.00**				**18,531,032.64**	**12,481.76**	**18,543,514.40**	**0.00**
DISPOSITIONS										
Sale	04/08/2021	912828F96	250,000.00	US Treasury Note 2% Due: 10/31/2021	101.109	1.71%	252,773.44	2,196.13	254,969.57	2,368.99
Sale	04/15/2021	68389XBK0	730,000.00	Oracle Corp Callable Note Cont 8/15/2021 1.9% Due: 09/15/2021	100.544	2.66%	733,971.20	1,155.83	735,127.03	6,205.00
Sale	04/15/2021	68389XBK0	270,000.00	Oracle Corp Callable Note Cont 8/15/2021 1.9% Due: 09/15/2021	100.542	2.66%	271,463.40	427.50	271,890.90	2,289.60
Sale	04/16/2021	912828F96	1,750,000.00	US Treasury Note 2% Due: 10/31/2021	101.063	1.71%	1,768,593.75	16,146.41	1,784,740.16	15,872.58
Sale	05/12/2021	912828XG0	750,000.00	US Treasury Note 2.125% Due: 06/30/2022	102.316	1.61%	767,373.05	5,811.46	773,184.51	13,088.77

Transaction Ledger

As of June 30, 2021

City of Cupertino - Account #10659

March 31, 2021 through June 30, 2021

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
Sale	06/18/2021	89236TDP7	1,000,000.00	Toyota Motor Credit Corp Note 2.6% Due: 01/11/2022	101.352	2.89%	1,013,520.00	11,338.89	1,024,858.89	15,071.01
Sale	06/23/2021	48128BAB7	1,300,000.00	JP Morgan Chase & Co Callable Note 1X 1/15/2022 2.972% Due: 01/15/2023	101.454	2.69%	1,318,902.00	16,956.91	1,335,858.91	20,022.19
Subtotal			**6,050,000.00**				**6,126,596.84**	**54,033.13**	**6,180,629.97**	**74,918.14**
Maturity	05/11/2021	369550BE7	1,000,000.00	General Dynamics Corp Note 3% Due: 05/11/2021	100.000		1,000,000.00	0.00	1,000,000.00	0.00
Maturity	05/19/2021	857477AV5	1,000,000.00	State Street Bank Note 1.95% Due: 05/19/2021	100.000		1,000,000.00	0.00	1,000,000.00	0.00
Subtotal			**2,000,000.00**				**2,000,000.00**	**0.00**	**2,000,000.00**	**0.00**
TOTAL DISPOSITIONS			**8,050,000.00**				**8,126,596.84**	**54,033.13**	**8,180,629.97**	**74,918.14**

Important Disclosures

As of June 30, 2021

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Information contained herein is confidential. Prices are provided by IDC, an independent pricing source. In the event IDC does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

Benchmark Disclosures

As of June 30, 2021

ICE BAML 1-5 Year US Treasury/Agency Index

The ICE BAML 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule and a minimum amount outstanding of $1 billion for sovereigns and $250 million for agencies. (Index: GVA0. Please visit www.mlindex.ml.com for more information)

[redacted]

California State Treasurer
Fiona Ma, CPA

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

July 08, 2021

LAIF Home
PMIA Average Monthly Yields

CITY OF CUPERTINO

FINANCE MANAGER
10300 TORRE AVENUE
CUPERTINO, CA 95014

Tran Type Definitions

Account Number: [redacted]

June 2021 Statement

Account Summary

Total Deposit	0 00	Beginning Balance	21,001,116 49
Total Withdrawal:	0.00	Ending Balance:	21,001,116.49

CITY OF CUPERTINO

Agenda Item

21-9598

Agenda Date: 7/26/2021
Agenda #: 4.

Subject: OPEB & Pension Section 115 Trust Performance Report

Receive OPEB & Pension Section 115 Trust Performance Report

PARS/CITY OF CUPERTINO 115P
OPEB & PENSION ACCOUNTS

June 30, 2021

U.S. Bank Institutional Asset Management

usbank

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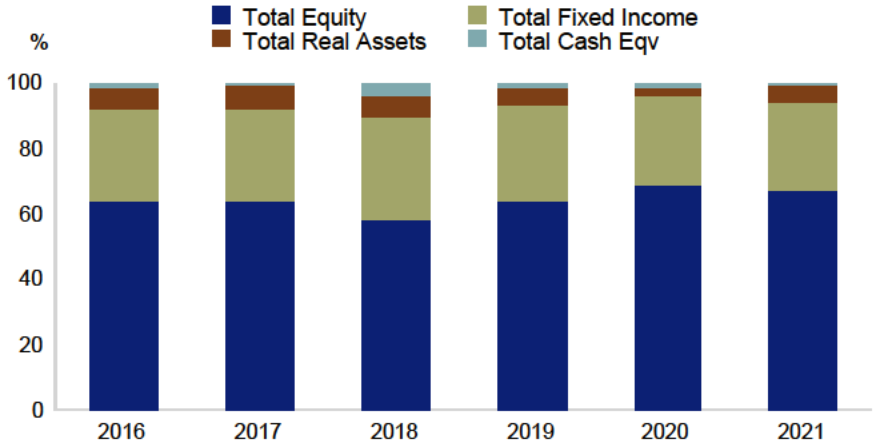
PORTFOLIO REVIEW

History of Asset Growth Graphs

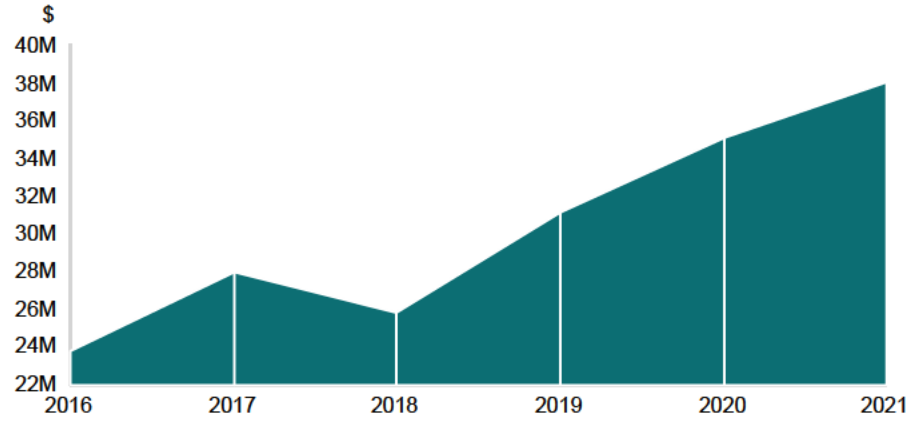
Annual Portfolio Values

	Consolidated	Jan 2016-Dec 2016	Jan 2017-Dec 2017	Jan 2018-Dec 2018	Jan 2019-Dec 2019	Jan 2020-Dec 2020	Jan 2021-Jun 2021
Beginning Portfolio Value	**22,293,645**	**22,293,645**	**23,808,269**	**27,914,893**	**25,771,054**	**31,154,264**	**35,029,500**
Contributions	28,325,739	3	2	15	28,325,715	2	1
Withdrawals	-28,925,662	-97,969	-106,702	-113,476	-28,432,997	-110,991	-63,527
Income Earned	2,852,508	448,187	452,364	548,841	695,433	482,644	225,039
Gain/Loss	13,484,781	1,164,403	3,760,960	-2,579,219	4,795,058	3,503,582	2,839,998
Ending Portfolio Value	**38,031,011**	**23,808,269**	**27,914,893**	**25,771,054**	**31,154,264**	**35,029,500**	**38,031,011**
Total Return	**10.56**	**7.25**	**17.73**	**-7.30**	**20.89**	**12.85**	**8.76**
Principal	8.53	5.20	15.74	-9.15	18.08	11.09	8.09
Income	1.88	1.97	1.74	1.99	2.42	1.59	.62

Allocation Over Time



Ending Market Values Over Time



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Custom Benchmark

CITY OF CUPERTINO

Asset Class	Benchmark	Range	Target
Equities	MSCI AC World Free Index	50%-70%	63%
Fixed Income	BBARC Global Aggregate Index	20%-40%	29%
Real Estate	S&P Global REIT TR USD	0%-15%	5%
Commodities	S&P GSCI Commodity Index	0%-10%	2%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (6 Months)	1 Year	3 Years	5 Years	86 Months	Inception to Date 07/01/2010
Total Portfolio Gross of Fees	38,031,011	6.34	8.76	29.93	10.95	11.10	7.98	8.16
Total Portfolio Net of Fees	38,031,011	6.29	8.66	29.70	10.74	10.88	7.75	
City of Cupertino		5.93	8.26	27.88	11.45	10.67	7.35	8.73
Total Equity	25,562,332	7.70	11.89	44.47	16.56	16.65	12.31	13.93
MSCI ACWI (Net)		7.39	12.30	39.26	14.57	14.61	10.12	11.60
U.S. Equity	18,663,164	8.10	14.28	43.28	16.22	16.80	13.48	
S&P 500 Index (Gross)		8.55	15.25	40.79	18.67	17.65	14.44	16.20
S&P MidCap 400 Index		3.64	17.59	53.24	13.17	14.29	11.83	14.62
S&P SmallCap 600 Index		4.51	23.56	67.40	12.20	15.82	12.56	15.45
Developed Markets Equity	4,619,781	7.49	6.38	51.22	20.94	18.38	10.83	
MSCI EAFE Index (Net)		5.17	8.83	32.35	8.27	10.28	5.22	7.91
Emerging Markets Equity	2,279,387	4.83	4.67	42.40	10.87	11.88	5.68	
MSCI Emerging Markets Index (Net)		5.05	7.45	40.90	11.27	13.03	7.10	6.23
Total Fixed Income	10,209,939	2.23	-.31	2.27	2.09	2.16	1.60	2.51
BBARC Global Aggregate Index		1.31	-3.21	2.63	4.23	2.34	1.98	2.79
BBARC US Aggregate Bond Index		1.83	-1.60	-.33	5.34	3.03	3.37	3.44
Total Real Assets	1,875,684	11.56	21.14	33.47	8.70	5.57		
Real Estate	1,875,684	11.56	21.14	33.47	9.59	6.16	8.42	
S&P Global REIT Index (Gross)		10.43	17.55	36.11	8.40	5.77	7.26	10.42
S&P GSCI Index		15.72	31.40	57.37	-2.72	1.73	-8.75	-3.90
Total Cash Equivalents	383,056	.01	.01	.03	1.07	.96	.70	.47
ICE BofAML US 3-Month Treasury Bill Index		.00	.02	.09	1.34	1.17	.85	.59
Pending Cash	0	.00	.00	.00	.00	.00	.00	.00

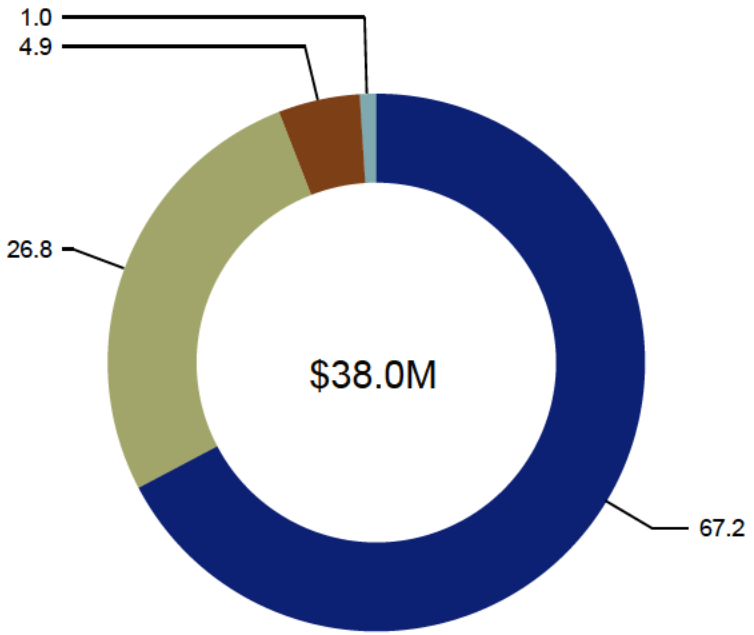
For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Asset Allocation Analysis Graph

Market Value by Asset Class

	Market Value	% of Mkt Val
Total Equity	$ 25,562,332	67.2 %
Total Fixed Income	$ 10,209,939	26.8 %
Total Real Assets	$ 1,875,684	4.9 %
Total Cash Eqv	$ 383,056	1.0 %
Total	**$ 38,031,011**	**100.0 %**

Market Value by Asset Class Pie Chart



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**38,007,681**	**12,621,669**	**25,386,012**	**1.53**	**581,101**
Cash		**1.01**			**383,049**	**383,049**	**.00**	**0.02**	**77**
Cash Equivalents		**1.01**			**383,049**	**383,049**	**.00**	**0.02**	**77**
FIRST AM GOVT OB FD CL Z	31846V567	1.01	1.00	383,049	383,049	383,049	.00	0.02	77
Fixed Income		**26.80**			**10,186,616**	**5,690,436**	**4,496,181**	**3.21**	**326,550**
Investment Grade		**20.84**			**7,921,570**	**3,464,742**	**4,456,829**	**2.56**	**202,669**
Mutual Funds & ETFs		**20.84**			**7,921,570**	**3,464,742**	**4,456,829**	**2.56**	**202,669**
DoubleLine Total Return Bond Fund Class I	DBLTX	5.94	10.54	214,057	2,256,166	1,414,816	841,349	3.22	72,565
Fidelity U.S. Bond Index Fund	FXNAX	8.94	12.13	280,221	3,399,077	648,626	2,750,451	1.87	63,610
PGIM Total Return Bond Fund Class R6	PTRQX	5.96	14.69	154,277	2,266,328	1,401,299	865,028	2.93	66,493
High Yield		**5.96**			**2,265,046**	**2,225,694**	**39,352**	**5.47**	**123,881**
Mutual Funds & ETFs		**5.96**			**2,265,046**	**2,225,694**	**39,352**	**5.47**	**123,881**
American Century High Income Fund Clas…	NPHIX	2.99	9.87	114,977	1,134,822	1,095,471	39,352	5.20	58,983
Artisan High Income Fund - Institutional S…	APHFX	2.97	10.31	109,624	1,130,223	1,130,223	-.00	5.74	64,897
Equity		**67.26**			**25,562,332**	**4,859,252**	**20,703,079**	**0.77**	**195,821**
Large Cap U.S. Equity		**28.11**			**10,685,781**	**1,927,264**	**8,758,517**	**0.96**	**102,523**
Mutual Funds & ETFs		**28.11**			**10,685,781**	**1,927,264**	**8,758,517**	**0.96**	**102,523**
Columbia Dividend Income Fund Class I3	CDDYX	7.06	30.07	89,185	2,681,780	367,459	2,314,322	1.53	41,114
Harbor Capital Appreciation Fund - Retire…	HNACX	7.04	114.38	23,383	2,674,602	486,854	2,187,748	0.00	0
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX	7.00	186.29	14,277	2,659,746	653,887	2,005,859	0.00	0
Vanguard Equity Income Fund Admiral Sh…	VEIRX	7.02	90.86	29,382	2,669,653	419,064	2,250,588	2.30	61,408
Mid Cap U.S. Equity		**16.02**			**6,088,195**	**1,114,759**	**4,973,436**	**1.04**	**63,451**
Mutual Funds & ETFs		**16.02**			**6,088,195**	**1,114,759**	**4,973,436**	**1.04**	**63,451**
Fidelity Mid Cap Index Fund	FSMDX	16.02	31.28	194,635	6,088,195	1,114,759	4,973,436	1.04	63,451
Small Cap U.S. Equity		**4.97**			**1,889,189**	**238,720**	**1,650,468**	**0.87**	**16,383**
Mutual Funds & ETFs		**4.97**			**1,889,189**	**238,720**	**1,650,468**	**0.87**	**16,383**
Fidelity Small Cap Index Fund	FSSNX	4.97	29.29	64,499	1,889,189	238,720	1,650,468	0.87	16,383
Developed Markets Equity		**12.15**			**4,619,781**	**469,173**	**4,150,608**	**0.29**	**13,465**
Mutual Funds & ETFs		**12.15**			**4,619,781**	**469,173**	**4,150,608**	**0.29**	**13,465**
Vanguard International Growth Fund Admi…	VWILX	12.15	170.52	27,092	4,619,781	469,173	4,150,608	0.29	13,465

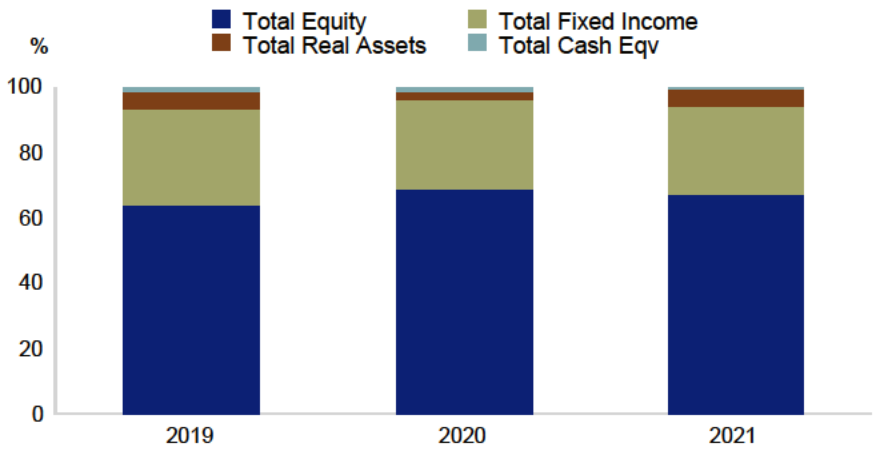
	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Emerging Markets Equity		**6.00**			**2,279,387**	**1,109,337**	**1,170,050**	**0.00**	**0**
Mutual Funds & ETFs		**6.00**			**2,279,387**	**1,109,337**	**1,170,050**	**0.00**	**0**
Baron Emerging Markets Fd Inst Shs	BEXIX	6.00	19.95	114,255	2,279,387	1,109,337	1,170,050	0.00	0
Real Assets		**4.94**			**1,875,684**	**1,688,932**	**186,752**	**3.13**	**58,653**
U.S. Listed Real Estate		**4.94**			**1,875,684**	**1,688,932**	**186,752**	**3.13**	**58,653**
Vanguard Real Estate ETF	VNQ	4.94	101.79	18,427	1,875,684	1,688,932	186,752	3.13	58,653

History of Asset Growth Graphs

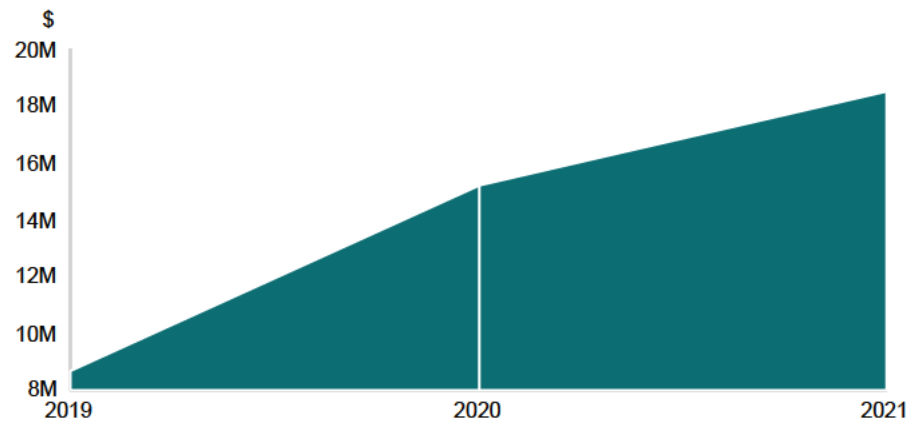
Annual Portfolio Values

	Consolidated	May 2019-Dec 2019	Jan 2020-Dec 2020	Jan 2021-Jun 2021
Beginning Portfolio Value	**8,073,518**	**8,073,518**	**8,657,991**	**15,177,347**
Contributions	6,000,004	1	4,000,002	2,000,000
Withdrawals	-91,535	-20,472	-43,099	-27,964
Income Earned	448,995	155,938	193,205	99,851
Gain/Loss	4,062,925	449,006	2,369,247	1,244,672
Ending Portfolio Value	**18,493,907**	**8,657,991**	**15,177,347**	**18,493,907**
Total Return	**15.45**	**7.51**	**17.09**	**8.44**
Principal	13.33	5.52	15.31	7.79
Income	1.88	1.91	1.55	.61

Allocation Over Time



Ending Market Values Over Time



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Custom Benchmark

CITY OF CUPERTINO

Asset Class	Benchmark	Range	Target
Equities	MSCI AC World Free Index	50%-70%	63%
Fixed Income	BBARC Global Aggregate Index	20%-40%	29%
Real Estate	S&P Global REIT TR USD	0%-15%	5%
Commodities	S&P GSCI Commodity Index	0%-10%	2%
Cash	FTSE 3-Mo US T-Bill Index	0%-10%	1%

Selected Period Performance

	Market Value	3 Months	Year to Date (6 Months)	1 Year	Inception to Date 05/01/2019
Total Portfolio Gross of Fees	18,493,907	6.02	8.44	29.55	15.44
Total Portfolio Net of Fees	18,493,907	5.98	8.34	29.32	15.23
City of Cupertino		5.93	8.26	27.88	13.66
Total Equity	12,429,075	7.70	11.89	44.47	21.71
MSCI ACWI (Net)		7.39	12.30	39.26	17.77
U.S. Equity	9,074,822	8.09	14.27	43.27	20.31
S&P 500 Index (Gross)		8.55	15.25	40.79	21.22
S&P MidCap 400 Index		3.64	17.59	53.24	17.43
S&P SmallCap 600 Index		4.51	23.56	67.40	18.95
Developed Markets Equity	2,246,332	7.49	6.38	51.22	29.85
MSCI EAFE Index (Net)		5.17	8.83	32.35	11.51
Emerging Markets Equity	1,107,921	4.83	4.67	42.40	16.60
MSCI Emerging Markets Index (Net)		5.05	7.45	40.90	14.51
Total Fixed Income	4,968,018	2.21	-.33	2.25	1.34
BBARC Global Aggregate Index		1.31	-3.21	2.63	4.86
BBARC US Aggregate Bond Index		1.83	-1.60	-.33	5.23
Total Real Assets	912,649	11.65	21.24	33.59	10.00
Real Estate	912,649	11.65	21.24	33.59	10.00
S&P Global REIT Index (Gross)		10.43	17.55	36.11	7.93
S&P GSCI Index		15.72	31.40	57.37	-.14
Total Cash Equivalents	184,165	.00	.01	.03	.75
ICE BofAML US 3-Month Treasury Bill Index		.00	.02	.09	1.00
Pending Cash	0	.00	.00	.00	.00

For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

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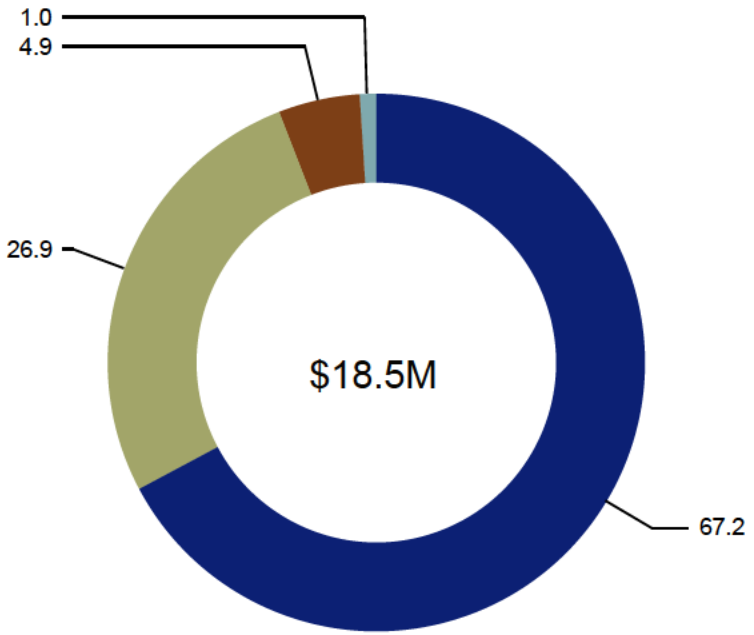
Asset Allocation Analysis Graph

Market Value by Asset Class

		Market Value	% of Mkt Val
Total Equity	$	12,429,075	67.2 %
Total Fixed Income	$	4,968,018	26.9 %
Total Real Assets	$	912,649	4.9 %
Total Cash Eqv	$	184,165	1.0 %
Total	**$**	**18,493,907**	**100.0 %**

Market Value by Asset Class Pie Chart



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Total		**100.0**			**18,482,633**	**8,695,501**	**9,787,131**	**1.53**	**282,679**
Cash		**1.00**			**184,148**	**184,148**	**.00**	**0.02**	**37**
Cash Equivalents		**1.00**			**184,148**	**184,148**	**.00**	**0.02**	**37**
FIRST AM GOVT OB FD CL Z	31846V567	1.00	1.00	184,148	184,148	184,148	.00	0.02	37
Fixed Income		**26.82**			**4,956,761**	**3,674,989**	**1,281,772**	**3.21**	**158,897**
Investment Grade		**20.86**			**3,854,616**	**2,600,971**	**1,253,645**	**2.56**	**98,618**
Mutual Funds & ETFs		**20.86**			**3,854,616**	**2,600,971**	**1,253,645**	**2.56**	**98,618**
DoubleLine Total Return Bond Fund Class I	DBLTX	5.94	10.54	104,158	1,097,823	795,107	302,717	3.22	35,310
Fidelity U.S. Bond Index Fund	FXNAX	8.95	12.13	136,352	1,653,950	1,027,545	626,405	1.87	30,952
PGIM Total Return Bond Fund Class R6	PTRQX	5.97	14.69	75,074	1,102,842	778,319	324,524	2.93	32,357
High Yield		**5.96**			**1,102,144**	**1,074,018**	**28,127**	**5.47**	**60,279**
Mutual Funds & ETFs		**5.96**			**1,102,144**	**1,074,018**	**28,127**	**5.47**	**60,279**
American Century High Income Fund Clas…	NPHIX	2.99	9.87	55,946	552,191	524,065	28,127	5.20	28,701
Artisan High Income Fund - Institutional S…	APHFX	2.98	10.31	53,342	549,953	549,953	-.00	5.74	31,578
Equity		**67.25**			**12,429,075**	**4,008,735**	**8,420,340**	**0.77**	**95,206**
Large Cap U.S. Equity		**28.11**			**5,194,628**	**1,649,426**	**3,545,202**	**0.96**	**49,828**
Mutual Funds & ETFs		**28.11**			**5,194,628**	**1,649,426**	**3,545,202**	**0.96**	**49,828**
Columbia Dividend Income Fund Class I3	CDDYX	7.05	30.07	43,339	1,303,201	383,649	919,553	1.53	19,979
Harbor Capital Appreciation Fund - Retire…	HNACX	7.03	114.38	11,365	1,299,892	391,625	908,267	0.00	0
T. Rowe Price Blue Chip Growth Fund, Inc.	TRBCX	7.00	186.29	6,946	1,293,887	459,269	834,619	0.00	0
Vanguard Equity Income Fund Admiral Sh…	VEIRX	7.02	90.86	14,282	1,297,647	414,883	882,764	2.30	29,849
Mid Cap U.S. Equity		**16.02**			**2,961,126**	**894,742**	**2,066,384**	**1.04**	**30,861**
Mutual Funds & ETFs		**16.02**			**2,961,126**	**894,742**	**2,066,384**	**1.04**	**30,861**
Fidelity Mid Cap Index Fund	FSMDX	16.02	31.28	94,665	2,961,126	894,742	2,066,384	1.04	30,861
Small Cap U.S. Equity		**4.97**			**919,068**	**209,065**	**710,002**	**0.87**	**7,970**
Mutual Funds & ETFs		**4.97**			**919,068**	**209,065**	**710,002**	**0.87**	**7,970**
Fidelity Small Cap Index Fund	FSSNX	4.97	29.29	31,378	919,068	209,065	710,002	0.87	7,970
Developed Markets Equity		**12.15**			**2,246,332**	**556,230**	**1,690,102**	**0.29**	**6,547**
Mutual Funds & ETFs		**12.15**			**2,246,332**	**556,230**	**1,690,102**	**0.29**	**6,547**
Vanguard International Growth Fund Admi…	VWILX	12.15	170.52	13,173	2,246,332	556,230	1,690,102	0.29	6,547

	Symbol	% of Port.	Price	Shares/ Units	Portfolio Value	Cost Basis	Unrealized Gain/Loss	Current Yield	Projected Annual Income
Emerging Markets Equity		**5.99**			**1,107,921**	**699,272**	**408,649**	**0.00**	**0**
Mutual Funds & ETFs		**5.99**			**1,107,921**	**699,272**	**408,649**	**0.00**	**0**
Baron Emerging Markets Fd Inst Shs	BEXIX	5.99	19.95	55,535	1,107,921	699,272	408,649	0.00	0
Real Assets		**4.94**			**912,649**	**827,629**	**85,020**	**3.13**	**28,539**
U.S. Listed Real Estate		**4.94**			**912,649**	**827,629**	**85,020**	**3.13**	**28,539**
Vanguard Real Estate ETF	VNQ	4.94	101.79	8,966	912,649	827,629	85,020	3.13	28,539

ECONOMIC OUTLOOK

usbank

Market analysis

July 6, 2021

This informational material is provided by U.S. Bank Asset Management Group who provides analysis and research to U.S. Bank and its affiliate U.S. Bancorp Investments. Contact your wealth professional for more details.

At a glance

Higher oil prices did not deter investors last week, as the S&P 500 notched another all-time high. Manufacturing sentiment softened, but U.S. payrolls continued to rebound, a positive for the economic expansion.

14.4%

The S&P 500's return through the first two quarters of 2021.

TERM OF THE WEEK

Dot-com bubble – A rapid rise in U.S. technology stock equity valuations fueled by investments in internet-based companies in the late 1990s. The value of equity markets grew exponentially during this period, with the technology-dominated Nasdaq index rising from less than 1,000 to more than 5,000 between 1995 and 2000. The Nasdaq then fell 77 percent from March 10, 2000 to October 4, 2002.

> "The global economy continues to recover from the COVID-19 pandemic. However, comparable year-over-year sales and earnings become more challenging in the second half, implying a slower earnings growth rate and, presumably, more subdued equity returns."
>
> **Terry Sandven,** Portfolio Manager, Chief Equity Strategist, U.S. Bank

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[1] Important disclosures provided on page 4.

Global economy

Quick take: U.S. job growth is strong, though there is significant room for improvement when compared to pre-pandemic employment. Meanwhile, surveys of U.S. businesses point to a moderation in activity from a very high level. In China, surveys of businesses point to slowing growth.

Our view: Economic growth is positive, helped by reopening, stimulus and vaccine progress. Coronavirus case growth is falling globally. Overall, the global economy is in expansion.

- **The U.S. added 850,000 jobs in June, beating estimates and exhibiting the highest growth since August 2020**. The substantial gain indicates impediments to job gains are decreasing. However, future improvement is essential: The economy is still 6.8 million jobs short of pre-pandemic levels, and more than 14 million Americans are still receiving unemployment assistance. Another concern is supply constraints — also evident in business surveys noted below — which are potentially impacting hours worked and dampening growth in manufacturing. Back-to-school season will be a key indicator of the type of labor market we face.
- **Surveys of U.S. businesses point to decelerating activity from high levels.** Part of this is the inevitable normalization after the economy bounced back during reopening. Another factor is supply chain constraints that continue to push prices higher for U.S. manufacturers. These constraints are likely temporary but may take time to smooth over.
- **China's firms are experiencing decelerating activity**, according to surveys of both state-owned and private sector Chinese companies. China's regulatory push and efforts to control credit growth may cause further deceleration, as China resumes its gradual pre-pandemic path of normalization toward a lower growth rate compared to the previous decade.

Equity markets

Quick take: Policy, pandemic and economic reopening progress bode well for domestic equities in the second half of 2021.

Our view: We maintain our "glass half-full" orientation for U.S. equities. Rising revenue and earnings, generally restrained inflation, relatively low interest rates, ongoing monetary and fiscal stimulus policies and COVID-19 medical progress support our outlook.

- **First-half performance was superb and broad-based.** The S&P 500 ended June 30 up 14.4 percent for the year, above the long-term annual average of roughly 10.5 percent. All 11 S&P 500 sectors have delivered year-to-date gains, with eight returning 10 percent or more.
- **Both secular-growing and cyclical-oriented sectors are favorably positioned.** Cyclically-oriented sectors (those that tend to move with the overall economy) outperformed in the first six months of 2021, led by Energy, Financials, Real Estate, Industrials, Materials and Communication Services. Ongoing monetary and fiscal stimulus in concert with vaccination progress continues to support reopening, with cyclical sectors well-positioned to benefit in this investment environment. Meanwhile, the positive trends in digitization, artificial intelligence, machine learning and e-commerce bode well for Information Technology, the best-performing sector in June, up 6.8 percent.
- **Broad-market valuations remain elevated, yet short of dot-com era extremes.** The global economy continues to recover from the COVID-19 pandemic. However, comparable year-over-year sales and earnings become more challenging in the second half, implying a slower earnings growth rate and, presumably, more subdued equity returns. The S&P 500 currently trades at roughly 23 times consensus earnings for 2021 of approximately $190, according to Bloomberg, FactSet and S&P Global.
- **Inflation and tax changes are among potential disrupters to our second half outlook.** During early-2021 earnings reports, an increasing number of companies signaled higher labor, freight and commodity prices spurred by pent-up demand due to COVID-19, along with port congestion and a shortage of semiconductor chips, ships, cargo containers and workers. While not yet at alarming levels, inflationary pressures are potentially problematic for equity prices. When inflation proves to be persistent, we have historically seen investors demand higher interest rates to compensate for higher costs. Additionally, potential corporate tax policy changes may have disparate impacts on companies and industries.

[2] Important disclosures provided on page 4.

Bond markets

Quick take: High- and low-quality bonds alike delivered favorable returns last week, benefitting from lower Treasury yields and investor enthusiasm about corporate and municipal credit health. Higher growth and inflation expectations reflected in rising oil prices and other risk assets make the recent weakness in Treasury yields unusual.

Our view: A variety of lower-quality bonds offer the opportunity to increase current income, while the recovering economy and strong credit fundamentals should support bond prices. High yield corporate and municipal bonds, bank loans and mortgage loans not backed by the government offer meaningful yields, even though they are low by historical standards. Owning some high-quality bonds remains necessary to diversify portfolios, although we expect low yields to limit forward return potential.

- **Despite strong employment data released Friday, lower long-term growth expectations contributed to a fall in Treasury yields.** Inflation-adjusted yields fell last week in tandem with the market pricing in a slower expected pace of Federal Reserve (Fed) rate hikes. Although the payroll gains were stronger than expected, it will take many months of significant gains before the economy has substantially improved and the Fed can justify tighter policy. Recent Treasury yield weakness is unusual, because long-term yields tend to rise with higher oil prices and dollar strength. The recent fall in Treasury yields may have been caused in part by demand from investors looking to hedge equity risk and foreign buyers who can increase yield versus their local government bonds. We expect strong growth, inflation and Treasury issuance to support higher yields.
- **We see value in increasing current income through lower-quality bonds.** Low yields relative to Treasuries across the quality spectrum in corporate and municipal bonds limits the potential for price gains, but investors allocating to riskier high yield credits can still benefit from increasing current income. High yield corporate and municipal bonds, bank loans and mortgage loans not backed by the government pay attractive yields and present favorable credit quality.

Real assets

Quick take: Commodities outperformed the broader market last week, but commodity producers, like energy and mining companies, lagged. Defensive sectors remain funding sources for better growth opportunities.

Our view: We believe our positive view on economic growth and inflation should reward tangible goods producers. That view was challenged last week, however. Real estate is likely a tale of two segments — cyclical properties recovering as we reopen at the expense of secular growth properties, such as cell towers and data centers. We continue to remain neutral on real estate.

- **Real Estate underperformed by 1 percent last week,** even as interest rates declined**.** Losses were broad-based across sectors, with hotels and office properties the largest losers and retail as the top performer. Forward prospects for real estate remain mixed; as reopening should benefit prior laggards, such as hotels and retail properties, but future demand appears unclear for many sectors.
- **Domestic crude oil prices rose 1.5 percent last week to new cycle highs,** with domestic inventories again declining more than expected. Additionally, the Organization of Petroleum Exporting Countries (OPEC) and its oil-producing allies failed to reach a production agreement at its latest meeting, meaning current quotas likely remain in place, supporting prices in the short term.
- **Gold and silver rose marginally last week** as interest rates net of inflation (real interest rates) continued to trade lower. We believe the most likely move in gold is lower as nominal, and real interest rates should move higher, reducing speculative demand for precious metals.

[3] Important disclosures provided on page 4.

This information represents the opinion of U.S. Bank Wealth Management. The views are subject to change at any time based on market or other conditions and are current as of the date indicated on the materials. This is not intended to be a forecast of future events or guarantee of future results. It is not intended to provide specific advice or to be construed as an offering of securities or recommendation to invest. Not for use as a primary basis of investment decisions. Not to be construed to meet the needs of any particular investor. Not a representation or solicitation or an offer to sell/buy any security. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. U.S. Bank is not affiliated or associated with any organizations mentioned.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. Diversification and asset allocation do not guarantee returns or protect against losses.

Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment. The **S&P 500 Index** consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market in general. The **NASDAQ Composite Index** is a market-capitalization weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **International investing** involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility. Investing in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments. The **municipal bond market** is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. There are special risks associated with investments in **real assets** such as commodities and real estate securities. For commodities, risks may include market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults).

Important disclosures, definitions of terms and index descriptions

If you have questions regarding this information or wish to receive definitions of any additional terms or indexes used in this report, please contact your Portfolio Manager.

Important disclosures (page 1 of 4)

The information provided here is not intended to replace your account statement. Your account statement is the official record of your account.

Equal Housing Lender. Credit products are offered by U.S. Bank National Association and subject to normal credit approval. Deposit products offered by U.S. Bank National Association. Member FDIC.

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U.S. Bank and its representatives do not provide tax or legal advice. Your tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

Past performance is no guarantee of future results. All performance data, while obtained from sources deemed to be reliable, are not guaranteed for accuracy. Indexes shown are unmanaged and are not available for direct investment, nor are they subject to fees and expenses.

Performance reports included may show performance results gross of fees and expenses. If fees and expenses were included, the performance would be lower. If you have any questions, please speak with your relationship manager for additional information.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. **Diversification and asset allocation do not guarantee returns or protect against losses.**

Important disclosures (page 2 of 4)

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Stocks of mid-capitalization companies** can be expected to be slightly less volatile than those of small-capitalization companies, but still involve substantial risk and may be subject to more abrupt or erratic movements than large-capitalization companies. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

International investing involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Investments in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in fixed income securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments.

Important disclosures (page 3 of 4)

The **municipal bond** market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes. **Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity.

Non-financial **specialty assets**, such as real estate, farm, ranch and timber properties, oil, gas and mineral interests or closely-held business interests are complex and involve unique risks specific to each asset type, including the total loss of value. Special risk considerations may include natural events or disasters, complex tax considerations and lack of liquidity. Specialty assets may not be suitable for all investors.

Alternative investments very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile and tax situation. **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Exchange-traded funds (ETFs)** are baskets of securities that are traded on an exchange like individual stocks at negotiated prices and are not individually redeemable. ETFs are designed to generally track a market index and shares may trade at a premium or a discount to the net asset value of the underlying securities. **Private equity** investments provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt** investments may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies. **Structured products** are subject to market risk and/or principal loss if sold prior to maturity or if the issuer defaults on the security. Investors should request and review copies of Structured Products Pricing Supplements and Prospectuses prior to approving or directing an investment in these securities.

Important disclosures (page 4 of 4)

Mutual fund investing involves risk and principal loss is possible. Investing in certain funds involves special risks, such as those related to investments in small- and mid-capitalization stocks, foreign, debt and high-yield securities and funds that focus their investments in a particular industry. Please refer to the fund prospectus for additional details pertaining to these risks. An investment in **money market funds** is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although these funds seek to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in these funds.

Holdings of First American Funds: U.S. Bancorp Asset Management, Inc. is a registered investment advisor and subsidiary of U.S. Bank National Association. U.S. Bank National Association is a separate entity and wholly owned subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, performance or services of U.S. Bancorp Asset Management. U.S. Bancorp Asset Management, Inc. serves as an investment advisor to First American Funds. **Holdings of Nuveen mutual funds**: Firstar Capital Corporation (Firstar Capital), an affiliate of U.S. Bancorp, holds a less-than-10 percent ownership interest in Windy City Investments Holdings, LLC which was formerly the parent of Windy City Investment Inc. and the indirect parent of Nuveen Fund Advisors, LLC which is the investment advisor to the Nuveen Mutual Funds. On October 1, 2014, Windy City Investments, Inc. was sold to Teachers Insurance and Annuity Association of America. As a result of the sale, U.S. Bancorp no longer has an indirect ownership interest in Nuveen Fund Advisors, LLC. Depending on the outcome of certain factors, Firstar Capital might in the future receive an earn-out payment in respect of its interest in Windy City Investment Holdings, LLC, under the terms of the sale. **Non-proprietary mutual funds**: U.S. Bank may enter into agreements with other non-proprietary mutual funds or their service providers whereby U.S. Bank provides shareholder services and/or sub-transfer agency, custodial and other administrative support services and receives compensation for these services. Compensation received by U.S. Bank directly or indirectly from mutual funds does not increase fund fees and expenses beyond what is disclosed in the fund prospectuses. For more information, review the fund prospectus.

Definitions of report and statement terms (page 1 of 5)

Accredited Investor: Private placement securities generally require that investors be accredited due to the additional risks and speculative nature of the securities. For natural persons, the criteria is met by a net worth of more than $1 million (excluding primary residence) or an income of more than $200,000 individually ($300,000 jointly) for the two most recent years and a reasonable expectation for the same in the current year. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $5 million in assets. See full definition in Rule 501 of Regulation D under the Securities Act of 1933.

Alpha: A measure of risk-adjusted performance. A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.

Alternative Investments: As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options and financial derivatives.

Annualized Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided annualize only periods greater than one year.

Annualized or Annual Rate of Return: Represents the average annual change in the value of an investment over the periods indicated.

Batting Average: Shows how consistently the portfolio return met or beat the market.

Beta: A measure of your portfolio's risk relative to a benchmark. A portfolio with a beta of 1.5, for example, would be expected to return roughly 1.5 times the benchmark's return. A high Beta indicates a riskier portfolio.

Bond Credit Rating: A grade given to bonds by a private independent rating service that indicates their credit quality. Ratings are the opinion of Standard & Poor's or other agencies as noted and not the opinion of U.S. Bank.

Consumer Price Index (CPI): A measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.

Convexity to Stated Maturity: A measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed. This version of convexity measures the rate change in duration of a bond as the yield to (stated) maturity changes.

Definitions of report and statement terms (page 2 of 5)

Cost basis/book value: The original value of an asset at the time it was acquired. This is normally the purchase price or appraised value at the time of acquisition. This data is for information purposes only.

Cumulative Excess Return: Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided use unannualized returns in periods up to one year, but annualized returns for periods exceeding one year.

Downside Capture: The downside capture ratio reflects how a portfolio compares to a benchmark during periods when the benchmark is down. A downside capture ratio of 0.80 (or 80 percent) means the portfolio has historically declined only 80 percent as much as the benchmark during down markets.

Downside Deviation: The deviation of returns that fall below a minimum acceptable return (MAR). Although the numerator includes only returns below the MAR, the denominator includes all returns in the performance period. This risk statistic is similar to the downside standard deviation except the sum is restricted to returns less than the MAR instead of the mean.

Downside Standard Deviation: The deviation of returns that fall below the mean return. Although the numerator includes only returns below the mean, the denominator includes all returns in the performance period. This risk statistic is similar to the downside deviation except the sum is restricted to returns less than the mean instead of the minimum acceptable return (MAR).

Effective Maturity: The date of a bond's most likely redemption, given current market conditions, taking into consideration the optional and mandatory calls, the optional, mandatory and recurring puts, and the stated maturity.

Estimated annual income: The amount of income a particular asset is anticipated to earn over the period indicted. The shares multiplied by the annual income rate.

Gain/loss calculation: If an asset was sold, the difference between the proceeds received from the sale compared to the cost of acquiring the asset. If the value of the proceeds is the higher of the two numbers, then a gain was realized. If the value of the proceeds is the lower of the two numbers, a loss was incurred. This data is for information purposes only.

Information Ratio: The information ratio compares the average excess return of the portfolio over its associated benchmark divided by the tracking error.

M-Squared: The hypothetical return of the portfolio after its risk has been adjusted to match a benchmark.

Definitions of report and statement terms (page 3 of 5)

Market Value: Publicly traded assets are valued using market quotations or valuation methods from financial industry services believed by us to be reliable. Assets, that are not publicly traded, may be reflected at values from other external sources or special valuations prepared by us. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could have been bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

Market Value Over Time: Many factors can impact the portfolio value over time, such as contributions to the account, distributions from the account, the investment of dividends and interest, the deduction of fees and expenses, and market performance.

Modified Duration to Effective Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration takes into consideration a "horizon date/price" that is, given current conditions, the most likely redemption date/price using the set of calls/puts, as well as stated maturity.

Modified Duration to Stated Maturity: A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration uses stated maturity as the "horizon date/price" and ignores any potential call/put/pre-refunding, even if they are mandatory.

Price/Earnings Ratio (P/E): The P/E ratio of a company is calculated by dividing the price of the company's stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm's ability to grow its earnings. A low P/E indicates the market has less confidence that the company's earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.

Qualified Purchaser: Some private placement securities require that investors be Qualified Purchasers in addition to being Accredited Investors. For natural persons, the criteria is generally met when the client (individually or jointly) owns at least $5 million in investments. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least $25 million in investments though there are other eligibility tests that may apply. See full definition in Section 2(a)(51) of the Investment Company Act of 1940.

R-Squared: Measures the portion of the risk in your portfolio that can be attributed to the risk in the benchmark.

Realized and Unrealized Gains/Losses: Are calculated for individual tax lots based on the records we have available. Some data may be incomplete or differ from what you are required to report on your tax return. Some data used in these calculations may have been obtained from outside sources and cannot be verified by U.S. Bank. The data is intended for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Definitions of report and statement terms (page 4 of 5)

Residual Risk: The amount of risk specific to the assets in a portfolio distinct from the market, represented by a benchmark.

Return: An indication of the past performance of your portfolio.

Sharpe Ratio: Measures of risk-adjusted return that calculates the return per unit of risk, where risk is the Standard Deviation of your portfolio. A high Sharpe ratio indicates that the portfolio is benefiting from taking risk.

Sortino Ratio: Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.

Spread: The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond). The bond spread will show the additional yield that could be earned from a bond which has a higher risk.

Standard Deviation: A measure of the volatility and risk of your portfolio. A low standard deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

Time-weighted Return: The method used to calculate performance. Time-weighted return calculates period by period returns that negates the effect of external cash flows. Returns for periods of greater than one year are reported as an annualized (annual) rate of return. Returns of less than one year are reported on a cumulative return basis. Cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period involved.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

Traditional Investments: As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.

Top 10 Holdings: The 10 assets with the highest market values in the account.

Total Portfolio Gross of Fees: Represents all assets included in the calculation of the portfolio, before the deduction of trust and asset management fees, and is inclusive of all applicable third-party security fees and expenses. Details of those fees and expenses are provided in the security's prospectus or offering documents.

Definitions of report and statement terms (page 5 of 5)

Total Return: The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

Treynor Ratio: Measures the performance of a sector relative to risk by dividing the return of the sector in excess of the risk-free return by the sector's Beta. The higher the Treynor ratio, the better the return relative to risk.

Turnover Percent: Indicates how frequently asset are bought and sold within a portfolio.

Turnover Ratio: The percentage of a mutual fund's or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

Unrealized gain (loss) — The difference between the current market value (at the end of the statement period) and the cost to acquire the asset. If the current market value is higher than the cost, a gain is reflected. If the current market value is lower than the cost paid, a loss is reflected. This data is for information purposes only.

Upside Capture: The upside capture ratio reflects how a portfolio compares to the selected model benchmark during periods when the benchmark is up. An upside capture ratio of 1.15 (or 115 percent) means the portfolio has historically beat the benchmark by 15 percent during up markets.

Yield: The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.

Frequently used indexes (page 1 of 5)

Bloomberg Barclays 1-3 year U.S. Treasury Index: Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity between one year and up to (but not including) three years.

Bloomberg Barclays 1-5 year U.S. Treasury Index: Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade and have $250 million or more of outstanding face value.

The Bloomberg Barclays 1-5 year Municipal Index: Measures the performance of municipal bonds with time to maturity of more than one year and less than five years.

Bloomberg Barclays 7-year Municipal Index: Includes municipal bonds with a minimum credit rating of Baa that have been issued as part of a transaction of at least $50 million, have a maturity value of at least $5 million and a maturity range of four to six years.

Bloomberg Barclays Global Aggregate Index ex-U.S. Index: Measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Global Treasury ex-U.S. Index: Includes government bonds issued by investment-grade counties outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

Bloomberg Barclays High Yield Municipal Bond Index: An unmanaged index made up of bonds that are non-investment grade, unrated or below Ba1 bonds.

Bloomberg Barclays Intermediate Aggregate Index: Consists of one- to 10-year governments, one- to 10-year corporate bonds, all mortgages and all asset-backed securities within the Aggregate Index.

Bloomberg Barclays Mortgage-Backed Securities Index: Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Aggregate Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

Bloomberg Barclays U.S. Corporate Bond Index: Measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Frequently used indexes (page 2 of 5)

Bloomberg Barclays U.S. Corporate High Yield Bond Index: Measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market.

Bloomberg Barclays U.S. Municipal Bond Index: Measures the investment grade, U.S. dollar-denominated, fixed tax-exempt bond market. The index includes state and local general obligation, revenue, insured and pre-refunded bonds.

Bloomberg Barclays U.S. Treasury Index: Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index: An unmanaged index includes all publicly issued, U.S. TIPS that have at least one year remaining to maturity, are rated investment grade, and have $250 million or more of outstanding face value.

Cambridge U.S. Private Equity Index: This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Returns may be delayed by up to six months. Quarterly performance is prorated based on the cube root for the months of the quarter.

Citigroup 3-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last three-month Treasury Bill issues.

Citigroup 6-Month Treasury Bills: An unmanaged index and represents monthly return equivalents of yield averages of the last six-month Treasury Bill issues.

Credit Suisse Leverage Loan Index: Represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

Dow Jones Industrial Average (DJIA): The price-weighted average of 30 significant U.S. stocks traded on the New York Stock Exchange and NASDAQ. The DJIA is the oldest and single most watched index in the world.

Dow Jones Select REIT Index: Measures the performance of publicly traded REITs and REIT-like securities in the U.S. and is a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

HFRI Indices: The Hedge Fund Research, Inc. (HFRI) indexes are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within the HFR Database.

Frequently used indexes (page 3 of 5)

HFRI Equity Hedge Total Index: Uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

HFRI Relative Value Fixed Income Corporate Index: Uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of $50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

ICE BofAML 1-3 Year Corporate Index: Tracks U.S. dollar-denominated investment grade public debt issued in the U.S. bond market with maturities of one to three years.

ICE BofAML 1-5 Year Corporate and Government Index: Tracks the performance of short-term U.S. investment grade government and corporate securities with maturities between one and five years.

ICE BofAML U.S. 7-10 Year Index: Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.

ICE BofAML Global Broad Market Index: Tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including global bonds.

ICE BofAML U.S. High Yield Master II Index: Commonly used benchmark index for high yield corporate bonds and measures the broad high yield market.

J.P. Morgan Emerging Markets Bond Index Global (EMBI Global): Tracks total returns for traded external debt instruments in the emerging markets.

London Interbank Offered Rate (LIBOR) 3-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a three-month maturity.

London Interbank Offered Rate (LIBOR) 9-months: The interest rate offered by a specific group of London banks for U.S. dollar deposits with a nine-month maturity.

MSCI All Country World Index (ACWI): Designed to measure the equity market performance of developed and emerging markets.

Frequently used indexes (page 4 of 5)

Russell 2000 Value Index: Measures companies in the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

Russell 3000 Index: Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

Russell Midcap Index: Measures the 800 smallest companies in the Russell 3000 Index.

Russell Midcap Growth Index: Measures companies in the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

Russell Midcap Value Index: Measures companies in the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

MSCI All County World ex-U.S. Index (ACWI, excluding United States): Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.

MSCI EAFE Index: Includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East.

MSCI Emerging Markets (EM) Index: Designed to measure equity market performance in global emerging markets.

MSCI World Index: Tracks equity market performance of developed markets through individual country indices.

NAREIT Index: Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.

NASDAQ Composite Index: A market capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

NCREIF Property Index (NPI): Measures the investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.

Frequently used indexes (page 5 of 5)

Russell 1000 Growth Index: Measures companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 1000 Value Index: Measures companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.

Russell 2000 Growth Index: Measures companies in the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. and is representative of U.S. securities exhibiting growth characteristics. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

S&P 500 Index: Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.

S&P Global ex-U.S. Property Index: Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the United States. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment.

S&P GSCI: A composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

S&P/Case-Shiller Home Price Indexes: A group of indexes that track changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.

Swiss Re Global Cat Bond Total Return Index: Tracks the aggregate performance of all U.S. dollar-denominated euros and Japanese yen-denominated catastrophe bonds, capturing all ratings, perils and triggers.

U.S. Dollar Index: Indicates the general international value of the U.S. dollar by averaging the exchange rates between the U.S. dollar and six major world currencies.

Wilshire 5000 Index: Composed of more than 6,700 publicly-traded U.S. companies and is designed to track the overall performance of the American stock markets.

CITY OF CUPERTINO

Agenda Item

21-9591

Agenda Date: 7/26/2021
Agenda #: 5.

Subject: Interim Report on CAFR and AUP by Independent Auditor

Receive Interim Report on CAFR and AUP by Independent Auditor

CITY OF CUPERTINO

Agenda Item

21-9590

Agenda Date: 7/26/2021
Agenda #: 6.

Subject: HdL Contract and Refund Error

Receive HdL Contract and Refund Error

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AUDIT COMMITTEE STAFF REPORT

Meeting: July 26, 2021

Subject

HdL Contract and Refund Error Debrief

Recommended Action

Receive HdL Contract and Refund Error Debrief

Discussion

HdL Contract

Economic Development is a City function that has had a history of moving back and forth between the Community Development and Administration Department. During the first quarter of FY 2020-21, a decision to move this function from the City Manager's Division to the Community Development Department was approved by the City Manager based on the alignment of the function with the Department's operational goals and objectives. While this operational change was made, it was decided the budgetary changes would not be incorporated until the FY 2021-22 Adopted Budget.

Prior to and during FY 2019-20, the City's Economic Development function was managed in-house by a part-time Economic Development Manager. Subsequently, the employee left City service to work with HdL, an economic development service provider. In FY 2020-21, the City had an effective contract with HdL in the amount of $170,000 per year.

These factors and the transition period created a challenge for both Administration and Community Development Departments to effectively manage the contract, services being rendered, and budget simultaneously throughout the year. Invoices received were routed to various departments and were not entered into the system timely which made it difficult for the departments to monitor the budgetary performance throughout the year. FY 2020-21 required additional services related to COVID-19 and the property acquisition of 10455 Torre Avenue and it was not until the second half of FY 2020-21 that staff became aware of services rendered exceeding the contract amount ($170,000). A contract amendment was brought before City Council, but was not approved and

additional information was requested. To date, the City has not remitted payments in excess of the contract amount.

The functional transfer, both from an operational as well as a budgetary standpoint, is an irregular occurrence and resulted from management turnover in recent years. Contract management remains an essential responsibility for departments. As the City moves forward with the proposed internal audit work program, procurement, including contract management, will be reviewed and the findings and observations for improvement will be communicated to the Audit Committee upon completion.

Refund Error
In FY 2020-21, candidates running for City Council were required to pay $2,860 in estimated candidate costs. Actual costs amounted to $2,576, resulting in a candidate refund amount of $284 subsequent to the 2020 election. Responsible Administration Department staff entered the invoice entry amounts in error. Rather than entering $284, the actual cost of $2,576 was mistakenly entered. This was then routed to the Department staff responsible for invoice approval and finally to Finance for review, processing, and payment. The essential internal controls and checks and balances were in place and operating effectively; however, this appeared to be an issue of human error, an inherent limitation to internal controls. A candidate received the incorrect refund and promptly notified the City. City staff took the matter seriously and corrected the error timely.

Sustainability Impact
No sustainability impact.

Fiscal Impact
No fiscal impact.

Prepared by: Zach Korach, Finance Manager
Reviewed by: Kristina Alfaro, Director of Administrative Services
Approved for Submission by: Greg Larson, Interim City Manager
Attachments:
None.

CITY OF CUPERTINO

Agenda Item

21-9643

Agenda Date: 7/26/2021
Agenda #: 7.

Subject: Audit Committee Meeting Frequency

Consider Approving Changes to the Audit Committee Meeting Frequency.

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AUDIT COMMITTEE STAFF REPORT

Meeting: July 26, 2021

Subject

Audit Committee Meeting Frequency.

Recommended Action

Consider Approving Changes to the Audit Committee Meeting Frequency.

Discussion

City Municipal Code Chapter 2.88.060 Meetings states, "The Audit Committee shall establish a regular time and place of meeting and rules of conduct thereof and shall hold at least one regular meeting quarterly." The Audit Committee has historically held regular meetings on a quarterly basis; however, in recent years and in order to complete the Committee's annual tasks, the need to hold 2-3 additional special meetings per year has occurred.

Effective July 21, 2020, City Council adopted Ordinance No. 20-2208 amending Chapter 2.88.100 Duties-Powers-Responsibilities of the City Municipal Code to include recommending appointment of internal auditors and to review internal audit reports. The City's internal audit function is broad-scoped and is anticipated to bring forward multiple internal audit reports throughout a respective fiscal year.

Because the timing of completion of these reports may not coincide with the Committee's regularly scheduled quarterly meetings and because each of the internal audit reports will likely warrant significant time and discussion, City staff recommend bifurcating the Committee's tasks to separate meetings. Regular quarterly meetings may be reserved for Duties-Powers-Responsibilities "A" through "F" and additional special meetings shall be scheduled for Duties-Powers-Responsibilities "G" to review internal audit report reviews on an ad hoc basis. With the City's internal audit function slated to complete approximately four (4) internal audit reports per year, it is anticipated four (4) additional special meetings would be held. Staff believe this will provide sufficient time for the Audit Committee to carry out its Duties-Powers-Responsibilities on an annual basis.

Sustainability Impact

No sustainability impact.

Fiscal Impact
No fiscal impact.

Prepared by: Zach Korach, Finance Manager
Reviewed by: Kristina Alfaro, Director of Administrative Services
Approved for Submission by: Greg Larson, Interim City Manager

CITY OF CUPERTINO

Agenda Item

21-9593

Agenda Date: 7/26/2021
Agenda #: 9.

Subject: Budget Format Review

Receive Budget Format Review

CITY OF
CUPERTINO

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AUDIT COMMITTEE STAFF REPORT

Meeting: October 27, 2020

Subject

Budget Format Review Update.

Recommended Action

Accept staff report.

Discussion

In FY 2019-20, Audit Committee Chair Eno Schmidt and Vice Mayor Paul established a sub-committee to review the City's budget format. Initial observations, suggestions, and questions were submitted to and responded by City staff (see attachment F2). On November 12, 2019, the sub-committee issued a formal memo (see attachment F3) to City staff discussing the conclusions and recommendations from the review process. City staff's responses to the November 12, 2019 memo are attached (see attachment F4). City staff's updates on budget format are provided below:

Adopted Budget

While the sub-committee concluded that the City's budget document meets or exceeds its peers in a variety of categories, the City continues to improve the budget document each year to make the budget easier to understand for residents. For FY 2020-21, the City has added the following sections to the budget document:

- Capital Improvement Program (Page 42)
  - Discussion of Capital Improvement Program funding and financial impacts
- Revenue Comparisons (Page 118)
  - Per Capita comparisons of total revenues, property tax, sales tax, transient occupancy tax, franchise fees, and building permits with neighboring jurisdictions
- Pension (Page 153)
  - Explanation of CalPERS pension plan, discount rate, and investment returns
  - Discussion on the impact of CalPERS discount rate and investment returns

    - Discussion of the City's strategies to reduce pension cost volatility, including the Section 115 Trust

Budget at a Glance
The City received feedback from the sub-committee to reference the Transparency Portal in the Budget at a Glance. The City is working on its first interactive Budget at a Glance, which will bridge the gap between the traditional Budget at a Glance and the Transparency Portal.

OpenGov Transparency Portal
The sub-committee recommended that the City enhance the Transparency Portal by:

- Providing more context to major amount and changes and
- Interconnecting key communication elements on the budget to the Transparency Portal.

Based on the sub-committee's feedback, the City is currently working to provide more context to financial data in the Transparency Portal through the following initiatives:

- Interactive Budget at a Glance
    - Present the budget in a simple, visual, and interactive format
    - Provide more context to financial reports in the Transparency Portal
- Interactive Capital Improvement Program Budget
    - Illustrate progress of capital projects from a financial standpoint
    - Connect project narratives to interactive maps and financial reports
- Stories for important initiatives (e.g. CARES Act)
    - Provide updates on important initiatives
    - Connect initiatives to financial reports in the Transparency Portal
    - Gather feedback from the community
- Budget Story
    - Explain important financial concepts including revenues, expenses, departments, and funds
    - Provide answers to frequently asked questions about the budget
    - Serve as a starting point to users unfamiliar with government finance or the Transparency Portal

These initiatives will help the City improve its financial transparency and community engagement. In addition, the City will continue working to incorporate feedback from the sub-committee, City Council, and residents, into the format of its budget documents and reports.

<u>Sustainability Impact</u>
No sustainability impact.

Fiscal Impact
No fiscal impact.

Prepared by: Thomas Leung, Senior Management Analyst
Reviewed by: Kristina Alfaro, Director of Administrative Services
Approved for Submission by: Deborah Feng, City Manager
Attachments:
F2 – Sub-Committee's Initial Comments on Budget Format Review
F3 – Sub-Committee's Formal Memorandum on Budget Format Review
F4 – City staff's responses to the November 12, 2019 Memo

AUDIT COMMITTEE

SUBCOMMITTEE ON THE ANNUAL BUDGET REPORT

Questions Regarding the Current Budget Report (Please provide written responses within two weeks):

1. Three Budget Reviewers for the GFOA Award evaluation had suggestions for improvement. **Please describe how, if at all, each of the suggestions for improvement were addressed in the budget for the fiscal year beginning July 2019.** Please provide evaluation at least on the below-listed two items. Responses with respect to all of the suggestions by the GFOA Budget Reviewers would be appreciated.

    a. Reviewer ID S411 suggests under "Document-Wide Criteria" that the City "Try to reduce the document size to around 400 pages."

RESPONSE: The Budget Team continues to take this comment into consideration each year; however, it is a challenge to identify which specific sections can afford to be reduced by 100+ pages. This comment is not marked with an asterisk (*) and as a result, does not require implementation to ensure the budget award is received in subsequent years. If the Sub-Committee has specific recommendations as to which sections they would like to see reduced, and so long as all of the GFOA and CSMFO award criteria are not compromised, the Budget Team will be glad to accommodate.

b. All three reviewers rated the presentation for category F9 "Impact of capital investments on operating budget" as being "Information Not Present" or "Does Not Satisfy".

RESPONSE: Typically, operating, or General Fund, impacts are quantified via operating transfers; however, there were no budgeted operating transfers in FY 18-19 or FY 19-20 for Capital Improvement Program projects. The City's General Fund will transfer excess fund balance at fiscal year-end (FYE) to the Capital Reserve (Fund 429) in accordance with its Use of One Time Funds Policy (page 85). FY 2019-20 was the first year the City's budget document included a Capital Improvement Program (CIP) project summary (page 493). The Fund Balance Report (page 96) discusses the impact of revenues and expenditures/expenses on each particular fund's fund balance, including the capital projects from the CIP budget. The Budget Team agrees that a more expansive narrative/discussion may be beneficial; perhaps in the forecast section near the end of the Financial Policies and Schedules section.

c. How were the other suggestions for improvement by GFOA Budget Reviewers were addressed.

RESPONSE:

- Financial Structure, Policy and Process: Department org charts have experienced changes in recent years. Enhancing the aesthetics and understandability will be an area to address in FY 2020-21.
- Financial Summaries: Categorized and forecasted summaries for all of the City's funds were included beginning on page 146. Additional information and charts can be included (similar to the General Fund); however, and as mentioned above, the Budget Team does keep the document's length in mind when determining what and what not to include.
- Capital and Debt: See response to 1.b. above
- Departmental Information: Total FTEs are included in each of the Department Budgets. This is also reiterated/duplicated/summarized on page 491 and presented historically as well. Performance measures are included as well as workload indicators (FY 2019-20 was the first year for presenting workload indicators)
- Document-Wide Criteria: The Budget Team will add the state to the cover so long as it complies with branding requirements as established by the Communications Office.
- Other Comments/Suggestions: No specific comments or suggestions noted for implementation.

2. With respect to the Transparency Portal and the use by Cupertino of OpenGov:

a. What are the goals of having the Transparency Portal?

RESPONSE:

- The Transparency Portal provides an accessible platform so that members of the public have access to the City's financial data in real time.
- This tool fosters communication and trust not only with the public, but amongst City staff.
- OpenGov's Budget Builder provides an effective tool for departments to compile, submit, review, and approve budget requests. It also serves as an important archive for the thousands of communications that occur during the budget process from one year to the next.

b. What key performance indicators (KPIs) for the Transparency Portal have been established by the City?

RESPONSE: The City does not have KPIs for the Transparency Portal. The Budget Team is open to establishing KPIs; however, success is measured by volume of external use

c. How has the City been doing relative to these KPIs?

RESPONSE: See response 2.b. above.

3. With regard to the City's link provided to OpenGov as to the Transparency Portal, in examining on non-departmental expenditures for the budget in 2019-2020, why is the actual for 2019-2020 equal to the budget for 2019-2020 (as of Sep 28, 2019)? See screenshot taken from this link: https://cupertino.opengov.com/transparency#/28185/accountType=expenses&embed=n&breakdown=28459e6a-563e-4695-97d4-8a0d97d881e1&currentYearAmount=cumulative&currentYearPeriod=years&graph=bar&legendSort=desc&proration=true&saved_view=83847&selection=0816267C08601EE8C423B11CADCC4989&projections=null&projectionType=null&highlighting=null&highlightingVariance=null&year=NaN&selectedDataSetIndex=null&fiscal_start=earliest&fiscal_end=latest

RESPONSE: The City implemented a change in methodology for recording its operating transfers (non-departmental expenditures). Rather than recording/recognizing them on a quarterly/monthly basis, the City records/recognizes them all at once as soon as the budget is adopted by Council. Purpose: increased efficiency determining the amount and reason for each interfund transfer when preparing the Interfund Transfers footnote in the Comprehensive Annual Financial Report (CAFR) at year-end. In other words, rather than having hundreds of transactions/line items to tie to and from each of the funds, the gross transfer amounts can more easily be tied to the adopted budget, Council resolutions, etc.

a. This raises the question, separate from the format of the data presented, how, if at all, is the data presented to the public on OpenGov reviewed for accuracy and completeness?

RESPONSE: The information presented in OpenGov is imported straight from the City's enterprise resource planning (ERP) system, New World System (NWS). All of the financial data is reviewed and reconciled on a weekly and monthly basis to ensure accuracy, completeness, cutoff, and existence.

b. What process is followed? If there is a process, is the process memorialized in a written medium?

RESPONSE: Other than what has been discussed in the previous response, there is no formal process memorialized in a written medium. The Budget Team is open to recommendations and suggestions.

c. What documentation is reviewed in the process of evaluating OpenGov information, and what management approvals are required prior to publication of the information?

RESPONSE: The information that is imported into OpenGov from NWS is subject to numerous controls and reviews, namely within the payroll, accounts payable, and

revenue collection process. These are processed and reviewed by multiple employees, signed off and authorized by management, on a weekly, bi-weekly, and monthly basis.

4. For Budget versus Actual in the OpenGov transparency portal (see above link in question 2), Non-departmental drops from 2018-19 Actual of $19,376,088 to 2019-20 (Amended Budget) and Actual of $10,539,557?

RESPONSE: Non-departmental revenues and expenditures/expenses include the City's operating transfers from one fund to the other. Prior year actuals are typically higher than subsequent year budget amounts for the following reason; the Adopted Budget does not include excess General Fund fund balance that is transferred to the Capital Reserve in accordance with the City's Use of One Time Funds Policy (page 85)

a. Can we link to the "Department Operating Budgets" then to the Non-departmental section to help explain?

RESPONSE: That is certainly an option. We can also have a more expansive explanation in the non-department section to explain the purpose of each of the transfers.

b. An explanation in the Budget message document for this particular question does not seem to be present. If it is, please indicate the location. If such an explanation is not present, please suggest a location for it.

RESPONSE: Correct, other than including the non-departmental amounts within the fund's total budgeted amounts (page 31 for example), there is no expanded discussion on the transfers in the Budget Message section.

5. Can the subcommittee see the questions submitted by the public to the City related to the Transparency Portal/budget for the past year?

RESPONSE: The City has been frequently asked how much has been spent on the Regnart Creek Trail project. To the Budget Team's knowledge, no additional questions have been raised.

6. Since Opengov is being used as Cupertino's Transparency Portal, see these selected comments at the Opengov link:

a. "Build Trust Through Effective Communication – Engaging with constituents and stakeholders is critical to every public agency's success. With OpenGov, leaders can analyze and communicate complex topics and decisions in a simple manner anyone can understand. Agencies are able to build trust with colleagues and residents by gathering input on key

initiatives and aligning budget and the strategic plan to both performance objectives and public expectations."

i. Question: What are the key complex topics and decisions made in Cupertino that (the City's leaders) through OpenGov are communicating?

RESPONSE: The Budget Team has primarily utilized OpenGov's Transparency Portal and Budget Builder software. We've also used this platform to present budget and prior year actual data at City Council Meetings. Additionally, we've used this tool to provide information to City Council on various subject like Capital Projects, salary and benefit costs. Moving forward, the Budget Team is excited to further complement the budget tools with the use of stories, an interactive platform to present and inform audiences on specific projects and initiatives.

ii. How is the City using OpenGov (the transparency portal) by "aligning budget and the strategic plan to both performance objectives and public expectations"?

RESPONSE: The budget process establishes a public expectation and the Transparency Portal allows the public to view, in real-time, the City's financial data.

b. One possible idea is to (cross)link the "context" in the Budget message (for example the June 2019 Budget message) and other "context" in the Department Operating Budgets to some of the OpenGov Transparency portal modules, for major line items or major changes from previous years. The OpenGov transparency portal currently is filled with data and ability to compare but could benefit from adding convenient context. Is this something that Staff could do?

RESPONSE: Adding "notes" is definitely one way to increase context. The use of "stories" is also another tool available to the City that can obviously tell a story about a project, initiative, etc. Based on requests from Council, Commissions, Committees, the public, management, etc., staff can create and publish stories as necessary.

i. Could Staff then introduce some of the OpenGov communication elements (see above questions and Opengov website for more)?

RESPONSE: Open Town Hall is a survey tool the City is looking into utilizing more consistently and frequently.

ii. Palo Alto is using the "note" function (although only one posted) of the OpenGov. What does Staff think about using this functionality as a starting point for communications? See link here to Palo Alto:

https://paloalto.opengov.com/transparency#/18215/accountType=revenues&embed=n&breakdown=types&currentYearAmount=cumulative&currentYearPeriod=years&graph=bar&legendSort=coa&proration=true&saved_view=51273&selection=E7F4AA9C788A9B9A3D41A6865E3D305B&projections=null&projectionType=null&highlighting=null&highlightingVariance=null&year=NaN&selectedDataSetIndex=null&fiscal_start=2013&fiscal_end=latest

RESPONSE: Yes, we can add these notes to various saved "views" to provide context to the reader/audience.

7. The order in which one accesses the below Budget documents a. – e., can result in an entirely different set of questions. What is the intended order that key Budget documents should be examined by the public?:

   a. Budget (500+ pages)

   b. OpenGov (transparency portal)

   c. Budget at a Glance

   d. Budget message

   e. Department Operating Budgets

RESPONSE: While the Budget Team's preference would be the Adopted Budget (which contains the Budget Message and Department Operating Budgets), followed by the

Budget at a Glance, and then finally OpenGov, one of the advantages to having these multiple tools is that the order of preference can be determined by any reader/audience depending on their needs, interests, and desires. For example, a reader that isn't interested in getting lost in 500+ pages of details might prefer to a high level glad at the Budget at a Glance – and vice a versa. The moment a budget becomes adopted and printed, it's already outdated. That is what is great about OpenGov; it is a living constantly updating platform that addresses the common question, "I know how much was budgeted…how much have we spent?"

8. Following-up on Question 7., above, there are also Financial Policies and Schedules. Assuming that the above-listed Budget documents of 7.a. – 7.e. are not envisioned as being examined in any particular order (and if they are, we should make that clear to the public), please consider using items 7.d. and 7.e. as a contextual "bridge" between the Budget at a Glance and the Budget? Or perhaps there should be another intermediate step to the Transparency Portal which provides both context/bridge and the data? Should all of the above-mentioned budget items (7.a. – 7.e. and the Financial Policies and Schedules) be linked together in some way in the Transparency Portal?

RESPONSE: Agreed. Each of the tools discussed have pros and cons and readers/audiences may not be aware of them (e.g., one is detailed, one is high-level, one

is current, etc.). One of the ways we've tried to tackle this challenge is through events such as Budget & Bites and through social media engagement. The Budget Team is open to recommendations and idea to building this contextual "bridge."

9. In Financial Policies and Schedules:

a. On p75 (p9 of 94 PDF) of the Fiscal Policies – Revenue Policies, the final policy listed states "Ensure that Enterprise activities remain self-supporting in the long-term." How does the City analyze compliance with this policy? Please provide examples?

RESPONSE: Governmental Accounting Standards Board and various interpretations of the standards do not appear to have a specific threshold for how "self-supporting" is defined. For example, there is not an exact threshold of 50% which would qualify a fund or activity to be reported as an enterprise fund. Compliance is continually monitored based on historical and/or current subsidized (General Fund assistance) activities.

b. On p92 (p26 of 94 PDF), the Audit Committee is neither listed nor has a budgeted expenditure allocated. Can this be corrected? If so, please describe the process for including the Audit Committee here.

11	**Commissions**				
131	Telecommunication Commission	7,028	-	-	7,028
140	Library Commission	23,346	-	-	23,346
142	Fine Arts Commission	54,541	-	-	54,541
150	Public Safety Commission	22,738	-	-	22,738
155	Bike/Ped Safety Commission	1,244	-	-	1,244
160	Recreation Commission	51,443	-	-	51,443
165	Teen Commission	64,019	-	-	64,019
170	Planning Commission	109,787	-	-	109,787
175	Housing Commission	38,251	-	-	38,251
180	Sustainability Commission	37,951	-	-	37,951

RESPONSE: We will ensure the Audit Committee and related staff time is added in the FY 2020-21 Proposed and Adopted Budget.

10. Is there anywhere within the Budget documents where a member of the public can easily determine how much of Cupertino's annual budget is spent on compensation, benefits, and pension obligations for the City's employees? If not, please provide in table format, broken down by departments, the number of FTEs, and the absolute amounts spent on each department for compensation, benefits, and pension obligations. Please include City Council compensation.

RESPONSE: The resolution on page 12 provides a financial overview by fund showing the City-wide account classification amounts (employee compensation and employee benefits are included). Page 40 and 41 of the Budget Message discuss the ongoing challenges of retirement benefits. Page 111 discussed the General Fund expenditures, specifically the majority of the City's employee compensation and employee benefits. The pages to follow within the All Fund Summary beginning on page 117, show the employee compensation and employee benefits totals aggregated at the fund-type level.

The second (2nd) page of each of the Department budget sections shows a total FTE allocation. Shortly thereafter and near the front of each of the Department budgets, a total revenues and expenditures by account classification is reported. For example, Council and Commissions' Department budget on page 165 reports the total employee compensation and employee benefits totals for the year. Lastly, there is a saved view in the transparency portal titled "Employee Compensation and Benefits" that breaks out by department salary and benefits costs by department.

AUDIT COMMITTEE
SUBCOMMITTEE ON THE ANNUAL BUDGET REPORT
November 12, 2019

CONCLUSIONS AND RECOMMENDATIONS

1. Awards from respected Associations for Budget Presentation highlight and support the outstanding work being accomplished by the City Staff of Cupertino in the budget process:
    a. Distinguished Budget Presentation Award by Government Finance Officers Association; and
    b. Excellence Award for Fiscal Year Operating Budget by California Society of Municipal Finance Officers.
2. Comparison of budget documents from other cities as presented in September 25, 2019 Staff Report to the Budget Book Subcommittee of the Audit Committee, shows the City of Cupertino meeting or exceeding its peers in a variety of budget presentation categories. Use of the Transparency Portal and communication of Budget At a Glance are clearly within the peer leadership.
3. In the spirit of continuous improvement and building on the strong budget formats already in-place in Cupertino, here are some areas the Subcommittee recommends further investigation and possible adjustment be considered by focus on possible enhancements to the
    a. Budget At a Glance
        i. Adding modules such as the Ten-Year Staffing and Population Growth chart to highlight and explain significant changes or elements of the current budget; and
        ii. Reference Transparency portal of OpenGov for supplemental key elements.
    b. Transparency portal of OpenGov
        i. Provide more context to major amounts and changes from year to year or budget to actual by
            1. Linking to the context already available in other budget documents or
            2. Creating new content if needed and posting.
        ii. Interconnect or make more obvious some of the key communication elements on the budget already underway in Cupertino and as listed by OpenGov as one of the transparency portal's strengths. For example, OpenGov on its website states "Build Trust Through Effective Communication. Engaging with constituents and stakeholders is critical to every public agency's success. With OpenGov, leaders can analyze and communicate complex topics and decisions in a simple manner anyone can understand. Agencies are able to build trust with colleagues and residents by gathering input on key initiatives and aligning budget and the strategic plan to both performance objectives and public expectations."
            1. Link into OpenGov those initiatives already underway; and
            2. Explore other ways to implement and demonstrate through the portal.

PLEASE SEE SEPARATE SUBCOMMITTEE QUESTIONS SUBMITTED TO CITY STAFF WITH RESPONSES FROM STAFF

In particular the following City Staff responses warrant additional consideration and action based on responses provided: Questions 1b, 1c, 2b, 4a, 6ai, 6b, 6bii, 8, 9b and 10.

Additionally, the response by City staff to Question 9a which asked about the current stated policy of "Ensure that Enterprise activities remain self supporting in the long term" seems to us to indicate as a minimum the word "Ensure" might be replaced with "Monitor" or even better a policy defining "self supporting in the long term" be adopted so that the City indeed could ensure that said policy is being implemented.

Respectively submitted
Budget Subcommittee of Cupertino Audit Committee
Councilman Darcy Paul
Cupertino Audit Committee Chair Eno Schmidt

Budget Format Review Update

Audit Committee Regular Meeting

October 27, 2020

CUPERTINO

Topics

1. Adopted Budget
2. Recommendations
3. Solutions
4. Next Steps

Adopted Budget

- Added CIP Financial Impacts Discussion
- Added Revenue Comparisons
- Expanded Pension Discussion

Recommendations: Bridging the Gap

Transparency Portal

Historical Data
Budget
Budget vs. Actuals

Budget Documents

Adopted Budget
Budget at a Glance

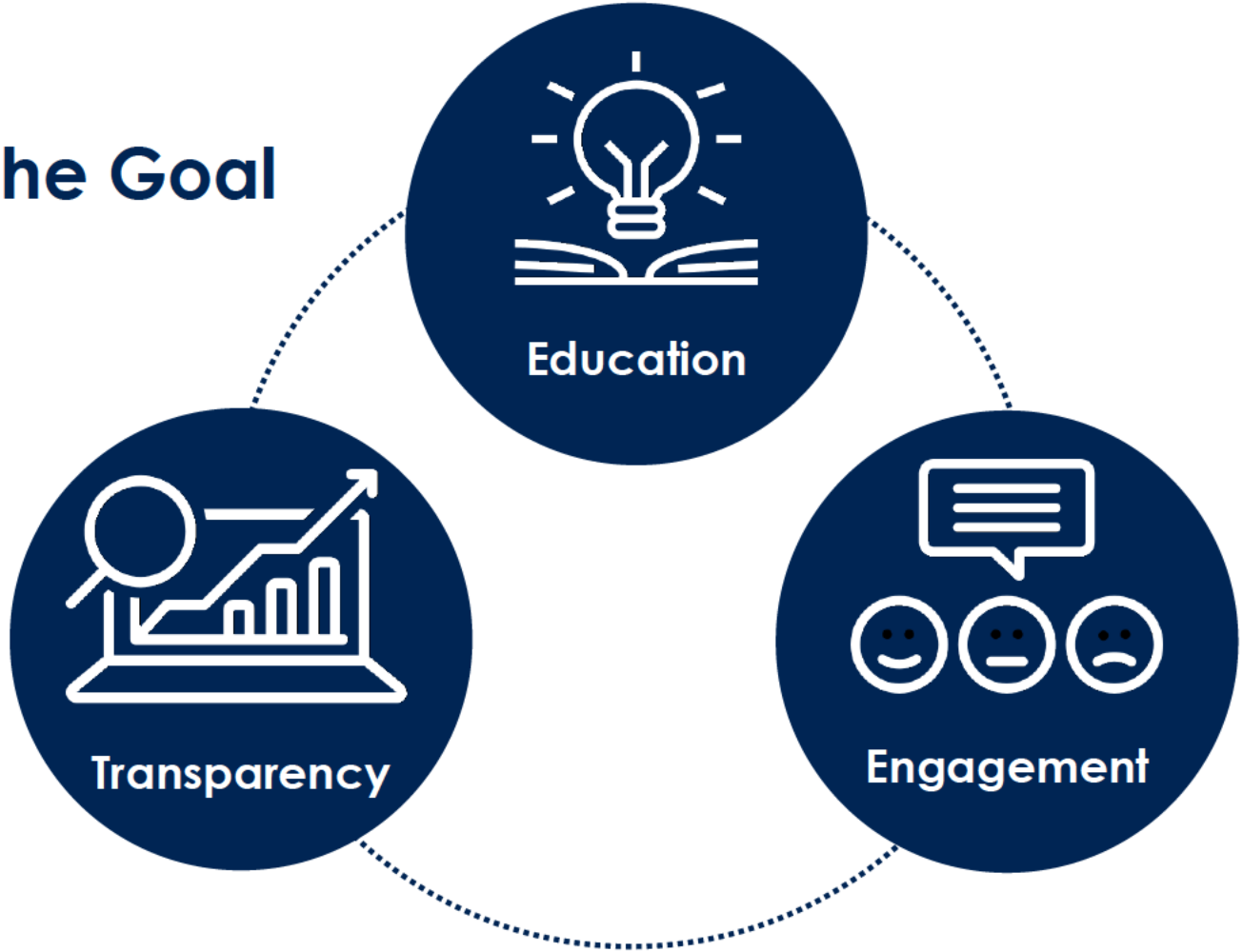
How We Bridge the Gap

Transparency Portal

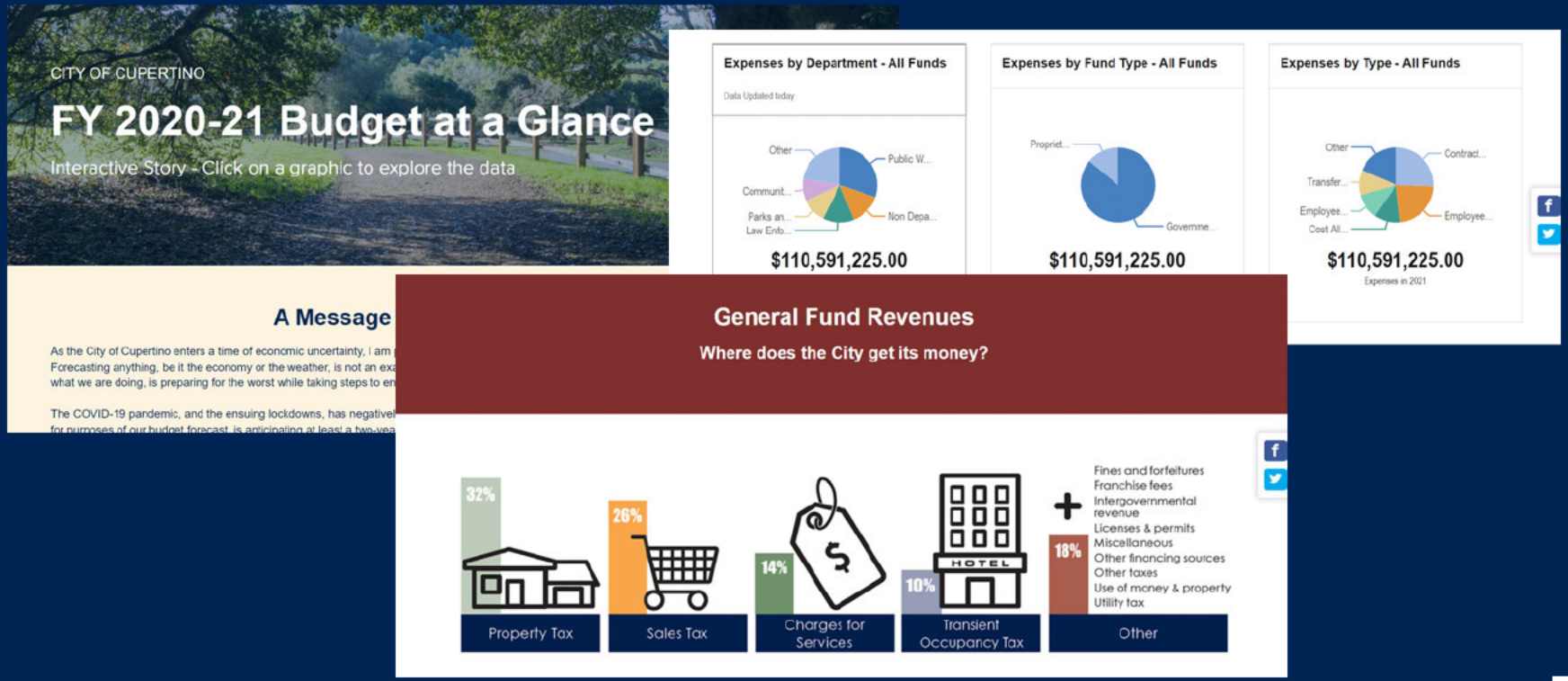
OpenGov Stories

Open Town Hall

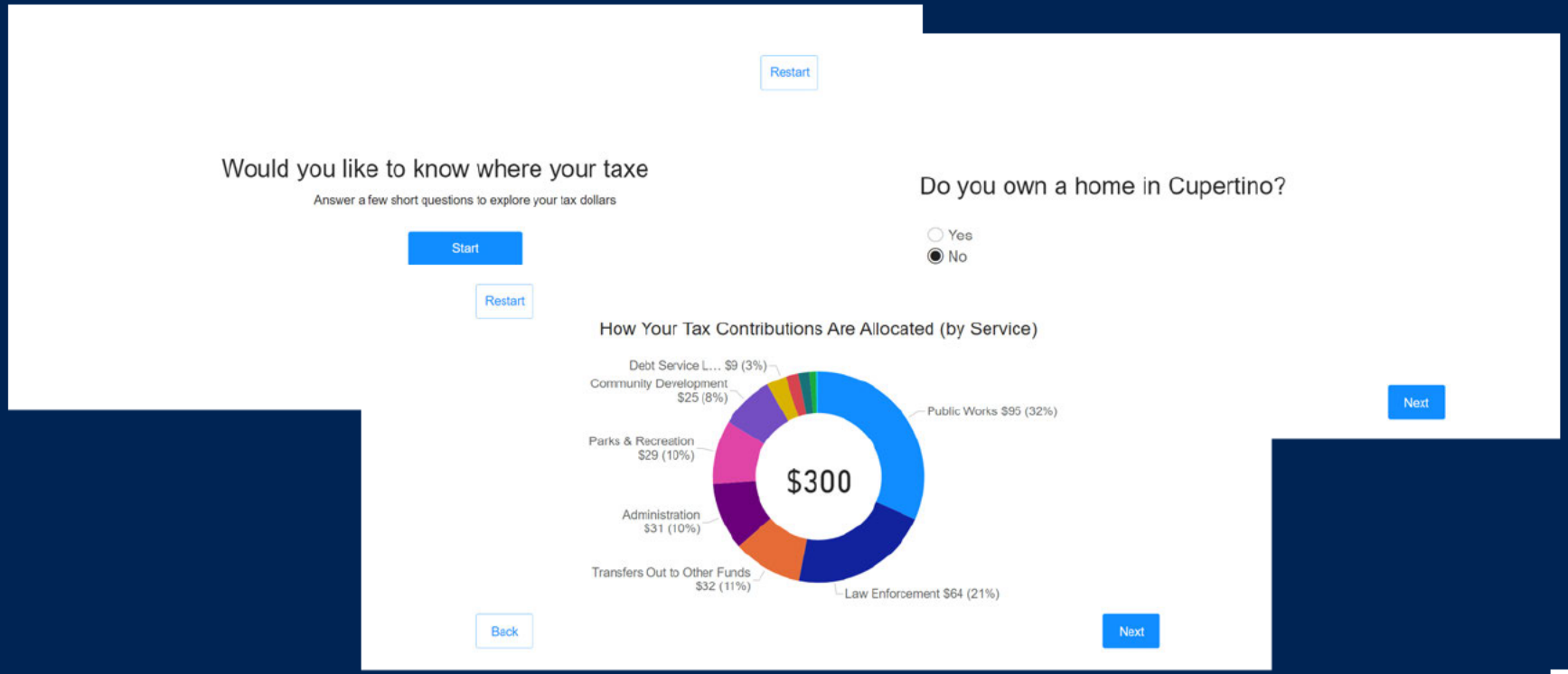
The Goal



Interactive Budget at a Glance



Resident Tax Contribution Calculator



Interactive CIP Budget

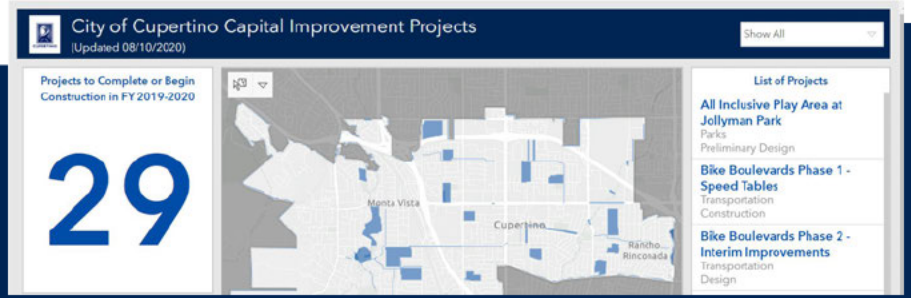
Project Description

Develop a design and construct an approx. 4,400 SF addition to the Library building for a "program room" that will seat up to 130 to
library events. Using the "Perch" option from the Civic Center Master Plan.

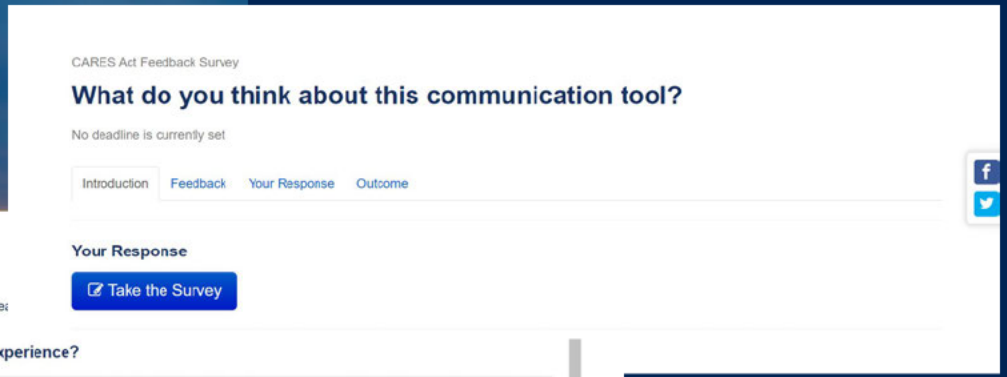
Project Costs: Budget vs Actual

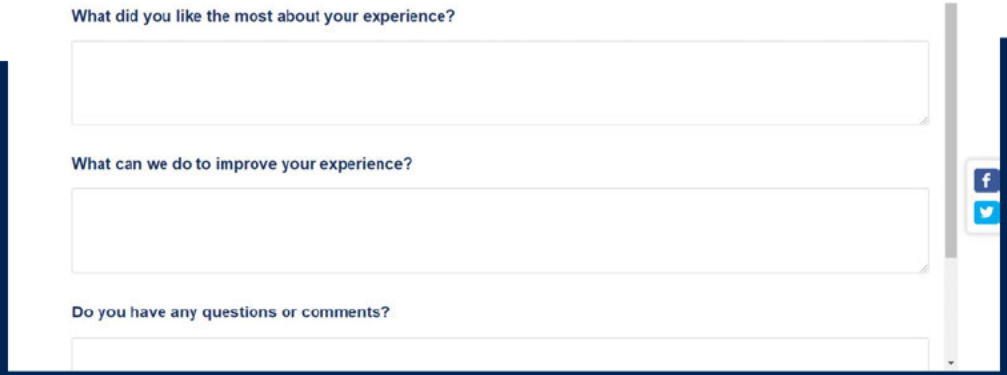
(99-077) Library Expansion

Data Updated today



Important Initiatives





Budget Landing Page

Timeline

- Interactive Budget at a Glance
- Resident Tax Contribution Calculator
- Interactive CIP Budget
- Important Initiatives
- Budget Landing Page

Next Steps

- Budget Format Review Subcommittee

Thank you!

Questions?

CUPERTINO

Questions Regarding the Current Budget Report

Audit Committee Chair Daisy Liang

1. Page 35 and 55 of the FY 21-22 Proposed Budget: Please add the Adopted Budget amounts for anywhere the FY18 and FY19 actuals are presented. This will allow a reader to understand where the actuals ended in respect to the amounts budgeted.

RESPONSE: The format of showing two years of actuals, prior year adopted, and current year adopted follows the criteria set forth by the Government Finance Officers Association (GFOA). Additionally, changing the size of the charts would result in the charts being significantly reduced in size and could make is less legible. As an alternative, staff could issue a separate appendix showing the prior year budget and actuals at the detailed account line item level and post on the City's website.

2. Page 42: The Non-Personnel Assumptions section discussed one-time special projects. Can we add links throughout the document for repeated information? Can we add onetime special projects as a saved "view" in OpenGov to allow the public to easily access the information?

RESPONSE: We can add a reference on page 42 to note that special projects are further detailed in the respective department narrative sections. Each page of the budget document has a link back to the Table of Contents. From there, a user can easily move to any section of the document they desire.

3. Page 81: The Basis of Budgeting section discusses the budget being split into nine departments. Can the document include a pie chart to show the departments percentages?

RESPONSE: General Fund expenditures by department is presented on page 36 of the Proposed Budget.

4. Page 93: What is the formula to calculate the $19,000,000 for Economic Uncertainty reserve?

RESPONSE: The formula is noted on page 93 of the Proposed Budget document: "represents two months of General Fund (GF) expenditures excluding transfers out plus a two year drop in total general fund revenue of 13% or approximately 1.5 months, excluding the use of reserves." This can be estimated by using the "Financial Overview by Fund" chart on page 103.

Total GF Expenditures	$	88,138,778
(less transfers out)	$	(11,251,984)
Subtotal	$	76,886,794
Expenditures (2 months)	$	12,814,466
Revenues (1.5 months)	$	9,372,611
Hypothetical Reserve Amount in FY 21-22	$	22,187,077
Actual Reserve Amount in FY 21-22	$	19,000,000
Difference	$	(3,187,077)

In recent years, unassigned fund balance in General Fund has maintained high levels. That, coupled with the establishment of the Section 115 Trust (pension), City staff have not recommended increases to the Economic Uncertainty Reserve. In the event of economic uncertainty, further recommendations would be brought before City Council (e.g., increasing the Economic Uncertainty Reserve, utilizing the Pension Section 115 Trust, budget reductions, etc.).

5. Page 138: Can General Fund fund balance be added to the 20-Year General Fund Financial Forecast chart?

RESPONSE: Page 138 shows the revenues and expenditures and difference between the bars and the line represent changes in fund balance; these are emphasized on page 139. We could add a sentence nothing the beginning unassigned and total fund balance to provide additional context. That said, the General Fund fund balance forecast is discussed in detail beginning on page 155. Although having all of this information on one page would be ideal, it simply is not feasible. The forecast section is presented in a format consistent with the rest of the document and follows the flow/format of an income statement (revenue → expenditures → fund balance).

6. Page 148: What is "salary savings" as presented in the Five-year General Fund Expenditures Forecast chart?

RESPONSE: Salary savings is a common line item in budgets, particularly in forecast models. The City budgets for 100% of the authorized employee head count; however, throughout the year, savings is realized through turnover and attrition. This amount represents the anticipated savings from vacant positions and attrition throughout the fiscal year (cost of approximately 5 full-time employees).

7. Page 541: Where are the capital projects for FY 21-22 as well as any previously funded projects that have yet to be completed?

RESONSE: The Capital Improvement Program (CIP) was not included in the Proposed Budget. It was first introduced to City Council at a study session on May 4, 2021, subsequent to the publishing of the Proposed Budget on May 1, 2021. The Final Adopted Budget will incorporate all financial information pertaining to CIP. Additionally, Public Works and the CIP team will be issuing a separate CIP Budget document as well.

Councilmember Moore
May 18, 2021
Format:

1. While Contingencies may not be an appropriate format issue to discuss, I think it should be removed and the reserve in the General Fund be appropriated as needed. The item has not been transparent from its inception in 2013 and looks like a slush fund with the largest share in the City Manager's budget. The Staff Report to City Council in June of 2013 neglected to mention that a new contingency amount of $427k was even being appropriated and now the current format for the Budget shows $3,773 for contingencies for the City Manager on p. 221, yet on p. 245 of the current Proposed Budget, there is $593,250 appropriated in contingencies. Additionally, the City Manager is given authority to approve their spending on p. 244. This practice, and the whole contingency category, in my opinion, needs to end.

RESPONSE: City Council directed staff to reduce the City Manager Discretionary Fund to $75,000 (a reduction of $518,250) at the June 4, 2021 study session. City Council ultimately adopted the FY 21-22 Budget with a City Manager Discretionary Fund budget amount of $75,000.

2. I do prefer the staffing tables used by Campbell and Sunnyvale for clarity.

RESPONSE: Noted. It will be challenging to incorporate similar staffing tables throughout each of the respective Program narratives. However, staff can create an appendix report for all positions and present by Department and Program.

3. I prefer the more detailed accounting which the City did in 2013 and other cities continue to do, referred to as the Account Level Summary.

RESPONSE: Noted. It will significantly increase the length of the document to show the account level detail throughout the document, but as an alternative, staff can create an appendix report for all budget and actuals at the account level detail.

4. I would like the previous comments from the last Budget Format Review Subcommittee (attached) added along with my comments and Daisy's for next week's City Council Budget Agenda item.

RESPONSE: Noted.

Content:
Proposed Budget is pretty easy to read and follow. Movement of money between funds along with department divisions and tasks moving between departments makes following the changes to department costs difficult to capture. Because some funding increased a great deal in 2020, it
would help to have a comparison back to 2019 in some instances (City Manager Contingency, for example, Proposed Budget p. 245)

1. Community outreach improvements to get input regarding the Proposed Budget goals and process.
a. Proposed Budget mentions input from the Audit and Fiscal Strategic Plan Committees, however neither has reviewed the Proposed Budget for input. Should these committees receive the Proposed Budget prior to coming to City Council in the future or is this process order better? The Fiscal Strategic Plan Committee is not codified and has no codified duty to review the Proposed Budget.

RESPONSE: The Audit Committee is tasked with reviewing the Budget Format and the Fiscal Strategic Plan has historically reviewed the City's financial forecast, which is an important component to the City's budget document. While input on the actual budget document is only received from the Community via public meetings, the City's budget team holds annual community engagement budget workshops and includes interactive budget reports throughout the year via OpenGov.

2. The organizational charts need to reflect the Cupertino Municipal Code (CMC)
a. Add date of organizational chart
b. Update the online chart
c. Update CMC to reflect current organizational structure (e.g. add I.T. Department)
d. This should probably not be a work plan item, but an ongoing process of CMC cleanup

RESPONSE: The organizational charts in the budget document are correct. They will need to be updated online and in the CMC. The date of the organization chart in the budget corresponds to the budget document itself; thus the organization chart corresponds to FY 21-22.

3. CMC mentions a potential Public Safety Department should Police and Fire be administered by the City. The City contracts out both. How is the Fire Department paid for?

RESPONSE: Santa Clara County Fire is funded via property taxes. Property tax revenues are generated from the 1% tax on property values. Of that 1%, the City receives 7% and Santa Clara County Fire receives 15%, with the majority of the 1% going to school districts.

4. City Manager discretionary spending was $743 for 2020 yet the 2022 Proposed Budget is $593,250. Additionally, the Program Overview states that the contingency budget for the City Manager requires the City Manager approval (Proposed Budget p. 244). I would recommend this amount be removed and a policy for oversight be put in place. The City Manager's overall budget has increased from $786,535 in 2019 (expenditures plus contingencies) to $2,115,071 proposed for 2022. How is this increase accounted for? Review the City of Cupertino Purchasing Policy (2013) Code Sec. 3.22 and 3.23.

RESPONSE: The City Manager Contingency program was established to meet citywide unexpected expenses that may occur during the year. In FY 2013-14, a Contingencies expenditures category was added to each General Fund program to serve as a contingency for any unexpected expenditures that might occur during the year. Prior to FY 2020-21, the contingency amount was derived by taking 5% of the General Fund's base materials and contract services to account for unforeseen events and/or activities that were not included in the respective fiscal year's budget. In FY 2020-21, and in response to COVID-19, the contingency amount was cut in half to 2.5% of the General Fund's base materials and contract services. Additionally, in FY 2020-21 The City Manager's contingency established an appropriation specifically for Public Works' unforeseen maintenance and repairs in an amount of $280,000. The current 2.5% calculation is below GFOA's best practice recommended range of 5-15%; however, once the Public Works unforeseen maintenance and repair contingency is factored, the contingency amount ends within the recommended range at 5%. In total, the City Manager's contingency budget has remained relatively consistent year-over-year (YOY) as noted below:

Fiscal Year	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Budget	$505,000	$593,661	$486,353	$551,827	$593,250
Actual	$240,365	$127,480	$279,337	$283,384	$ -

The City Manager budget unit within the Department of Administration (100-12-120) has increased from $993,118 (adopted) in FY 2018-19 to $1,521,821 (proposed) in FY 2021-22. This increase is due to 2.3 additional full-time employees being accounted for in this budget unit. City Council recommended and adopted a FY 21-22 budget with a City Manager Discretionary Fund of $75,000.

5. Economic Development has switched to a contract service and has more than doubled in cost.

RESPONSE: The Economic Development budget is proposed to decrease from $430,494 in FY 2020-21 to $337,074. As the function becomes further defined, staff will bring forward budget recommendations to City Council for consideration.

6. Some committees use staff time (which seems to imply they have a budget amount) and are not codified: Economic Development Committee, Disaster Council, Fiscal Strategic Plan Committee. Needs clarification.

RESPONSE: Staff time allocations less than 5% are generally not charged to specific budget units. In other words, the City would not create a budget unit for Fiscal Strategic Plan Committee because less than 5% of a respective employee's annual time is required.

7. Multiple projects which are not approved in the City Council Work Plan show up in the Proposed Budget: New Logo, online store. Please remove these items from other headings such as "Contract Services" to a new heading which indicates they are Proposed Work Plan Items and not approved.

RESPONSE: All City Work Program items will be budgeted and shown as "special projects" in the final adopted budget. Recording activities in a unique account requires the creation of a new general ledger account. This is completed once the City Work Program is adopted and the projects are finalized.

8. Communications costs seems to be a separate area, could this be shown as a group?

RESPONSE: Combining these groups would decrease transparency and also sacrifice historical data comparisons. OpenGov's Transparency Portal now has a saved "view" so that the Office of Communications and the Multimedia budget units can be seen in a combined fashion.

OpenGov Saved View

9. It is unclear how much of the Cultural Events ($402,137) items will occur, such as the 4th of July celebration. (PB p. 335-336), a similar item, Neighborhood Events ($163,119) raises the same question (PB p. 350). Total events: $565,256.

RESPONSE: Most of the 4th of July funds are spent the FY before the event, so the money in the FY 2021-2022 budget will go toward the July 4, 2022. The other events within this account are Memorial Park Summer Events and Shakespeare in the Park which we are planning for late summer/early Fall 2021, Tree Lighting which is in December 2021, Big Bunny 5K in March/April 2022, and other small events. The Festivals start in the Fall and continue to Spring. At this time, we are assuming those will happen.

10. Economic Development was $89,910 for the 2019 actual expenditure and is now proposed at FY 2022 $337,074 with a new contingency and materials amount of over $60K with no staffing. Additionally, there is no codified Economic Development Committee which uses staff time. This area needs attention.

RESPONSE: The Economic Development budget is proposed to decrease from $430,494 in FY 2020-21 to $337,074. With the function likely moving "in-house," staff are recommending a reduction in this budget unit of $38,694. As the function becomes further defined, staff will bring forward budget recommendations to City Council for consideration.

11. Please explain the large increase in the BMR affordable housing fund PB p. 393 which shows an increase of revenue from 2019 actual of $159,179 in taxes to 2022 Proposed Budget taxes of $3,611,855. There is an allocation of $600,000 shown for Homelessness and other Special Projects which has not been approved and the City Resolution to support the county Task Force on Homelessness indicated that the City would participate in a county-wide program which the City would likely be asked to contribute financially to.

RESPONSE: Estimated revenues increased due to one-time anticipated Housing Mitigation In-Lieu Fees for Cupertino Village and De Anza Hotel. The majority of this program's budget increase is due to two (2) tentative City Work Program items: $300,000 for Affordable Housing Strategies and $300,000 for Homeless Services and Facilities. Although the Affordable Housing Strategies is slated for removal, a $200,000 item for Homeless Jobs Program is slated to be added.

12. Code Enforcement has increased from $508,167 in 2019 to $1,202,392 proposed 2022. PB p. 406.

RESPONSE: Full-time employee (FTE) allocations have increased since FY 2018-19 which is contributing to the increase. Additionally, and because of these relatively large proportional staffing increases and changes in methodology, the amount of cost allocation charges increased from $22,478 in FY 2018-19 to $277,786 in the proposed budget year.

13. Facilities would be easier to track if grouped together, Facilities and Fleet next to Grounds, for example. Where are Stocklmeir, Byrne, Blech?

RESPONSE: The Department's budget units/programs are organized in order of Division (xxx-**XX-**xxx). Because the Fleet or "Fixed Assets Acquisition" program is numbered 630-90-985, it naturally comes at the end. Changing the accounting structure would be an administrative challenge and make it more difficult to identity fluctuations year over year. A saved "view" on OpenGov has been created to see Grounds and Facilities budget units together.

OpenGov Saved View

Stocklmeir, Byrne and Blesch are not occupied buildings that are in use. The Facilities budgets are for maintenance of city buildings that are in use. Any budget allocations for these three properties would be considered a special project with a specific scope. Additionally, The City's budget does not include a comprehensive list of the City's capital assets for two primary reasons: 1) it is not a requirement or recommendation by the Government Finance Officer's Association (GFOA) and 2) the City strives to keep the budget document as concise as possible. It is regularly recommended by GFOA to shorten the document as necessary and appropriate.

CITY OF CUPERTINO

Agenda Item

21-9594

Agenda Date: 7/26/2021
Agenda #: 10.

Subject: Follow-up on Previous FY Management Letter Items and Management Response

Receive Follow-up on Previous FY Management Letter Items and Management Response

CITY OF CUPERTINO

Agenda Item

21-9595

Agenda Date: 7/26/2021
Agenda #: 11.

Subject: Embezzlement Update

Receive Embezzlement Update