



*Proprietary & Confidential*

FINAL REPORT

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# City of Cupertino

## BUDGET PROCESS REVIEW

December 20, 2022

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# I. INTRODUCTION

## A. BACKGROUND, SCOPE, AND METHODOLOGY

As identified in the City of Cupertino's (the City) annual internal audit workplan, Moss Adams conducted a review of the City's budget development and ongoing monitoring processes. The goal of this engagement is to identify opportunities to improve workflows, strengthen communication, and confirm alignment with industry standards. This work was conducted between October 2022 and December 2022 and consisted of the following four phases:

PHASE		DESCRIPTION
1	<b>Start-Up and Management</b>	<ul style="list-style-type: none"><li>➤ Project initiation consisted of collaborative project planning and project management with the City, including developing our scope of work and final work plan.</li></ul>
2	<b>Fieldwork</b>	<ul style="list-style-type: none"><li>➤ Fieldwork included interviews, document review, staff survey, and Government Finance Officers Association (GFOA) standards and best practice research. We worked with City staff to obtain the most current information and insights through:<ul style="list-style-type: none"><li>• <i>Interviews:</i> We conducted interviews with budget and finance staff and leadership to gain an understanding of the City's current budget development and monitoring environment.</li><li>• <i>Document review:</i> We received documents including policies, procedures, reports, guides, and other budget-related documentation.</li><li>• <i>Survey:</i> We distributed a budget process review survey to solicit feedback from cross-functional stakeholders.</li><li>• <i>Best practice research:</i> We conducted research of GFOA standards and best practices to establish baseline data for comparison to the City's processes.</li></ul></li></ul>
3	<b>Analysis</b>	<ul style="list-style-type: none"><li>➤ Based on the information gained during fieldwork, we assessed the current conditions and identified opportunities for improvement. Leveraging best practice information and our own experience from working with similar entities, we developed actionable recommendations.</li></ul>
4	<b>Reporting</b>	<ul style="list-style-type: none"><li>➤ We communicated the results of our analysis with observations and recommendations presented first in a draft report that was reviewed with management to confirm the practicality and relevance of recommendations before finalizing the report.</li></ul>

## B. COMMENDATIONS

### *GFOA Distinguished Budget Presentation Award*

The City received the GFOA's Distinguished Budget Presentation Award for the FY21-22 budget. This award recognizes excellence in both the development of the budget and the organization of the budget document. This award was developed to recognize local governments that prepare and present budgets of the highest quality. To this end, the criteria for this award align with the budgeting best practices developed by the GFOA and the National Advisory Council on State and Local Budgeting.



The City's Distinguished Budget Presentation Award serves as an endorsement of quality by the GFOA. Because the GFOA is the preeminent organization of public finance professionals in North America, this award signifies that the City's budget practices, and budget documents are of the highest quality amongst local governments in the United States and Canada.

### ***Public Engagement and Use of Technology***

The City of Cupertino is an innovator in budget-related public engagement through the utilization of technology and unique community participation opportunities. Like other municipalities in this space, the City utilizes OpenGov to allow citizens to search and understand the City's financial data. One particularly innovative City practice is the development of both the Resident Tax Calculator and the Budget Forecast Tool, which helps Cupertino residents to understand how their tax dollars are spent and how the City's service decisions impact its finances. Cupertino was recognized for these novel technologies by the California Society of Municipal Finance Officers (CSMFO) 2022 Innovation Award.

The City's Budget & Bites annual workshop also signifies an innovative approach to budget-related community engagement. This novel community forum provides residents with the education necessary to understand and explore the flow of City finances from tax and revenue streams to their impact on residents.

### ***Customer Satisfaction***

In the survey administered to department-level staff involved in budgeting, the Finance team received considerable praise—between 72% and 90% of respondents rated the level of professionalism, communication, and assistance provided by Finance staff as satisfactory or extremely satisfactory. Specifically, survey respondents noted the following activities as particularly useful:

- Annual and quarterly budget kick-off meetings
- Business Analytics training
- Finance team responsiveness, professionalism, and assistance
- Innovative solutions to make budgeting information accessible
- Quarterly financial reports

Among the Finance team, interviewed staff commented on the high levels of collaboration and mutual support across budgeting processes. Strong team dynamics, and inter-departmental relationships significantly contribute to optimized performance and increased efficiencies.

## **C. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

Observations and recommendations were grouped into two categories: 1) GFOA alignment, and 2) budget development and monitoring. Observations and recommendations are summarized below and detailed in further detail in [Section III](#).



OBSERVATIONS AND RECOMMENDATIONS		
GFOA Alignment		
1.	<b>Observation</b>	Cupertino's budget process acts in accordance with the significant majority of budget best practices developed by the GFOA (76 of 80 criteria in total); however, there are four elements of the City's budget process that lacked documentation to support alignment with best practices.
	<b>Recommendation</b>	Develop a prioritized implementation plan to support progress towards full alignment with GFOA best practices in the four categories that are not aligned.
Budget Development and Monitoring		
2.	<b>Observation</b>	Although budget development and monitoring training is provided by Finance during onboarding and revisited at a high level during budget kick-offs, departmental staff engaged in budgeting desire more in-depth and regular training to keep up with continuous changes within the City.
	<b>Recommendation</b>	Develop regular training and refresher courses for staff engaged in budget development and monitoring across City departments.
3.	<b>Observation</b>	Finance has developed several guides, tools, and instructions to support staff across all phases of the development process that are stored in several places across the City's systems. This has led to inefficiencies finding and using the most updated documents.
	<b>Recommendations</b>	<b>A.</b> Create a dedicated space on the HUB to consolidate budget guides, instructions, and tools. <b>B.</b> Create a budget lifecycle overview outlining each phase of the budget development and monitoring process with links to tutorials or systems used to support deliverables across each phase.
4.	<b>Observation</b>	The City uses OpenGov to submit, review, and approve budgets; however, the status of budget reviews and approvals occurs via email, leading to challenges effectively communicating budget progress.
	<b>Recommendation</b>	Evaluate opportunities to provide more relevant status indicators in OpenGov, and train staff on OpenGov's budget status and notifications features.



## II. GFOA BEST PRACTICES EVALUATION

The following table summarizes the results of our analysis comparing Cupertino's budget practices against best practices as outlined by the GFOA and NACSLB. This includes four principles, 13 categories, and 80 criteria.

GFOA/NACSLB BEST PRACTICE	ALIGNMENT WITH STANDARD	SUPPORTING EVIDENCE
<b>PRINCIPLE 1: ESTABLISH BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING</b>	<b>FULLY ALIGNED</b>	
<b>1.1 Assess Community Needs, Priorities, Challenges, and Opportunities</b>	<b>FULLY ALIGNED</b>	
Identify stakeholder concerns, needs, and priorities	FULLY ALIGNED	Budget Message, City Work Program, Community Profile, Strategic Goals, and General Fund Forecast.
Evaluate community condition, external factors, opportunities and challenges	FULLY ALIGNED	
<b>1.2 Identify Opportunities and Challenges for Government Services, Capital Assets, and Management</b>	<b>FULLY ALIGNED</b>	
Assess services and programs, and identify issues, opportunities, and challenges	FULLY ALIGNED	Budget Message, Capital Improvement Program, City Work Program, Strategic Goals, Community Profile, and General Fund Forecast.
Assess capital assets, and identify issues, opportunities, and challenges	FULLY ALIGNED	
Assess governmental management systems, and identify issues, opportunities, and challenges	FULLY ALIGNED	
<b>1.3 Develop and Disseminate Broad Goals</b>	<b>FULLY ALIGNED</b>	
Identify broad goals	FULLY ALIGNED	Strategic Goals, Department Performance Measures



Disseminate broad goals and review with stakeholders	FULLY ALIGNED	Strategic Goals, Department Performance Measures
<b>PRINCIPLE 2: DEVELOP APPROACHES TO ACHIEVE GOALS</b>	<b>MOSTLY ALIGNED- Presence of not aligned subcategories</b>	
<b>2.1 Adopt Financial Policies</b>	<b>MOSTLY ALIGNED- one subcategory not aligned</b>	
Develop policy on stabilization funds	FULLY ALIGNED	Economic Uncertainty Reserve; Committed, Unassigned Fund Balance, and Use of One Time Funds Policy; Long Term Financial Stability Policies
Develop policy on fees and charges	FULLY ALIGNED	City Code: Clean Water and Storm Protection Fee, Storm Drainage Service Charge, Department Fees
Develop policy on debt issuance and management	FULLY ALIGNED	Expenditure Policies; Capital Improvement Policy; Committed, Unassigned Fund Balance, and Use of One Time Funds Policy
Develop policy on debt level and capacity	FULLY ALIGNED	Legal Debt Margin
Develop policy on use of one-time revenues	FULLY ALIGNED	Use of One Time Funds Policy
Evaluate the use of unpredictable revenues	FULLY ALIGNED	Use of One Time Funds Policy
Develop policy on balancing the operating budget	<b>NOT ALIGNED</b>	The City currently follows the California state requirement to have a balanced operating budget. GFOA recommends that local governments adopt a policy that mandates balancing the budget and explains other statutory requirements imposing a balanced budget.
Develop policy on revenue diversification	FULLY ALIGNED	Revenue Policies
Develop policy on contingency planning	FULLY ALIGNED	Budget Amendment Process



Consider a long-term financial planning policy, committing officials to considering the long-term implication of decisions made today	FULLY ALIGNED	Budget Procedures, Long Term Financial Stability Policies
<b>2.2 Develop Programmatic, Operating and Capital Policies and Plans</b>	<b>FULLY ALIGNED</b>	
Prepare policies and plans to guide the design of programs and services	FULLY ALIGNED	City Code
Prepare policies and plans for capital asset acquisition, maintenance, replacement, and retirement	FULLY ALIGNED	Capital Improvement Policy, City Code
Capital improvement plans should employ a long-term planning horizon	FULLY ALIGNED	Capital Improvement Program
<b>2.3 Develop Programs and Services That Are Consistent with Policies and Plans</b>	<b>FULLY ALIGNED</b>	
Develop programs and evaluate delivery mechanisms	FULLY ALIGNED	City Work Program, Notable Accomplishments, New Initiatives, Department Narratives
Develop options for meeting capital needs and evaluate acquisition alternatives	FULLY ALIGNED	Capital Improvement Program
Identify functions, programs, and/or activities of organizational units	FULLY ALIGNED	Department and Function Budget Sections
Develop performance measures	FULLY ALIGNED	Department Performance Measures
<b>2.4 Develop Management Strategies</b>	<b>FULLY ALIGNED</b>	
Develop strategies to facilitate attainment of program and financial goals	FULLY ALIGNED	City Work Program, New Initiatives, and Department and Function Budget Sections
Develop mechanisms for budgetary compliance	FULLY ALIGNED	Budget Monitoring Procedures





Develop the type, presentation, and time period of the budget	FULLY ALIGNED	Budget Calendar
<b>PRINCIPLE 3: DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS</b>	<b>FULLY ALIGNED</b>	
<b>3.1 Develop a Process for Preparing and Adopting a Budget</b>	<b>FULLY ALIGNED</b>	
Develop a budget calendar	FULLY ALIGNED	Budget Calendar
Develop budget guidelines and instructions	FULLY ALIGNED	Budget Procedures, Budget Process
Develop mechanisms for coordinating budget preparation and review	FULLY ALIGNED	Budget Procedures, Budget Process
Develop procedures to facilitate budget review, discussion, modification, and adoption	FULLY ALIGNED	Budget Calendar
Identify opportunities for stakeholder input	FULLY ALIGNED	Budget Study Session, Budget Hearings, Fiscal Strategic Planning, Audit Committee, OpenGov, Budget and Bites
Decide the purpose of public engagement	FULLY ALIGNED	
Encourage People to Engage	FULLY ALIGNED	
Provide the Engagement Medium	FULLY ALIGNED	
Show Opportunities for Future Engagement	FULLY ALIGNED	
<b>3.2 Develop and Evaluate Financial Options</b>	<b>FULLY ALIGNED</b>	
Conduct long-range financial planning	FULLY ALIGNED	General Fund Forecast
Long-term financial plans extend at least 5 years into the future	FULLY ALIGNED	General Fund Forecast



Financial forecasts define assumptions and effectively communicate these assumptions	FULLY ALIGNED	General Fund Forecast
Prepare revenue projections	FULLY ALIGNED	General Fund Forecast
Analyze major revenues	FULLY ALIGNED	General Fund Forecast
Evaluate the effect of changes to revenue source rates and bases	FULLY ALIGNED	General Fund Forecast
Analyze tax and fee exemptions	FULLY ALIGNED	General Fund Forecast
Achieve consensus on a revenue forecast	FULLY ALIGNED	General Fund Forecast
Document revenue sources in a revenue manual	FULLY ALIGNED	General Fund Forecast
Prepare expenditure projections	FULLY ALIGNED	General Fund Forecast
Evaluate revenue and expenditure options	FULLY ALIGNED	General Fund Forecast
Develop a capital improvement plan	FULLY ALIGNED	Capital Improvement Program
The financial forecast, along with its assumptions and methodology, are clearly stated and are made available to stakeholders in the budget process	FULLY ALIGNED	General Fund Forecast
<b>3.3 Make Choices Necessary to Adopt a Budget</b>	<b>FULLY ALIGNED</b>	
Prepare and present a recommended budget	FULLY ALIGNED	Budget Document, Budget Calendar, Budget Procedures



Describe key policies, plans and goals	FULLY ALIGNED	Budget Message, Financial Policies, Department and Function Budget Sections
Identify key issues	FULLY ALIGNED	New Initiatives, City Work Plan, Department and Function Budget Sections
Provide a financial overview	FULLY ALIGNED	Budget Overview
Provide a guide to operations	FULLY ALIGNED	City Organizational Chart, Commissions and Committees, Department and Function Budget Sections, Department Performance Measures, Directory of City Officials, Personnel Schedule
Explain the budgetary basis of accounting	FULLY ALIGNED	Basis of Budgeting
Prepare a budget summary	FULLY ALIGNED	Budget Overview, Budget Summary
Present the budget in a clear, easy-to-use format	FULLY ALIGNED	Budget Document, Cupertino Budget at a Glance
Long-term financial forecasts are concisely presented in the final budget document	FULLY ALIGNED	General Fund Forecast
Adopt the budget	FULLY ALIGNED	Budget Document, Budget Process
<b>PRINCIPLE 4: EVALUATE PERFORMANCE AND MAKE ADJUSTMENTS</b>	<b>MOSTLY ALIGNED- Presence of not aligned subcategories</b>	
<b>4.1 Establish a formal set of processes for comparing budget to actual results to monitor financial performance</b>	<b>FULLY ALIGNED</b>	
Define roles and responsibilities	FULLY ALIGNED	Budget Monitoring Procedures



Production: Who process the analyses, reports, etc..	FULLY ALIGNED	Budget Monitoring Procedures
Roles: Collaboration and ownership within the organization should be promoted to help provide context related to any potential issues.	FULLY ALIGNED	Budget Monitoring Procedures
Ownership: Who is responsible for resolving variances related to spend and service delivery, as well as other problems	FULLY ALIGNED	Budget Monitoring Procedures
Identify and utilize tools for conducting the analysis (e.g., electronic system, automation, overspend protection, consistency)	FULLY ALIGNED	Budget Software: Tyler New World, Business Analytics
Define how this monitoring will be communicated	FULLY ALIGNED	Budget Monitoring Procedures
Determine Frequency	FULLY ALIGNED	Budget Monitoring Procedures
Determine the format for this analysis	FULLY ALIGNED	Budget Monitoring Procedures
Determine how this information is delivered to which internal and external stakeholders	FULLY ALIGNED	Budget Monitoring Procedures
Determine how this information can be shared on a widespread basis to the community and include broader context	FULLY ALIGNED	OpenGov
<b>4.2 Monitor, Measure, and Evaluate Performance</b>	<b>MOSTLY ALIGNED- two subcategories not aligned</b>	
Monitor, measure, and evaluate program performance	FULLY ALIGNED	Department Performance Measures
These performance measures are linked to financial outcomes	NOT ALIGNED	The budget currently details a set of performance measures for each department, but the linkages between these performance measures and financial outcomes are not always clear. Only some departments have performance measures that clearly connect to financial outcomes.



Monitor, measure, and evaluate stakeholder satisfaction	NOT ALIGNED	Cupertino's Citizen Survey would have fulfilled this best practice criterion but does not appear to have been implemented since 2017.
Monitor, measure, and evaluate budgetary performance	FULLY ALIGNED	Budget Monitoring Procedures
Monitor, measure, and evaluate financial condition	FULLY ALIGNED	Budget Monitoring Procedures
Monitor, measure, and evaluate external factors	FULLY ALIGNED	General Fund Forecast, Budget Overview, Current Economic Update, Ongoing Challenges
Monitor, measure, and evaluate capital program implementation	FULLY ALIGNED	Capital Improvement Program
<b>4.3 Adjust as Needed</b>	<b>MOSTLY ALIGNED- one subcategory not aligned</b>	
Adjust the budget	FULLY ALIGNED	Budget Monitoring Procedures
Adjust policies, plans, programs, and management strategies	FULLY ALIGNED	Budget Amendment Policy, Budget Monitoring Procedures, Quarterly Financial Reports
Adjust broad goals, if appropriate	NOT ALIGNED	The City may have an informal process for evaluating and, if necessary, adjusting its goals and/or performance measures during the budget cycle. However, there is not a written policy or procedure that defines how the City would adjust these goals.



# III. OBSERVATIONS AND RECOMMENDATIONS

Based on the input gathered from interviews, document review, focus groups, and surveys as well as comparisons to best practices, we prepared a set of observations and recommendations detailed below.

## A. GFOA ALIGNMENT

1.	Observation	Cupertino’s budget process acts in accordance with the significant majority of budget best practices developed by the GFOA (76 of 80 criteria in total); however, there are four elements of the City’s budget process that lacked documentation to support alignment with best practices.
	Recommendation	Develop a prioritized implementation plan to support progress towards full alignment with GFOA best practices in the four categories that are not aligned.

Moss Adams evaluated the City’s budget documentation against four principles, 13 categories, and 80 sub-categories defined as best practices by GFOA<sup>1</sup> ([see Section II](#)). Cupertino’s budget process aligns with a significant majority of industry best practices established by the GFOA and its National Advisory Council on State and Local Budgeting:

- 8 of 13 budget best practice categories are fully aligned; the remaining five categories were found to be mostly aligned, defined as having one or more criteria items within that category not aligned with best practices.
- 76 of 80 criteria items within each best practice category were fully aligned; documentation to support the remaining 4 criteria was either missing or informal.

Active or ongoing work to meet best practice criteria is identified in [Section II](#) which details each of the best practice principles and subcategories and the degree to which City practices align with these standards. [Appendix B](#) delineates the GFOA resources used to identify each standard.

Cupertino’s budget team should analyze, plan for, and implement changes to the budget process to address the five areas of best practice criteria that do not currently align with GFOA standards. These areas are:

- **Develop a Policy on Balancing the Operating Budget.** The GFOA recommends that local governments develop a policy that explicitly defines and encourages a balanced budget. This policy should also delineate what situations, if any, would warrant the implementation of an unbalanced budget, and should note other statutory or constitutional requirements that mandate a balanced budget. The City currently follows the state requirement to balance the operating budget but does not have its own policy.

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<sup>1</sup> [Appendix B](#)



- **In the Budget Monitoring Process, Program Performance Measures Are Linked to Financial Outcomes.** The GFOA recommends that performance measures should be assessed during the budget monitoring process. As these performance measures are examined, their “linkages to financial outcomes” should also be analyzed.<sup>2</sup> At least one departmental performance measure for Administrative Services, Parks and Recreation, and Public Works is clearly linked to City financial outcomes. The City should consider detailing other linkages between performance measurement and financial outcomes.
- **In the Budget Monitoring Process, Stakeholder Satisfaction Is Monitored, Measured, and Evaluated.** The GFOA recommends that governments utilize some type of stakeholder feedback mechanism in the budget monitoring process as it evaluates program performance. This stakeholder performance can be collected through any means, including surveys, focus groups, and/or public meetings. Cupertino’s Citizen Survey would have fulfilled this best practice criterion but does not appear to have been implemented since 2017.
- **During the Budget Period, the Government’s Broad Goals Should Be Adjusted, if Appropriate.** The GFOA recommends that governments develop policies and procedures to review and change their broad goals in response to new information or a change in circumstances. This can be as simple as a process to review and, if necessary, adjust program performance measures. There is no evidence that the City has a standard process for evaluating and, if necessary, adjusting its goals and performance measures during the budget period. If this process exists informally, it should be documented in policies and procedures.

Finance should create an implementation plan to address gaps, prioritize work, plan, execute, and report on progress towards full alignment with GFOA best practices. The implementation plan should include prioritized criteria, subtasks, owners of each task, start dates, end dates, and status. Once the plan is drafted, Finance can assess the resources needed to execute the work. It’s possible that outside resources may be recruited to ensure staff workloads remain manageable, and the work moves forward. Implementation plan review should be incorporated into regular team meetings to manage tasks and identify barriers or issues. The implementation plan can then be used to report progress towards full alignment.

## B. BUDGET DEVELOPMENT AND MONITORING

### Training

2.	<b>Observation</b>	Although budget development and monitoring training is provided by Finance during onboarding and revisited at a high level during budget kick-offs, departmental staff engaged in budgeting desire more in-depth and regular training to keep up with continuous changes within the City.
	<b>Recommendation</b>	Develop regular training and refresher courses for staff engaged in budget development and monitoring across City departments.

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<sup>2</sup> Government Finance Officers Association. “Best Practices: Budget Monitoring.” March 31, 2018, <https://www.gfoa.org/materials/budget-monitoring>



In Cupertino, budgeting responsibilities across all phases are dispersed across department staff including management analysts, program directors, and department directors. In this environment, roles, responsibilities, and levels of experience can vary greatly. To support individuals throughout the budget process, the Finance team provides the following training opportunities in addition to communication on updates or changes to reporting or analysis tools.

TRAINING DESCRIPTION	CADENCE	TOPICS
Budget Analytics	Provided during onboarding	<ul style="list-style-type: none"><li>• How, why, and when to use the tool</li><li>• Guidance for building a new report</li></ul>
Base budget kick off	Annually	<ul style="list-style-type: none"><li>• Base budget deliverables</li><li>• Process, system or tool changes</li><li>• Upcoming deadlines</li><li>• Instructions for based budgets</li></ul>
Proposed budget kick off	Annually	<ul style="list-style-type: none"><li>• Proposed budget deliverables</li><li>• Process, system or tool changes</li><li>• Upcoming deadlines</li><li>• Instructions for proposed budgets</li></ul>
Quarterly kick off	Quarterly	<ul style="list-style-type: none"><li>• Quarterly reporting process</li><li>• Upcoming deadlines</li><li>• Instructions for proposed budgets</li></ul>

While 60 to 75% of survey respondents either somewhat or strongly agreed that budget instructions provided by Finance are clear, only 54 to 61% of respondents somewhat or strongly agreed that sufficient training on budgeting was offered. In survey comments, respondents were appreciative of the Business Analytics training, annual kick-off, and quarterly kick-offs provided by Finance, but also expressed a desire for more regular, or in-depth, opportunities. The City has also experienced several shifts over the last five years in its budget methodology moving from annual budgeting to multi-year budgeting then zero-based budgeting. This has created challenges for staff in a dispersed environment to maintain up to date information, regardless of their tenure or level of experience with the City.

To support staff proficiency across all budget phases, the City should consider creating regular training sessions on topics such as budgeting basics, navigating guides and tools (see [Recommendation 3](#)), reporting, and budget review best practices. This will provide staff with the opportunity to stay up to date on current practices and ensure that budget activities are carried out consistently across all departments. Timing for this training could be incorporated into other annual training that is carried out by other departments such as IT or HR to increase awareness and optimize participation.

Additionally, the Finance team should consider rotating training leadership among staff or consider partnering experienced staff with less experienced staff when conducting training. This has the benefit of ensuring that training responsibilities are balanced across the team, which creates opportunities for Finance staff to cross-train on various topic areas and contributes to consistent messaging across Finance.





## Document Consolidation

3.	Observation	Finance has developed several guides, tools, and instructions to support staff across all phases of the development process that are stored in several places across the City's systems. This has led to inefficiencies finding and using the most updated documents.
	Recommendations	<ul style="list-style-type: none"><li>A. Create a dedicated space on the HUB to consolidate budget guides, instructions, and tools.</li><li>B. Create a budget lifecycle overview outlining each phase of the budget development and monitoring process with links to tutorials or systems used to support deliverables across each phase.</li></ul>

The Finance team has created several documents to guide budget development and monitoring activities including the yearly calendar, kick-off instructions for base budgets, proposed budgets, quarterly reporting, budget policies and procedures, and training presentations and templates. These documents are provided to staff engaged in budget activities via email, during kick-offs, and on an ad hoc basis. Most supportive budget documents live on the City's G drive; however, there are additional documents that are stored in individual OneDrive folders, desktops, or in email. Interviewed staff noted that locating the most up-to-date documents in this environment is time-consuming and makes the process prone to error when prior documents are referenced, leading to inefficiencies. Additionally, this can lead to an over-reliance on Finance staff to provide this information to staff across the City, while creating a self-serve guide would be more efficient.

Accessibility of online resources was the lowest-ranked process from survey respondents. While 76 to 86% of survey respondents strongly or somewhat agreed that they use OneDrive or G Drive to locate budget-related documents, only 47 to 54% strongly, or somewhat agreed that they had sufficient access to online resources. This discrepancy indicates that while survey respondents may navigate to either source, there are challenges locating, retrieving, or making sure that the document they need is present and up to date.

The City is actively growing its intranet, the HUB, which is designed provide access to commonly used tools, resources, and documents. The Finance team should consider creating a budgets page on the HUB to store its guides, how-tos, the annual calendar, and the schedule of any training sessions (see [Recommendation 2](#)). By hosting all documentation in one place, it is more likely that staff both within and outside Finance will be able to access the same information, which will be simpler to update and maintain. Increased accessibility of self-serve tools, templates, and guides enhance the likelihood of standardized budgeting practices. Additionally, this can reduce the risk of lost documents or missed notifications.

The Finance team has begun the process of collecting current documents and building a dedicated space on the HUB to store them. This should be followed up by regular and consistent communication such as an announcement via email, reminders during kick-offs, and directing staff to the page and relevant resources when questions arise either in person or over the phone.

In addition to co-locating budget documentation in one place, Finance should consider creating a budget lifecycle overview that illustrates each phase of the annual budget process, the related guide



or presentation, that year's milestone dates, and links to any systems or tools. This can further orient staff to the full suite of supportive materials and systems as they engage with budgeting at different points of the year.

## Automation

4.	Observation	The City uses OpenGov to submit, review, and approve budgets; however, the status of budget reviews and approvals occurs via email, leading to challenges effectively communicating budget progress.
	Recommendation	Evaluate opportunities to provide more relevant status indicators in OpenGov, and train staff on OpenGov's budget status and notifications features.

OpenGov is a financial transparency portal, accessible by Finance staff and budgeters, that the City uses to collect, review, approve, report, and adjust budgets. The City has made significant progress continually evolving this tool to meet the needs of staff, and training and support is provided by the Finance team during its kickoffs and on an ad hoc basis. Despite this support, only 53% of survey respondents strongly, or somewhat, agreed that they were able to successfully submit budget adjustments through OpenGov. Additionally, interviewed staff noted that there have been instances in the past where a department's budget was not submitted or approved on time, due to an unclear understanding that the budget needed to be submitted in OpenGov. To receive information on a proposal's status, Finance has programed OpenGov to send automated status notifications and status indicators are available to view when logging into the system. OpenGov has the functionality to see status updates; however, notifications and status viewability in the system is restricted to administrators and proposal creators. For other staff who may need to review the status of a proposal, that proposal must be shared to that individual. At the department level, statuses are limited to in review, approve, and deny.

To help staff determine if their budget has been successfully submitted, and increase transparency, the Finance team should assess opportunities to expand the budget status options. This could include status indications such as, submitted, on hold, returned, or missing information. Select status additions can provide more relevant information to the user and indicate whether action needs to be taken. Status additions should be thoughtfully curated to ensure that the overall list does not become too complex. To enhance standardized use and understanding of statuses, a legend with status definitions should be developed and can be added to the budget Sharepoint site (see [Recommendation 3](#)). Additionally, any status changes should be included in budget training or kickoffs.

Finance is actively pursuing opportunities to leverage the full capabilities of OpenGov, including:

- Advanced quarterly reporting to incorporate pictures with narrative information alongside charts and graphs
- Permissions-based access and viewability. This is a feature that has recently been released by OpenGov and grants access to view proposals to a user group rather than on an individual basis.



As OpenGov rolls out updates to the system, Finance can consider future opportunities to use the system to send automated reminders for upcoming deadlines which are currently sent via email or communicated during kick-offs. These updates serve to streamline processes, and also make reporting more robust and impactful. These active system improvement opportunities, along with more informative status indications and automated notifications, can further increase transparency of the budget review, submittal, and approval processes.

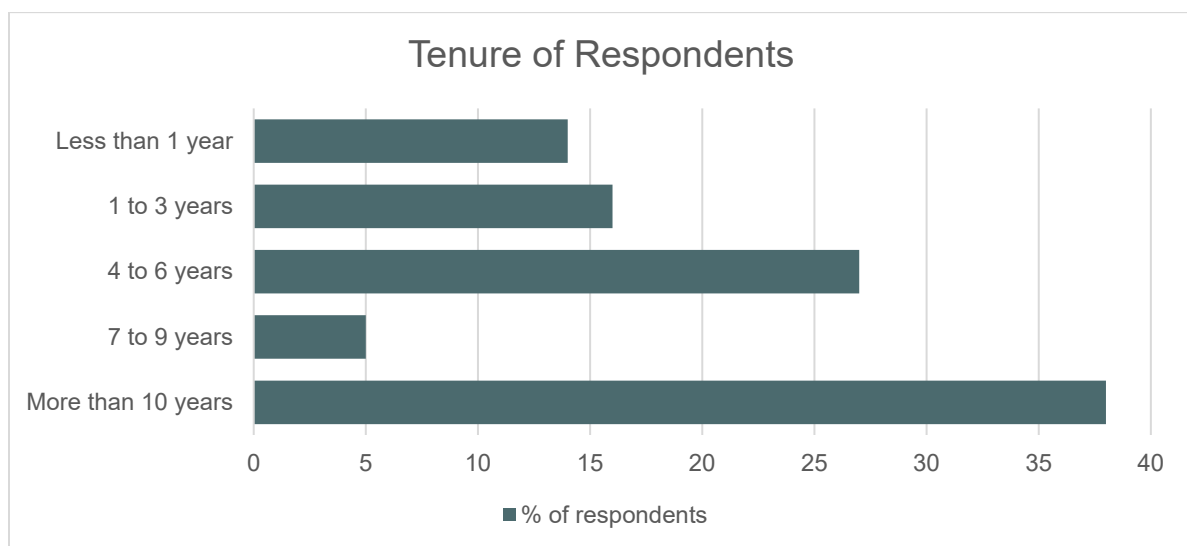


## IV. APPENDIX A: SURVEY RESULTS

A budget process review survey was distributed to 45 Cupertino staff responsible for budget development, monitoring, and tracking activities at the City. The survey was open from November 7, 2022, to November 15, 2022. Of the 45 individuals invited to take the survey, 30 submitted either partial or full responses, a participation rate of 67%. A survey response rate of 50% or higher is often considered to be excellent for most circumstances.<sup>3</sup> Narrative information has been assessed for themes and provided in bulleted format.

### Demographics

#### *How long have you worked for the City of Cupertino?*

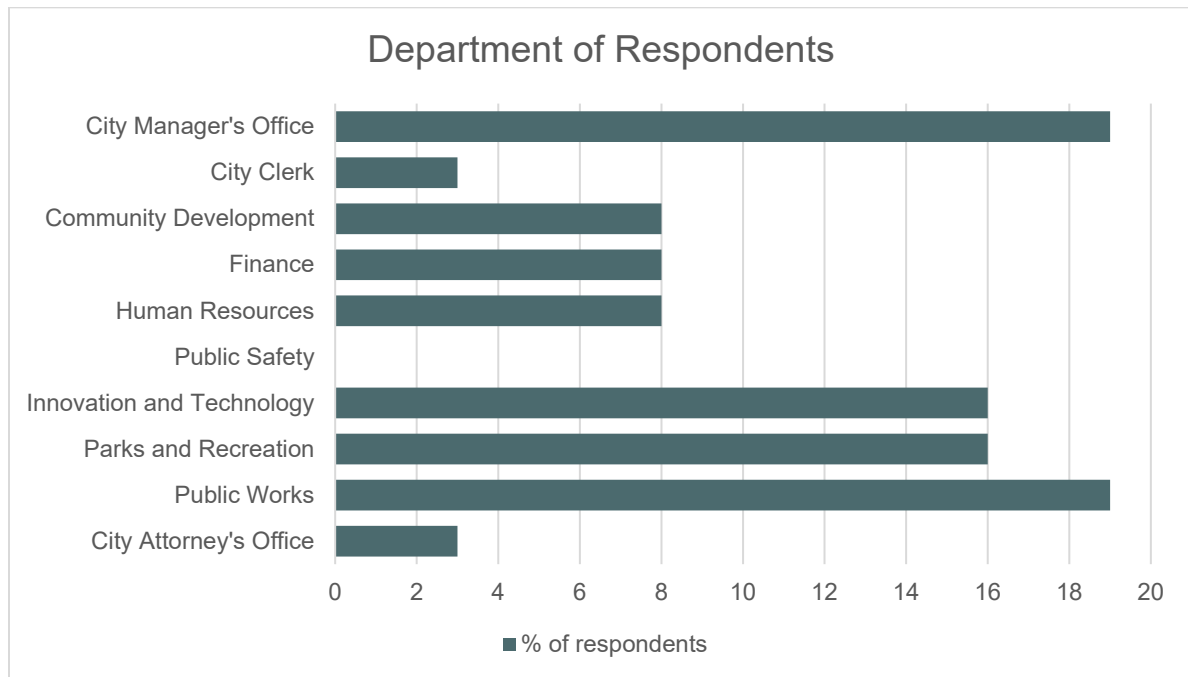


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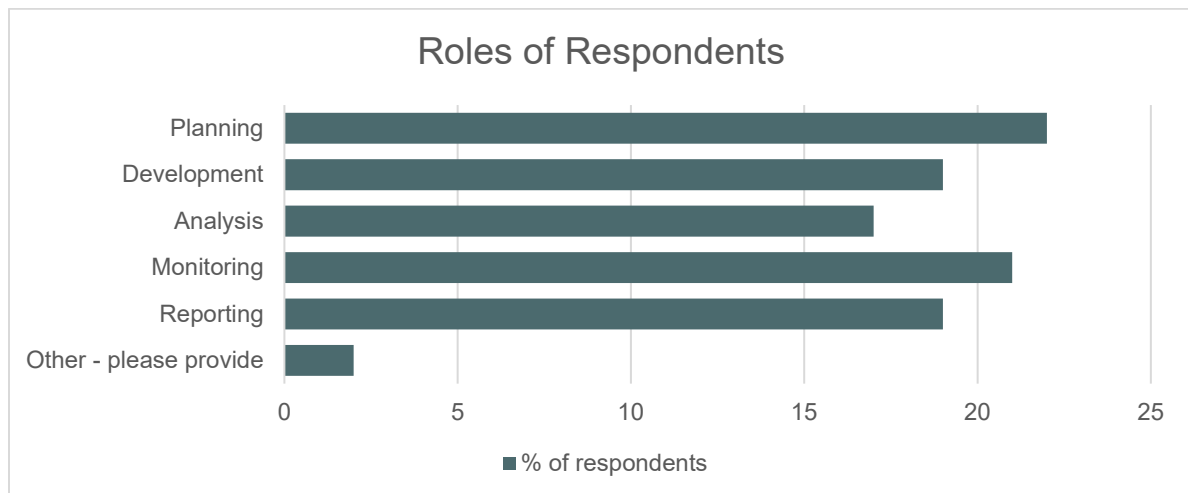
<sup>3</sup> Cleave, Philip. "What Is a Good Survey Response Rate?" SmartSurvey, October 31, 2022, <https://www.smartsurvey.co.uk/blog/what-is-a-good-survey-response-rate>.



### ***Which Department do you work in?***



### ***What roles do you have related to budgeting? Select all that apply.***



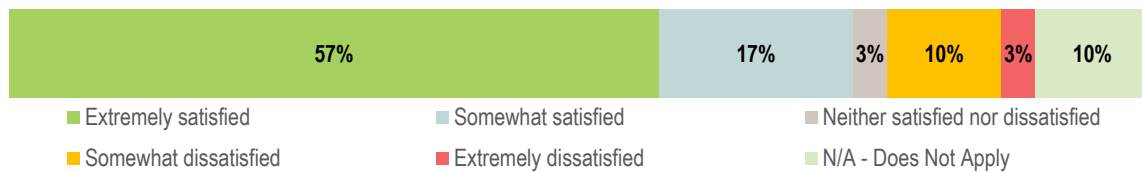
## **Budget Development**

### ***People***

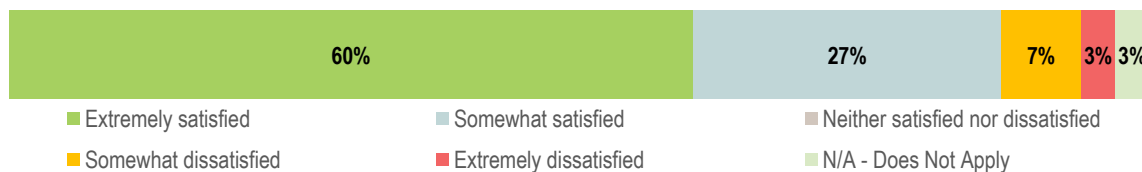
In this section, respondents were asked to rank their overall satisfaction with the level of service provided during budget development based on the following statements.



### THE LEVEL OF ASSISTANCE YOU RECEIVE FROM FINANCE



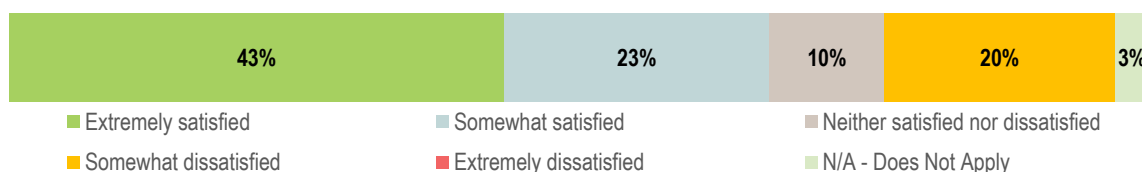
### THE COMPLETENESS OF THE INFORMATION YOU RECEIVE FROM FINANCE



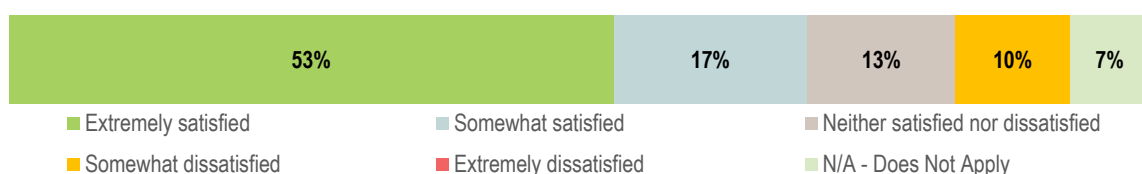
### THE LEVEL OF COMMUNICATION YOU RECEIVE FROM FINANCE

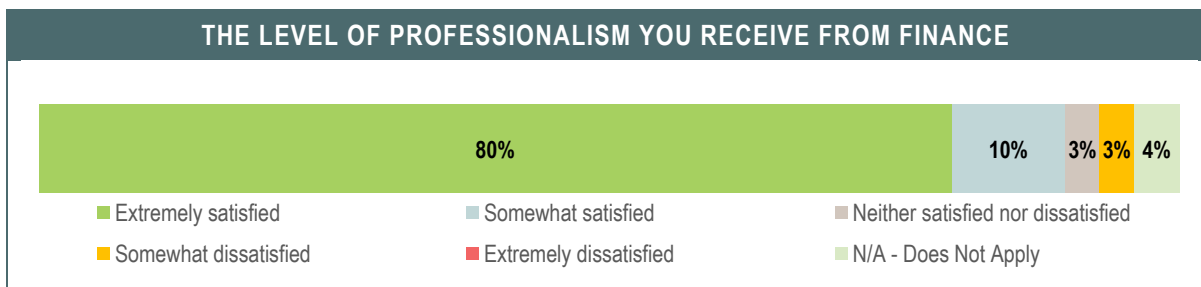
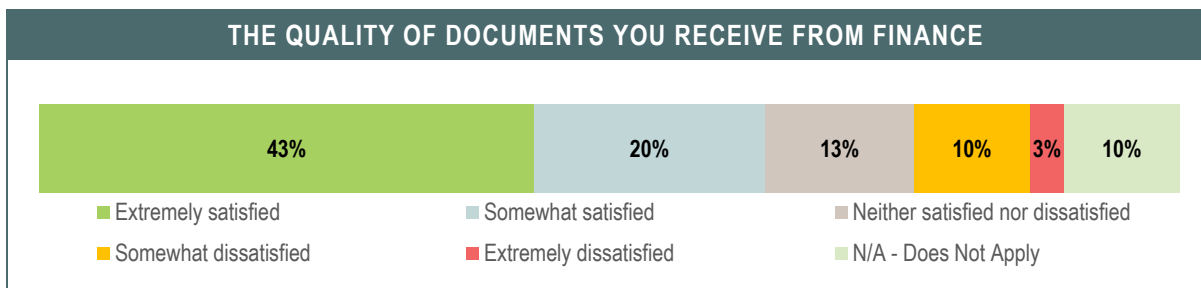


### THE TIMELINESS OF THE INFORMATION YOU RECEIVE FROM FINANCE



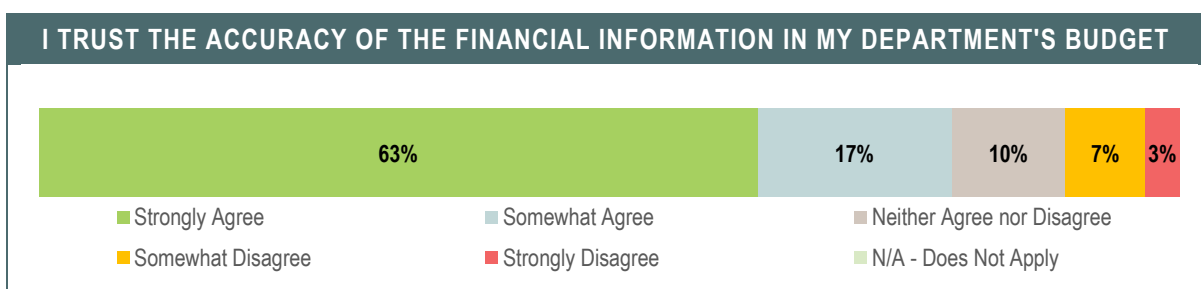
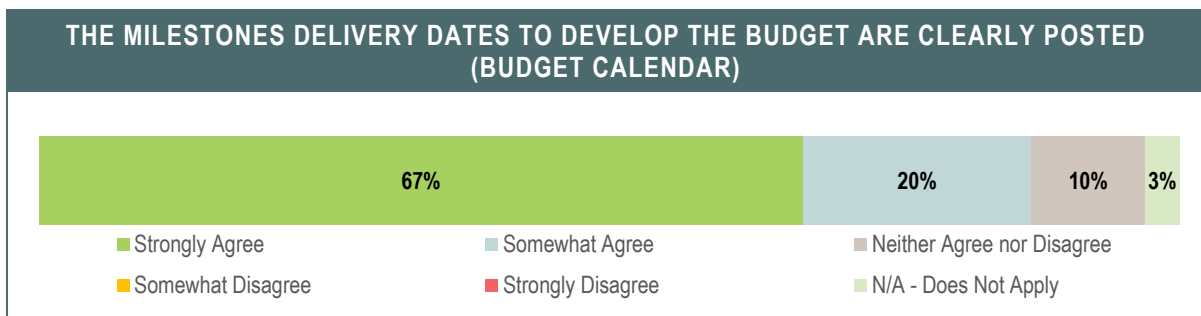
### THE AMOUNT OF INFORMATION YOU RECEIVE FROM FINANCE





## Process

In this section, respondents were asked to rank their agreement within the following statements related to budget development and training processes.

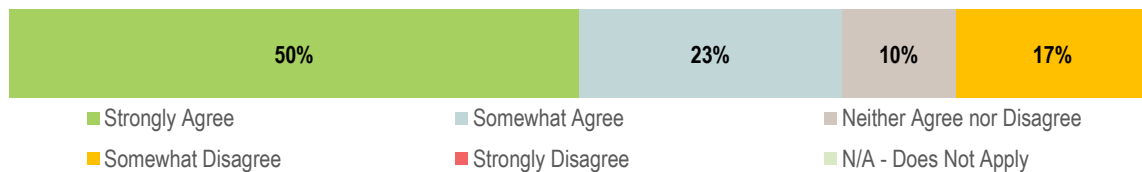




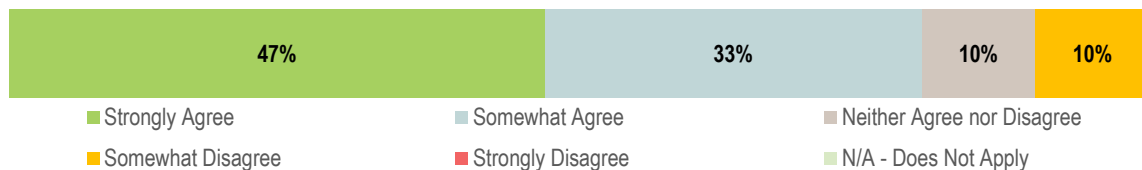
### I HAVE CONFIDENCE IN MY DEPARTMENT'S BUDGET PROJECTIONS



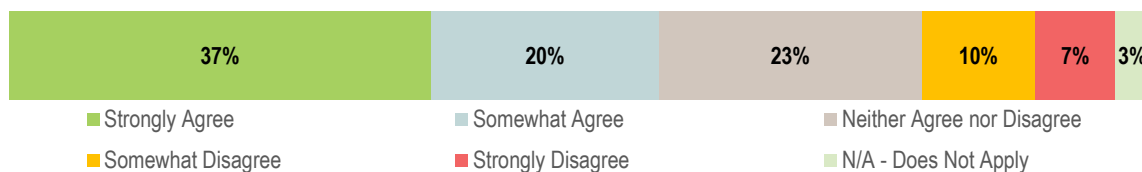
### THE BUDGET ADEQUATELY CAPTURES THE ESSENTIAL COMPONENTS OF MY DEPARTMENT'S OPERATIONS OR SERVICE OFFERINGS



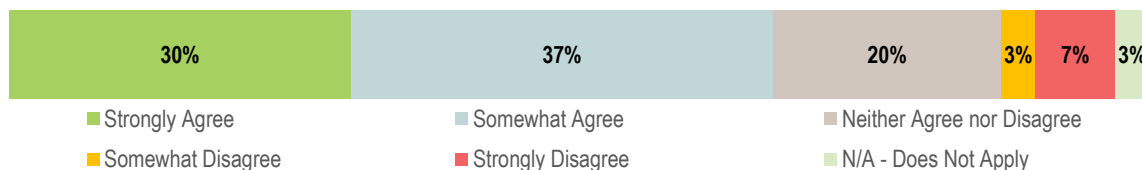
### I UNDERSTAND THE BUDGET DEVELOPMENT PROCESS



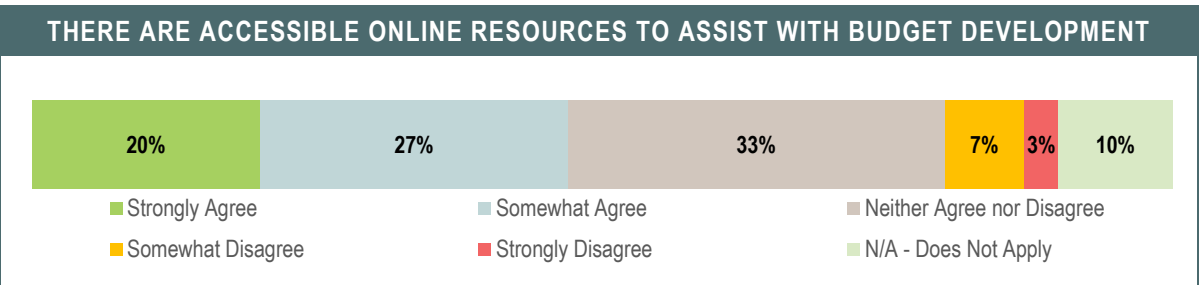
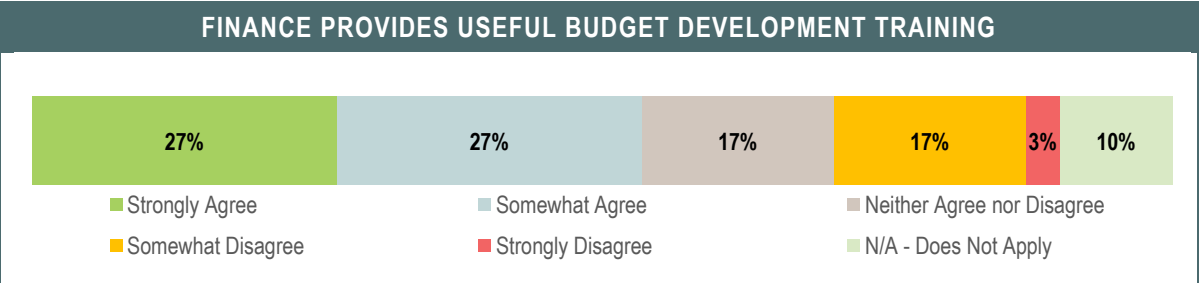
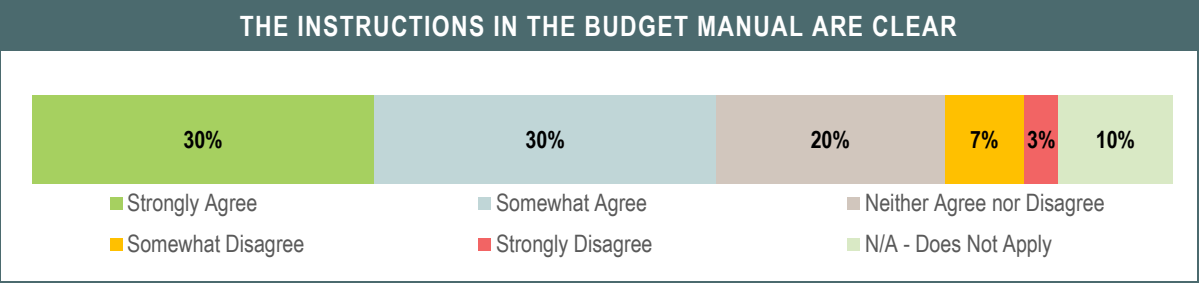
### ADEQUATE BUDGET PREPARATION TRAINING IS MADE AVAILABLE TO ME



### BUDGET TIMELINES ARE REASONABLE

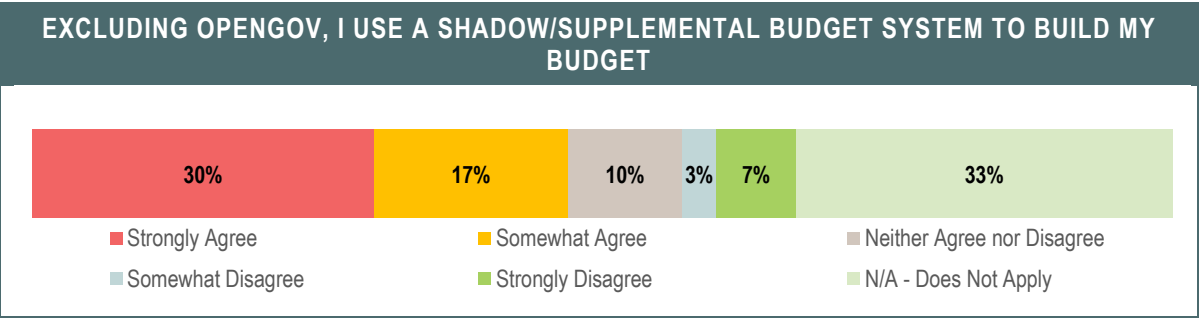






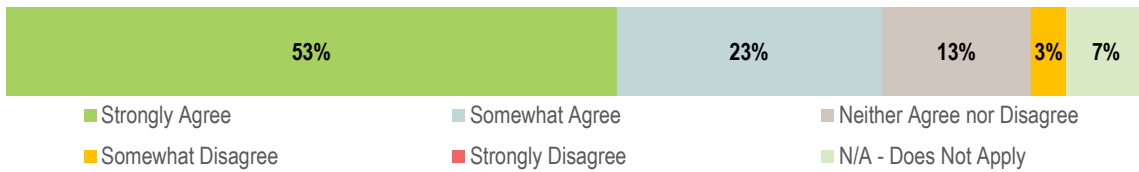
**Systems**

In this section, respondents were asked to rank their agreement within the following statements related to the technology or systems used during budget development.





### I TYPICALLY USE THE G DRIVE OR ONEDRIVE TO LOCATE BUDGET-RELATED DOCUMENTS

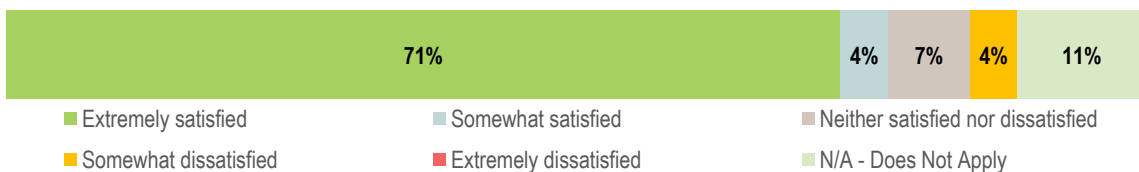


## Budget Monitoring and Tracking

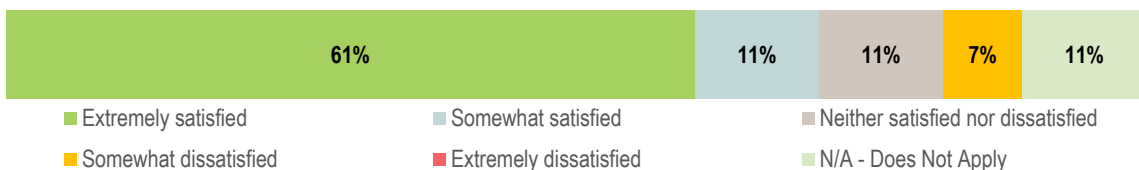
### People

This section asked respondents to rank their overall satisfaction with the level of service provided during budget tracking and monitoring based on the following statements. This includes activities related to reporting and revision.

### THE LEVEL OF PROFESSIONALISM YOU RECEIVE FROM FINANCE

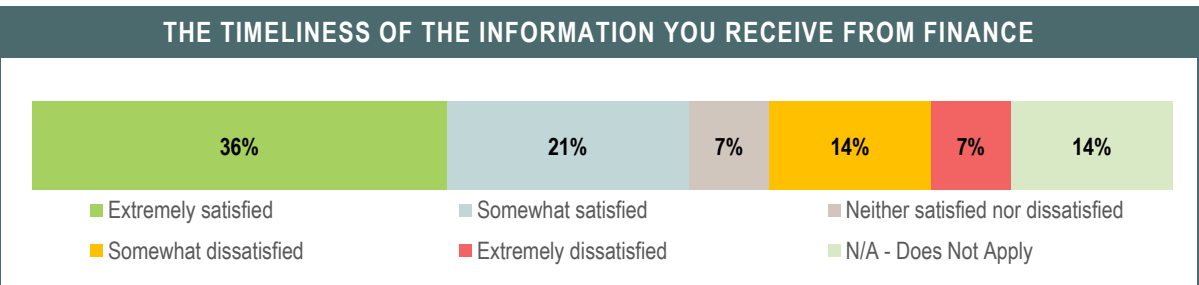
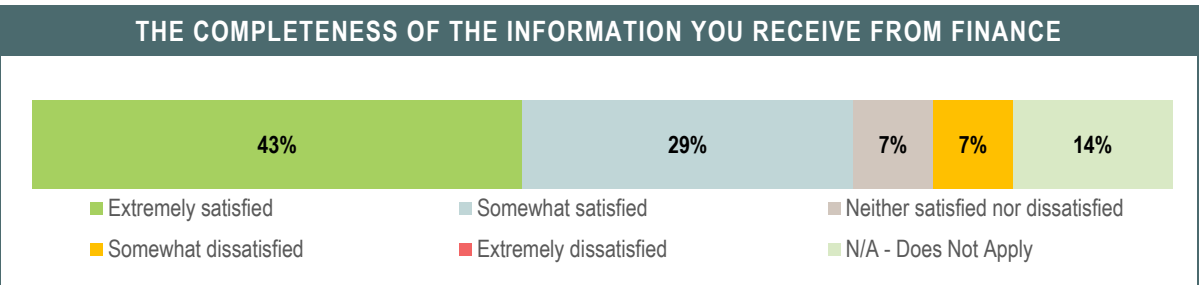
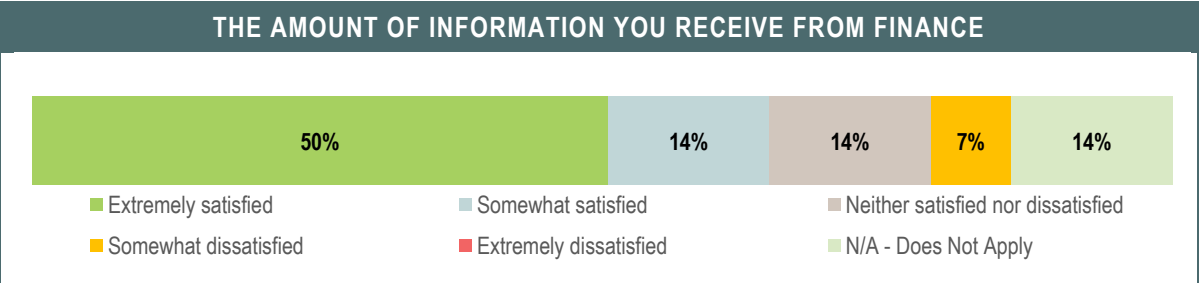
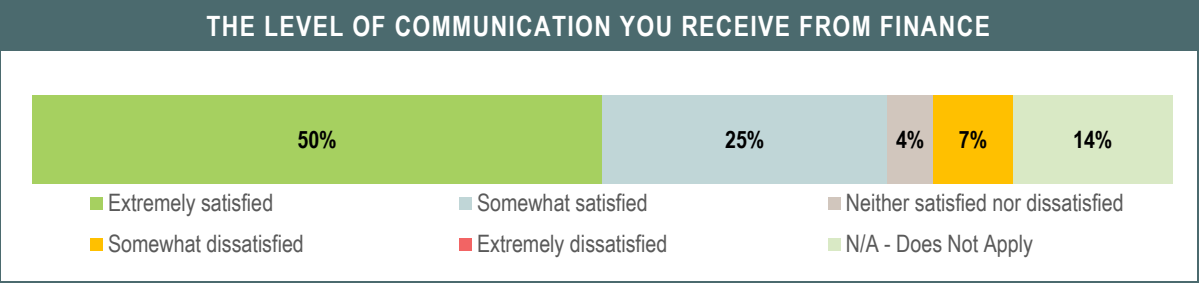


### THE LEVEL OF ASSISTANCE YOU RECEIVE FROM FINANCE



### THE QUALITY OF DOCUMENTS YOU RECEIVE FROM FINANCE





**Processes**

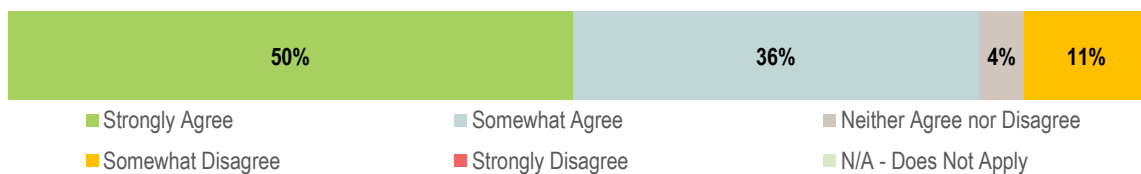
This section asked respondents to rank their agreement with the following statements related to budget monitoring and tracking processes. This includes activities related to reporting and revision.



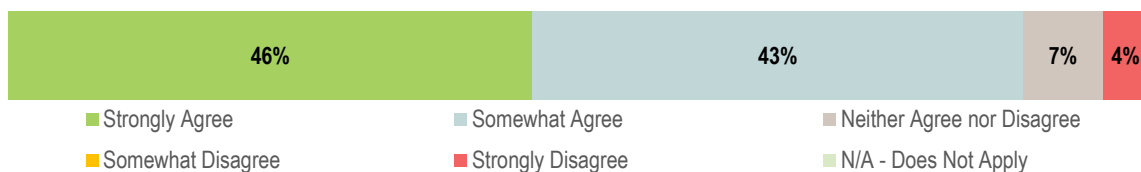
### I TRUST THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED IN MY DEPARTMENT'S BUDGET REPORT



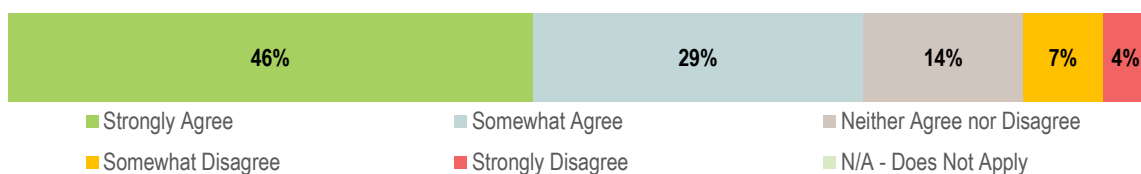
### I UNDERSTAND HOW TO TRACK AND MONITOR MY BUDGET



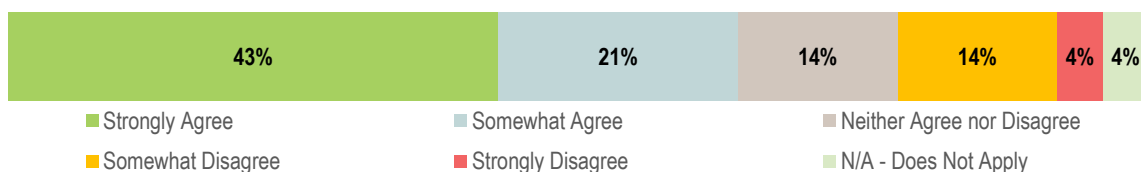
### I AM SATISFIED WITH THE LEVEL OF BUDGET DETAIL I HAVE ACCESS TO

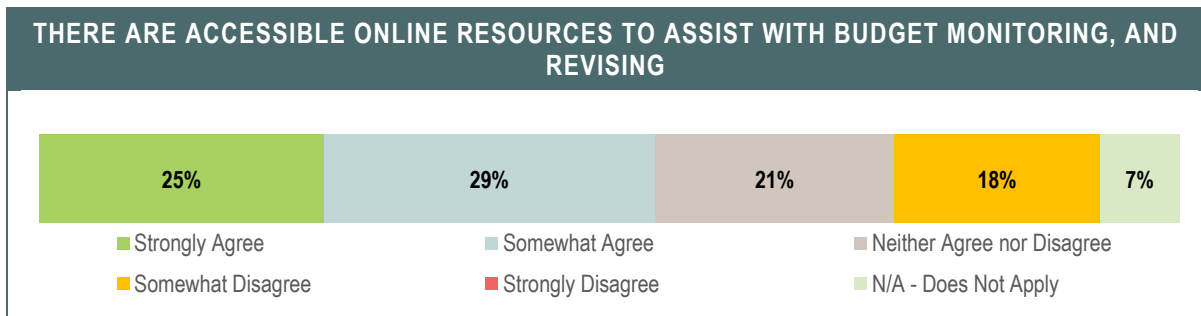
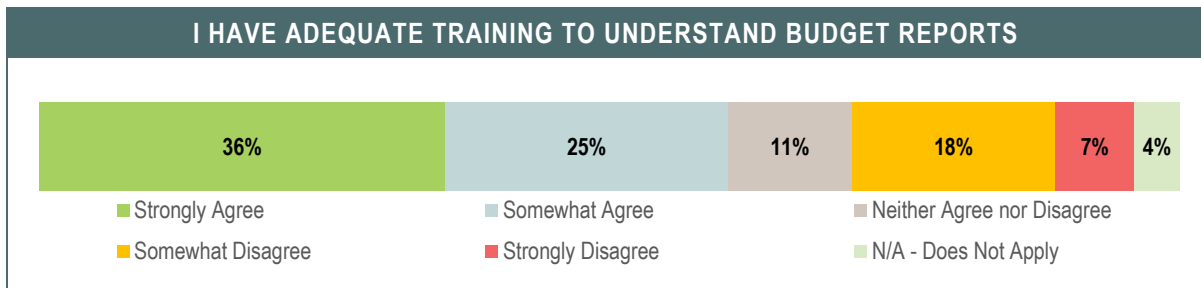


### THE INSTRUCTIONS FOR REVISING MY BUDGET ARE CLEAR



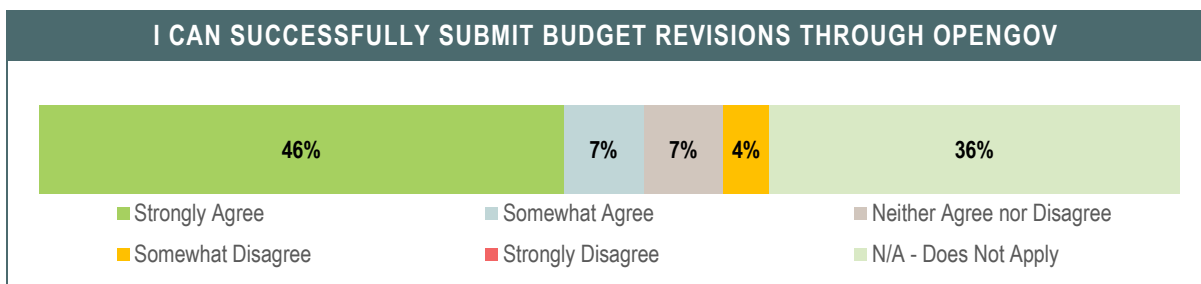
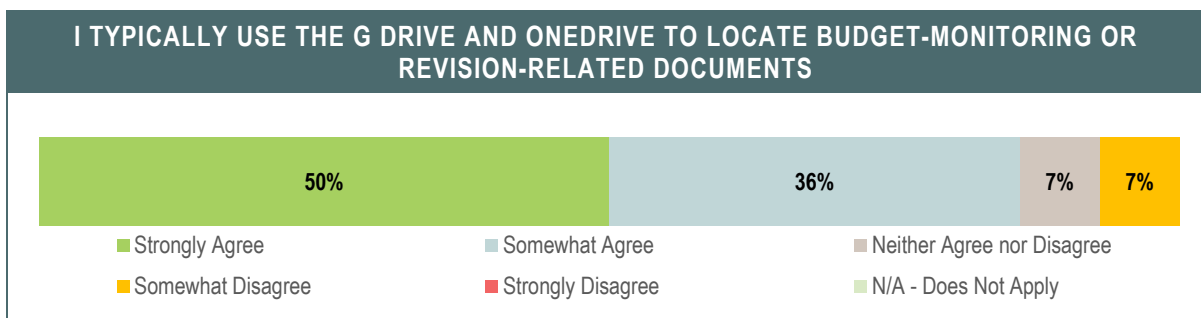
### BUDGET REVISION TIMELINES ARE REASONABLE





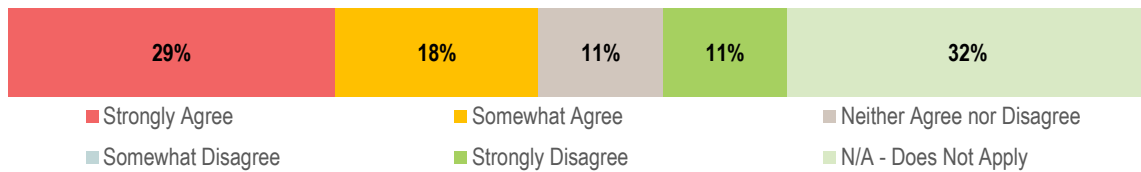
## Systems

This section asked respondents to rank their agreement with the following statements related to the technology or systems used during budget development.

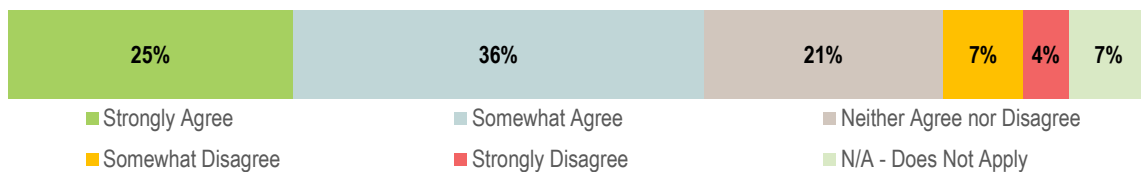




### EXCLUDING NEWWORLD AND BUSINESS ANALYTICS, I USE A SHADOW/SUPPLEMENTAL SYSTEM TO TRACK MY BUDGET



### I TYPICALLY USE THE FINANCE TEAM'S BUDGET REPORTS TO TRACK AND MONITOR MY BUDGETS





## V. APPENDIX B: GFOA BEST PRACTICE SOURCES

GFOA/NACSLB BEST PRACTICE	ASSOCIATED GFOA/NACSLB BEST PRACTICES RESOURCE
<b>PRINCIPLE 1: ESTABLISH BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING</b>	
<b>1.1 Assess Community Needs, Priorities, Challenges, and Opportunities</b>	
Identify stakeholder concerns, needs, and priorities	GFOA/NACSLB: Framework for Improved Budgeting
Evaluate community condition, external factors, opportunities, and challenges	GFOA/NACSLB: Framework for Improved Budgeting
<b>1.2 Identify Opportunities and Challenges for Government Services, Capital Assets, and Management</b>	
Assess services and programs, and identify issues, opportunities, and challenges	GFOA/NACSLB: Framework for Improved Budgeting
Assess capital assets, and identify issues, opportunities, and challenges	GFOA/NACSLB: Framework for Improved Budgeting
Assess governmental management systems, and identify issues, opportunities, and challenges	GFOA/NACSLB: Framework for Improved Budgeting
<b>1.3 Develop and Disseminate Broad Goals</b>	
Identify broad goals	GFOA/NACSLB: Framework for Improved Budgeting
Disseminate broad goals and review with stakeholders	GFOA/NACSLB: Framework for Improved Budgeting
<b>PRINCIPLE 2: DEVELOP APPROACHES TO ACHIEVE GOALS</b>	
<b>2.1 Adopt Financial Policies</b>	
Develop policy on stabilization funds	GFOA/NACSLB: Framework for Improved Budgeting
Develop policy on fees and charges	GFOA/NACSLB: Framework for Improved Budgeting
Develop policy on debt issuance and management	GFOA/NACSLB: Framework for Improved Budgeting



Develop policy on debt level and capacity	GFOA/NACSLB: Framework for Improved Budgeting
Develop policy on use of one-time revenues	GFOA/NACSLB: Framework for Improved Budgeting
Evaluate the use of unpredictable revenues	GFOA/NACSLB: Framework for Improved Budgeting
Develop policy on balancing the operating budget	GFOA/NACSLB: Framework for Improved Budgeting
Develop policy on revenue diversification	GFOA/NACSLB: Framework for Improved Budgeting
Develop policy on contingency planning	GFOA/NACSLB: Framework for Improved Budgeting
Consider a long-term financial planning policy, committing officials to considering the long-term implication of decisions made today	GFOA: Financial Forecasting in the Budget Preparation Process
<b>2.2 Develop Programmatic, Operating and Capital Policies and Plans</b>	
Prepare policies and plans to guide the design of programs and services	GFOA/NACSLB: Framework for Improved Budgeting
Prepare policies and plans for capital asset acquisition, maintenance, replacement, and retirement	GFOA/NACSLB: Framework for Improved Budgeting
Capital improvement plans should employ a long-term planning horizon	GFOA: Financial Forecasting in the Budget Preparation Process
<b>2.3 Develop Programs and Services That Are Consistent with Policies and Plans</b>	
Develop programs and evaluate delivery mechanisms	GFOA/NACSLB: Framework for Improved Budgeting
Develop options for meeting capital needs and evaluate acquisition alternatives	GFOA/NACSLB: Framework for Improved Budgeting
Identify functions, programs, and/or activities of organizational units	GFOA/NACSLB: Framework for Improved Budgeting
Develop performance measures	GFOA/NACSLB: Framework for Improved Budgeting
<b>2.4 Develop Management Strategies</b>	
Develop strategies to facilitate attainment of program and financial goals	GFOA/NACSLB: Framework for Improved Budgeting
Develop mechanisms for budgetary compliance	GFOA/NACSLB: Framework for Improved Budgeting





Develop the type, presentation, and time period of the budget	GFOA/NACSLB: Framework for Improved Budgeting
<b>PRINCIPLE 3: DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS</b>	
<b>3.1 Develop a Process for Preparing and Adopting a Budget</b>	
Develop a budget calendar	GFOA/NACSLB: Framework for Improved Budgeting
Develop budget guidelines and instructions	GFOA/NACSLB: Framework for Improved Budgeting
Develop mechanisms for coordinating budget preparation and review	GFOA/NACSLB: Framework for Improved Budgeting
Develop procedures to facilitate budget review, discussion, modification, and adoption	GFOA/NACSLB: Framework for Improved Budgeting
Identify opportunities for stakeholder input	GFOA/NACSLB: Framework for Improved Budgeting
Decide the purpose of public engagement	GFOA: Public Engagement in the Budget Process
Encourage People to Engage	GFOA: Public Engagement in the Budget Process
Provide the Engagement Medium	GFOA: Public Engagement in the Budget Process
Show Opportunities for Future Engagement	GFOA: Public Engagement in the Budget Process
<b>3.2 Develop and Evaluate Financial Options</b>	
Conduct long-range financial planning	GFOA/NACSLB: Framework for Improved Budgeting
Long-term financial plans extend at least 5 years into the future	GFOA: Long-Term Financial Planning
Financial forecasts define assumptions and effectively communicate these assumptions	GFOA: Financial Forecasting in the Budget Preparation Process
Prepare revenue projections	GFOA/NACSLB: Framework for Improved Budgeting
Analyze major revenues	GFOA/NACSLB: Framework for Improved Budgeting



Evaluate the effect of changes to revenue source rates and bases	GFOA/NACSLB: Framework for Improved Budgeting
Analyze tax and fee exemptions	GFOA/NACSLB: Framework for Improved Budgeting
Achieve consensus on a revenue forecast	GFOA/NACSLB: Framework for Improved Budgeting
Document revenue sources in a revenue manual	GFOA/NACSLB: Framework for Improved Budgeting
Prepare expenditure projections	GFOA/NACSLB: Framework for Improved Budgeting
Evaluate revenue and expenditure options	GFOA/NACSLB: Framework for Improved Budgeting
Develop a capital improvement plan	GFOA/NACSLB: Framework for Improved Budgeting
The financial forecast, along with its assumptions and methodology, are clearly stated and are made available to stakeholders in the budget process	GFOA: Financial Forecasting in the Budget Preparation Process
<b>3.3 Make Choices Necessary to Adopt a Budget</b>	
Prepare and present a recommended budget	GFOA/NACSLB: Framework for Improved Budgeting
Describe key policies, plans and goals	GFOA/NACSLB: Framework for Improved Budgeting
Identify key issues	GFOA/NACSLB: Framework for Improved Budgeting
Provide a financial overview	GFOA/NACSLB: Framework for Improved Budgeting
Provide a guide to operations	GFOA/NACSLB: Framework for Improved Budgeting
Explain the budgetary basis of accounting	GFOA/NACSLB: Framework for Improved Budgeting
Prepare a budget summary	GFOA/NACSLB: Framework for Improved Budgeting
Present the budget in a clear, easy-to-use format	GFOA/NACSLB: Framework for Improved Budgeting



Long-term financial forecasts are concisely presented in the final budget document	GFOA: Financial Forecasting in the Budget Preparation Process
Adopt the budget	GFOA/NACSLB: Framework for Improved Budgeting
<b>PRINCIPLE 4: EVALUATE PERFORMANCE AND MAKE ADJUSTMENTS</b>	
<b>4.1 Establish a formal set of processes for comparing budget to actual results to monitor financial performance</b>	
Define roles and responsibilities	GFOA: Budget Monitoring
Production: Who process the analyses, reports, etc..	GFOA: Budget Monitoring
Roles: Collaboration and ownership within the organization should be promoted to help provide context related to any potential issues.	GFOA: Budget Monitoring
Ownership: Who is responsible for resolving variances related to spend and service delivery, as well as other problems	GFOA: Budget Monitoring
Identify and utilize tools for conducting the analysis (e.g., electronic system, automation, overspend protection, consistency)	GFOA: Budget Monitoring
Define how this monitoring will be communicated	GFOA: Budget Monitoring
Determine Frequency	GFOA: Budget Monitoring
Determine the format for this analysis	GFOA: Budget Monitoring
Determine how this information is delivered to which internal and external stakeholders	GFOA: Budget Monitoring
Determine how this information can be shared on a widespread basis to the community and include broader context	GFOA: Budget Monitoring
<b>4.2 Monitor, Measure, and Evaluate Performance</b>	
Monitor, measure, and evaluate program performance	GFOA/NACSLB: Framework for Improved Budgeting
These performance measures are linked to financial outcomes	GFOA: Budget Monitoring
Monitor, measure, and evaluate stakeholder satisfaction	GFOA/NACSLB: Framework for Improved Budgeting
Monitor, measure, and evaluate budgetary performance	GFOA/NACSLB: Framework for Improved Budgeting
Monitor, measure, and evaluate financial condition	GFOA/NACSLB: Framework for Improved Budgeting



Monitor, measure, and evaluate external factors	GFOA/NACSLB: Framework for Improved Budgeting
Monitor, measure, and evaluate capital program implementation	GFOA/NACSLB: Framework for Improved Budgeting
<b>4.3 Adjust as Needed</b>	
Adjust the budget	GFOA/NACSLB: Framework for Improved Budgeting
Adjust policies, plans, programs, and management strategies	GFOA/NACSLB: Framework for Improved Budgeting
Adjust broad goals, if appropriate	GFOA/NACSLB: Framework for Improved Budgeting

### ***GFOA Resources Cited***

Government Finance Officers Association's National Advisory Council on State and Local Budgeting. *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*. 1999. <https://www.gfoa.org/materials/nacslb>

Government Finance Officers Association. *Best Practices: Budget Monitoring*. March 31, 2018, <https://www.gfoa.org/materials/budget-monitoring>

Government Finance Officers Association. *Best Practices: Financial Forecasting in the Budget Preparation Process*. February 28, 2014. <https://www.gfoa.org/materials/financial-forecasting-in-the-budget-preparation-process>

Government Finance Officers Association. *Best Practices: Long-Term Financial Planning*. March 4, 2022. <https://www.gfoa.org/materials/long-term-financial-planning>

Government Finance Officers Association. *Best Practices: Public Engagement in the Budget Process*. September 28, 2018. <https://www.gfoa.org/materials/public-engagement-in-the-budget-process>



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