

City of Cupertino  
**Audit Committee Regular Meeting**  
Minutes  
April 23, 2019

**1. CALL TO ORDER**

At 4:03 p.m., Chairman Eno Schmidt called the meeting to order at Cupertino City Hall Conference Room A, 10300 Torre Avenue, Cupertino CA 95014.

**2. ROLL CALL**

Committee Members Present: Chairman Eno Schmidt, Daisy Liang, Mayor Scharf, Councilmember Paul, Jim Luther

City Staff Present: Timm Borden, Kristina Alfaro, Zach Korach, and Mariela Vargas, Beth Viajar, Thomas Leung

Absent:

Guests: Carlos Oblites and Chris McGarry (Chandler), Rick Rosenthal (USBank) via conference call.

**3. APPROVAL OF MINUTES**

Chairman Eno Schmidt motioned to approve the January 22, 2019 special meeting minutes subject to adding “unanimously passed” after each motion approved motion. Councilmember Paul seconded and motion passed unanimously.

**4. ORAL COMMUNICATIONS**

**5. OLD BUSINESS**

**6. NEW BUSINESS**

**A. Chandler Asset Management Implementation**

Finance Manager, Zach Korach, briefly introduced the Chandler Implementation Process. Chris McGarry and Carlos Oblites from Chandler provided review of Investment Portfolio and provided review of Investment Policy and Analysis of Current Portfolio. Carlos mentioned that Chandler has been working closely with staff to provide feedback and have staff work with their recommendations. Steve reviewed the Cash Flow Study and presented the 3 – Year Forecast of Balances assuming 2% annual growth. Chairman Schmidt suggested Chandler show Benchmark in the holdings report. Chandler mentioned staff receives monthly statements with benchmark. Chandler agreed to show benchmark in the next quarterly report.

**B. Treasurers’ Investment Report for period ending March 31, 2019**

Korach presented investment report showing the liquidity charts. Korach mentioned that the portfolio is still in a young state into the 120 million dollars target and the ratios are not consistent with previous quarters. Chairman Schmidt

suggested including current quarter projections to the treasurers report and getting them from the Chandler report. Chairman Schmidt motioned to approve the staff report and treasurer's report Mayor Scharf seconded, and motion passed unanimously.

**C. Annual Review of City and OPEB Investment Policy**

Korach provided a brief overview of the City's investment policy. Korach mentioned that there were a lot of recommendations to the policy to protect the City further. Carlos from Chandler provided a brief summary of the recommendations to the City's Investment Policy Carlos mentioned that the recommendations were made based on current code and based on best practices in the industry. Recommendations include delegation of authority, added municipal security and other limits. Chairman Schmidt motioned to approve the investment policy subject to correcting the description of the Investment policy and adding the Audit committee as appropriate. Councilmember Paul seconded and motion passed unanimously.

**D. OPEB & Pension Section on Retiree Health Trust Performance**

Korach provided review of the OPEB & Pension Trust Policy. Korach mentioned there are no changes. Staff proposed to maintain the annual rate of return of 7% with no changes to the benchmark targets. USBank Rick Rosenthal, presented quarterly Investment report. Rosenthal shared that the portfolio is performing and moving in the right direction. The positive quarter results came from the equities, real state, and commodities. Staff will work with USBank to include the chart that USBank provided for next quarter review. Rosenthal mentioned Pension 115 Trust not in any of the numbers provided as USBank just started managing that trust. Committee Member Luther motion to approve the OPEB Policy and Mayor Scharf seconded. Motion passed unanimously.

**E. PARS Annual Presentation on Retiree Health Trust Performance**

Section 6 was cancelled.

**3. ADJOURNMENT**

The meeting was adjourned at 5:58 pm.

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Mariela Vargas  
Recording Secretary