

City of Cupertino
Audit Committee Special Meeting
Minutes
January 27, 2021

1. CALL TO ORDER

At 4:31 p.m., Chairman Eno Schmidt called the Audit Committee meeting to order. This was a teleconference meeting with no physical location.

2. ROLL CALL

Committee Members Present: Chair Eno Schmidt, Vice Mayor Chao,

Councilmember Moore, Vice Chair Daisy Liang, Committee Member Angela Chen

City Staff Present: Deborah Feng, Kristina Alfaro, Zach Korach, Thomas Leung, Mariela Vargas

Absent:

Guests: Chris McCarry and Carlos Oblites (Chandler), Rick Rosenthal, Carolyn Cox (US Bank), Mitch Barker (PARS), Mark Steranka, Emily Hayes, Tammy Lohr (Moss Adams), and Kathy Lai and Matt Geerdes (Crowe)

1. APPROVAL OF MINUTES

Chair Schmidt mentioned the minutes at the July 28, 2020 meeting were moved by Councilmember Paul subject to changes. Vice Chair Liang moved to approve October 27, 2020, regular meeting minutes and Committee Member Angela Chen seconded; motion passed unanimously.

2. POSTPONEMENTS

A. Budget Format Review – 30 minutes

Zach Korach provided a summary of the budget format review and recommended the Committee consider establishing a sub-committee to complete the budget format review for the FY 20-21 Budget. Councilmember Moore volunteered to participate on the sub-committee. The Committee agreed to defer the further selection of the sub-committee to a Special Meeting in February 2021 so that incoming members have an opportunity to participate.

ORAL COMMUNICATIONS

OLD BUSINESS

NEW BUSINESS

2. Audit Committee Work Plan 2021 – 20 minutes

Chair Schmidt provided a history of the Audit Committee over his nine (9) year tenure. From his experiences, he provided recommendations for effectively managing the time, work load, and the meetings themselves. Zach Korach provided an overview of the proposed work plan and requested input from the Committee regarding additional projects the Committee would like to see added and brought to City Council for consideration to include in the FY 21-22 City Work Plan. Chair Schmidt, Vice Mayor Liang, and Councilmember Moore recommended the Audit Committee Work Plan be reformatted and organized.

2. Treasurer's Investment Report for period ending December 31, 2020 – 30 minutes

Carlos Oblites began reviewing the portfolio and mentioned that the report complies with code. Carlos reviewed the portfolio statistics, sector, quality, duration distribution, and investment performance. Zach Korach provided information regarding the City's liquidity and cash flow coverage. Councilmember Moore inquired about the portfolio's duration and its changes since the portfolio's inception as well as the individual corporate issuances and whether the City invests in international companies. Carlos Oblites explained the reason for the changing duration since inception and that the portfolio currently does not hold corporate notes with international companies. Vice Mayor Chao inquired about divestment from fossil fuels to which Zach Korach provided a summary of the past efforts put forth to analyze a possible divestment in 2019.

3. OPEB & Pension Section 115 Trust Performance Report - US Bank - 20 minutes

Rosenthal began reviewing the OPEB portfolio and period performance. Rosenthal provided an overview on the OPEB account balance and its growth since inception. Chair Schmidt inquired about the benchmark asset class ranges and recommended US Bank and City staff continue to have discussions on the matter. Zach Korach provided comparative strategy and performance information among jurisdictions also participating in PARS' Section 115 Trusts. Councilmember Moore inquired about the relationship between a "balanced" strategy and the various asset classifications in the Pension and OPEB trust investment portfolios. Zach Korach mentioned that both investment portfolios follow a "balanced" strategy and the asset classifications in the portfolios align with the strategy.

4. Review of FY 2019-20 CAFR and Supplemental Reports – Lai and Geerdes - 5 minutes

Kathy Lai provided an overview of the CAFR and supplemental reports stating that the audit was conducted in accordance with Governmental Auditing Standards and that the City's financials were in accordance with Generally Accepted Accounting Principles (GGAP) CAFR is anticipated to be issued with an "unmodified opinion." The Committee recommended this item be deferred to a Special Meeting in February 2021 to provide more opportunity for review and input on the item.

5. Internal Audit Report - Moss Adams - 5 minutes

Mark Steranka informed the Committee that if the item was deferred to a Special Meeting in February 2021, a draft internal audit work plan could also be presented with the final risk assessment report. The Committee elected to defer the item.

6. Embezzlement Debrief

This item was deferred to a Special Meeting in February 2021

10. ADJOURNMENT

The meeting adjourned at 6:30 p.m.