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.