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

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

Sustainability Impact
No sustainability impact.

<u>Fiscal Impact</u>
No fiscal impact.

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<u>Approved for Submission by</u>: Deborah Feng, City Manager
<u>Attachments</u>:
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