

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

DRAFT

FINANCE COMMITTEE MEETING MINUTES

May 2, 2019

Finance Committee Chair Eileen Nottoli opened the meeting 3:08. Finance Committee members Rob Firmin, Karl Kruger, Mike Logan, Rachele Sherris-Watt, and Jim Watt; Paula Black was unable to attend the meeting. General Manager Tony Constantouros and District Administrator Lynn Wolter were present as were Bill Zenoni and Debbie Russel.

March 19 Minutes. Chair Nottoli asked if there were any changes to the March 19, 2019 draft minutes. Hearing none, the minutes were so approved.

Draft FY19 Financial Audit. Steven Chang of Lamorena & Chang presented the final draft audit and reported that it was a clean audit with no issues with internal controls. He noted the District has a true liability of approximately \$6.7 million because of the requirement in GASB 34 new financial reporting requirements for state and local governments to include unfunded pension and Other Post Employment Benefits (OPEB). He further noted that other public agencies also have a similar issue of greater liability resulting from unfunded obligations.

There were a few noteworthy items. Assets in 2018 exceeded liabilities by \$599,598 which is considerably lower than \$3,606,175 for 2017 because of the requirement to include unfunded OPEB liabilities. Actual expenditures were less than budgeted expenditures by approximately \$350,000. District actual expenses were overbudget by approximately \$48,000 for legal matters for police, by approximately \$23,000 for legal matters for the District, and by approximately \$49,000 for consulting. The District has an unfunded pension liability of approximately \$3.8 million and OPEB liability of approximately \$3.2 million. The District's net position as of June 30, 2018 is a cash balance of \$599,598.

Rob Firmin asked about a cash flow statement. Mr. Chang responded that it was not required for special districts but he could add a cash flow statement for this year and in the future.

Chair Nottoli asked if the audit process could be moved to earlier in the fiscal year. Mr. Chang and Debbie Russel said that this could be started after all invoices are received and finish in late-fall or early winter.

Motion to Approve Audit. Mr. Firmin moved that the Finance Committee approve the audit if it included an audited cash flow statement by May 17. Karl Kruger seconded the motion; Members Firmin, Kruger, Logan, Nottoli, Sherris-Watt, and Watt voted to approve the motion which passed by a vote of 6-0.

Pension Funding Options. At the present time, the District's reserves are held by the County with relatively low interest. Bill Zenoni presented options to address the unfunded pension liability with CalPERS. At present, the District has an unfunded liability of approximately \$3.9 million. We are currently on a 30-year amortization schedule and the District has been fully meeting its annual obligations by paying the full amount by July 15th in order to save approximately \$7,000-8,000/year. He presented four basic options:

1. Continue to pay on the 30-year amortization schedule

2. Request that CalPERS prepare a fresh start with a reduced 20-year amortization schedule
3. Maintain the current 30-year schedule but make additional payment when possible
4. Establish a 115 Trust for pension as the District currently has for its unfunded OPEB liabilities.

Mr. Zenoni explained that while the upside to Option 2 would be a lower overall payment, the downside to Option 2 would be higher annual payments (because the District would be on a 20-year schedule) and the District would not be able to revert to a 30-year schedule.

Option 3 is good when the District has extra funds but they would be subject to the volatility of the CalPERS investment strategy.

Under Option 4, the funds would remain under the control of the District although they would be restricted to being used for pension. There are several entities with 115 trusts including CalPERS and the Public Agency Retirement System (PARS). There is no minimum initial or annual contribution, and the monies could be taken out at any time provided they are used for pensions. Mr. Zenoni said that there is a fee which is generally less than 1% and it is taken out of the net rate of return. One strategy would be to put the following year's contribution into a 115 trust and take it out if needed to pay that following year's obligation.

Debbie Russell mentioned the County has a Local Agency Investment Fund with structured investments that may also be an option.

Chair Nottoli asked Mr. Zenoni and Ms. Russell to provide more information on both for our next meeting.

Next Meeting. We have a meeting scheduled for 3 pm on May 21 to review the draft budget although there is still uncertainty on whether it will be ready by then. Ms. Russell also said that she had received the draft actuarial report which will need to be reviewed by the Finance Committee. She wasn't sure that there would be time to review both at one meeting and we agreed to a tentative meeting at 3 on June 4 with the agendas for both meetings to be determined later.

Motion to Adjourn. Chair Nottoli moved to adjourn the meeting and Member Sherris-Watt seconded. Members Firmin, Kruger, Logan, Nottoli, and Sherris-Watt voted in favor and the motion passed 5-0. Jim Watt had left the meeting a few minutes before it had adjourned.

Prepared by: Eileen Nottoli

Date approved by the Board:

Tony Constantouros, General Manager

Eileen Nottoli, Board President

