Item #22

Kensington Community Services District

DATE: November 12,2026

TO: Board of Directors

FROM: David Aranda, Interim General Manager (IGM)

SUBJECT: Discussion Regarding Reserves for KCSD

RECOMMENDATION:

This is a discussion item but the Board may wish to look at addressing the overall financial picture of the District in the next year or two by having a financial analyst perform an actual financial study.

BACKGROUND:

Director Bastein requested that a discussion take place so that there is a clear understanding of reserves that were projected by Ridgeline and the reserves the District is realizing. Mary and I have had a discussion (see Mary's memo attached), and I believe there may be a misunderstanding of what the District shows as "reserves" at the end of a fiscal year, as opposed to "reserves" that are available at anytime for the District to use in case of an emergency, for a capital project or as an investment earning interest.

The attached spreadsheets can assist in understanding that when a fiscal year ends, and an audit for that year takes place, the Ridgeline projections and the actual amount of cash in the various bank accounts come close to matching. The reality of that amount of money being available for the District to use for a capital project or simply to count on earning interest is not accurate.

As has been noted the District needs close to five million dollars from July 1st of each fiscal year into December to cover operating expenses and contract obligations. Significant property tax money along with other assessment monies for police, fire and parks do not get deposited into the district's account until late December of each year.

When looking at the attached table C-8 from the Ridgeline projection it is important to note that the El Cerrito (EC) Fire Contract Requirement has increased to $2,525,358 that needs to be held. The C-8 table for the line item that states "available for general uses" which for 2027 projects $6,580,836 would be reduced to meet the increased EC fire contract requirement BUT it also includes the five million dollars the District needs to operate from July through December each year. The District is limited in actual reserves that would be available for a capital project or in case of an emergency.

EXHIBIT(S):

- District Reserves – Comparison of Fiscal Study and Actuals
- Bank Account Summary_June_October 2026

Item #22a

Kensington Community Services District

DATE: November 5, 2026

TO: David Aranda, Interim General Manager

FROM: Mary A. Morris-Mayorga, Consultant

SUBJECT: District Reserves – Comparison of Fiscal Study and Actuals

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After the October Board meeting, we discussed reviewing district reserves to determine the reason for a large variance between the fiscal study projected reserves and actuals. Several reasons for variances immediately came to mind that were not known at the time of the fiscal study: Hazardous Vegetation Removal Reimbursement Grant, final Public Safety Building costs, and decommission of the temporary fire station.

As I began listing out what those specific differences are, I reviewed the ending balance for June 30, 2026, versus the fiscal study projection for that period. The fiscal study projected reserves balances to be $10,184,054 while the actual from the financials shows $10,251,633. The concern was raised when reviewing the September 2026 financials where the reserves shown were $7,803,473.

Since June 2026, the district has paid bills for July, August, and September: $868,714, $872,779, and $892,661. Strictly reducing the June reserves by the total of those payments, $2,634,154, would bring reserves to $7,617,479. This is lower than the actual on September 30th due to various deposits; therefore, it appears reserves are tracking the district's cash flow expectations since the major revenues are property taxes which will not be received until December and then again in April. Please let me know if there is any additional information you would like me to review.

Bank/Institution	Account Number	10/31/26 Balance	Description of Account	Funds Reserved For
Five Star Bank	0780	$ 949,731	Checking account for all payables and payroll transfers	
Five Star Bank	0772	$ -	Payroll	
Five Star Bank	8817	$ 5,618	Flexible spending account (FSA)	$ 5,618
Five Star Bank	0799	$ 753,429	Savings account	$5,0000,000 - 6 months Operating Costs July - December each year
LAIF		$ 4,729,576	State operated savings account (Fire contract and replacement of vehicles and equipment)	$1,523,276 - Rolling Stock Reserves $2,461,540 - 6 months Operating Reserves
California CLASS	0001	$ -	KCC for capital improvements	
California CLASS	0002	$ 911,755	Savings account	
California CLASS	0003	$ 6,252	Paths funding/savings account	$ 6,252
		$ 7,356,360	**TOTAL**	

Bank/Institution	Account Number	9/30/26 Balance	Description of Account	Funds Reserved For
Five Star Bank	0780	$ 751,231	Checking account for all payables and payroll transfers	
Five Star Bank	0772	$ -	Payroll	
Five Star Bank	8817	$ 5,541	Flexible spending account (FSA)	$ 5,541
Five Star Bank	0799	$ 1,448,924	Savings account	$5,0000,000 - 6 months Operating Costs July - December each year
LAIF		$ 4,682,825	State operated savings account (Fire contract and replacement of vehicles and equipment)	$1,523,276 - Rolling Stock Reserves $2,461,540 - 6 months Operating Reserves
California CLASS	0001	$ -	KCC for capital improvements	
California CLASS	0002	$ 908,721	Savings account	
California CLASS	0003	$ 6,231	Paths funding/savings account	$ 6,231
		$ 7,803,473	**TOTAL**	

Bank/Institution	Account Number	8/31/26 Balance	Description of Account	Funds Reserved For
Five Star Bank	0780	$ 946,914	Checking account for all payables and payroll transfers	
Five Star Bank	0772	$ -	Payroll	
Five Star Bank	8817	$ 4,993	Flexible spending account (FSA)	$ 4,993
Five Star Bank	0799	$ 2,241,902	Savings account	$5,0000,000 - 6 months Operating Costs July - December each year
LAIF		$ 4,682,826	State operated savings account (Fire contract and replacement of vehicles and equipment)	$1,523,276 - Rolling Stock Reserves $2,461,540 - 6 months Operating Reserves
California CLASS	0001	$ -	KCC for capital improvements	
California CLASS	0002	$ 905,878	Savings account	
California CLASS	0003	$ 6,212	Paths funding/savings account	$ 6,212
		$ 8,788,726	**TOTAL**	

Bank/Institution	Account Number	7/31/26 Balance	Description of Account	Funds Reserved For
Five Star Bank	0780	$ 438,401	Checking account for all payables and payroll transfers	
Five Star Bank	0772	$ -	Payroll	
Five Star Bank	8817	$ 4,770	Flexible spending account (FSA)	$ 4,770
Five Star Bank	0799	$ 3,182,044	Savings account	$5,0000,000 - 6 months Operating Costs July - December each year
LAIF		$ 4,682,825	State operated savings account (Fire contract and replacement of vehicles and equipment)	$1,523,276 - Rolling Stock Reserves $2,461,540 - 6 months Operating Reserves
California CLASS	0001	$ -	KCC for capital improvements	
California CLASS	0002	$ 903,004	Savings account	
California CLASS	0003	$ 6,192	Paths funding/savings account	$ 6,192
		$ 9,217,236	**TOTAL**	

Bank/Institution	Account Number	6/30/26 Balance	Description of Account	Funds Reserved For
Five Star Bank	0780	$ 633,690	Checking account for all payables and payroll transfers	
Five Star Bank	0772	$ -	Payroll	
Five Star Bank	8817	$ 4,647	Flexible spending account (FSA)	$ 4,647
Five Star Bank	0799	$ 4,069,344	Savings account	$5,0000,000 - 6 months Operating Costs July - December each year
LAIF		$ 4,637,524	State operated savings account (Fire contract and replacement of vehicles and equipment)	$1,523,276 - Rolling Stock Reserves $2,461,540 - 6 months Operating Reserves
California CLASS	0001	$ -	KCC for capital improvements	
California CLASS	0002	$ 900,155	Savings account	
California CLASS	0003	$ 6,172	Paths funding/savings account	$ 6,172
		$ 10,251,533	**TOTAL**	

From: Dmitry Semenov <dsemenov@ridgelinemuni.com>
Sent: Friday, November 6, 2026 8:45 AM
To: David Aranda <DAranda@kppcsd.org>
Subject: RE: your comments

David,

This looks good. A conversation / study session that you would want to have with the Board is actually to work through the fund balance and reserves and determine the following:

1. What is the minimum level of reserves? What level of reserves at the end of the year is the contractually obligated or bare minimum requirements:
    a. Operating cash to last until the property taxes come in
    b. Emergency reserve fund
    c. EC Contract amount
    d. Anything else that you need to maintain per agreements or to survive

Falling below this amount means that the District is in a dire financial situation

2. What is the optimal level of reserves? This includes everything above +
    a. Reserves you want o build up for special projects
    b. On-going capital replacement reserves
    c. Anything else that is prudent

Maintaining this level of reserves means the District is healthy (unless there is a projected period of annual losses)

3. Anything above that amount can be used at the District discretion and is subject to the policy setting of the Board.

You are probably beginning to see the initial indicators of what makes up Category 1 for the consolidated district.

When we do the fiscal model update, this would be one of the conversations that I would want to have with the staff and subsequently the Board.
Warmest regards,

Ridgeline
MUNICIPAL STRATEGIES

Dmitry Semenov | Principal

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