

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

AGENDA

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District will be held **Wednesday, October 21, 2015, at 6:00 P.M.**, at the Community Center, 59 Arlington Avenue, Kensington, California.

1. **Call to Order/Roll Call 6:00 P.M.**
2. **Public Comments** Members of the public may address the Committee on any issue not listed on the agenda that are within the purview of the Committee. Comments on matters that are listed on the agenda may be made at the time the Committee is considering each item. Each speaker is allowed a maximum of five (5) minutes per Board Policy 5030.41.
3. **Approval of the Finance Committee Minutes.**
 - a) Minutes of the Finance Committee Special of July 30, 2015
 - b) Minutes of the Finance Committee Special of August 19, 2015
4. The Finance Committee will review and discuss the five year budget projections from 2014/15 through 2019/20. This items was originally discussed by the Finance Committee at its meeting on January 29, 2015. The General Manager was asked to bring this item back for further discussion and review.
5. The Finance Committee will review and discuss, and potentially take action to recommend a policy for District Budgetary Reserves. The Committee first reviewed this item on January 21, 2015, from a presentation by Jim Watt. The Committee took no action at the time and Mr. Watt would like the Committee to take another look at his recommendations.
6. The Finance Committee will review and discuss, and potentially take action to recommend guidelines for a variance report. The Committee first considered this item at its July 30, 2015 meeting.

General Information-Accessible Public Meetings

NOTE: UPON REQUEST THE KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT WILL PROVIDE WRITTEN AGENDA MATERIALS IN APPROPRIATE ALTERNATIVE FORMATS, OR DISABILITY-RELATED MODIFICATION OR DISABILITIES TO PARTICIPATE IN PUBLIC MEETINGS. PLEASE SEND A WRITTEN REQUEST, INCLUDING YOUR NAME, MAILING ADDRESS, PHONE NUMBER AND A BRIEF DESCRIPTION OF THE REQUESTED MATERIALS AND PREFERRED ALTERNATIVE FORMAT OR AUXILIARY AID OR SERVICE AT LEAST 2 DAYS BEFORE THE MEETING. REQUESTS SHOULD BE SENT TO:

District, 217 Arlington Ave, Kensington, CA 94707. POSTED: Public Safety Building- Colusa Food-Library-Arlington Kiosk- and at www.kensingtoncalifornia.org.

Complete agenda packets are available at the Public Safety Building and the Library.

All public records that relate to an open session item of a meeting of the Kensington Police Protection & Community Services District that are distributed to a majority of the Board less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at the **District offices, 217 Arlington Ave, Kensington, CA 94707** at the same time that those records are distributed or made available to a majority of the Board.

The deadline for agenda items to be included in the Board packet for the regular monthly meeting is the Wednesday before the regular scheduled Thursday meeting the following week.

KPPCSD Finance Committee Meeting Minutes for 7/30/15

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Thursday, July 30, 2015, at 6:00 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

ATTENDEES

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Len Welsh	Adam Benson - Renne, Sloan
Chuck Toombs, Director	Deborah Russell, CPA
Paula Black	Rick Artis
Paul Dorroh	Catya de Neergaard
Gloria Morrison	Mabry Benson
Karl Kruger	Lori Trevino
Jim Watt	
Bharat Trehan	
Simon Brafman	
Pat McLaughlin	
Paul Haxo	..
<u>Staff Members</u>	
GM/COP Kevin Hart	
Sgt. Hui (Adjusted time)	
Lynn Wolter, District Administrator	
<u>Press</u>	

President Len Welsh called the meeting to order at 6:00 PM.

President Welsh introduced the meeting by announcing that the committee would review the most recent version of the budget but that there was no MOU or audit, and that the Committee would proceed with what it had, in advance of the August Board meeting.

President Len Welsh, Director Chuck Toombs, Paul Haxo, Karl Kruger, Paula Black, Jim Watt, Paul Dorroh, Pat McLaughlin, Simon Brafman, Gloria Morrison, Bharat Trehan, General Manager Hart, and District Administrator Wolter were present. Derek Suring, Elena Caruthers, Linda Lipscomb, and Tony Lloyd, were absent.

PUBLIC COMMENTS

None.

COMMITTEE MEMBER COMMENTS

Pat McLaughlin noted that there had been a note, among the meeting packet materials, from someone concerned about the composition of the Committee. She said she thought the Committee had gotten much too large. She recommended that the President reconsider its size. President Welsh questioned her rationale. She responded that a committee of five, which concentrated on only the budget, could more easily discuss and process information; it took too long to get 12 people onto the same page. She also said she didn't think the Diablo Fire Safe Grant letter should be among the things addressed by the Committee. GM Hart responded that the receipt of the \$5,000 – for maintenance of the Community Center grounds – would impact the budget.

Paul Haxo asked about the status of the actuarial report. GM Hart responded that he was on top of this and that it should be ready soon.

President Welsh noted, for the record, that Paula Black had just arrived at 6:06 P.M.

Simon Brafman said the Hertz rental car issue, information about which had been posted on Kensington Next Door, had caused more confusion, rather than clearing things up. He said he wished that the information had been more meaningful and transparent. President Welsh said he respectfully disagreed. He said that the information that had been posted originally had been completely wrong and that the Chief had spent a lot of time correcting the record.

Paula Black asked what the Board expected from the Finance Committee. President Welsh responded that the purpose was to make recommendations to the Board on financial matters, particularly on the budget and that, if there were other matters the Committee should address it would do so. He said the Committee's purpose was to deliberate, ask questions, and serve in an advisory capacity. President Welsh noted that there had been changes between the version of the budget that the Committee had seen previously and the version to be considered that night. He also noted that Karl Kruger had asked that the Committee address policy guidelines for a variance report. Ms. Black asked if the Committee's role would be identify changes it thought should be made and then make motions. President Welsh responded, yes. Gloria Morrison noted that the Policy Manual provided a good description of the Finance Committee's role.

Bharat Trehan asked when the Committee would begin to discuss the District's long-term finances. President Welsh said he hoped the Committee would adhere to a quarterly schedule and that each such meeting would allow the Committee to compare actual to budget. Mr. Trehan noted that the District had been running an annual deficit of about 2 – 3% and that this needed to be addressed for the long term. President Welsh said a long-term projection really couldn't be done until the District had a contract with the police.

Discussion ensued about the actuarial report and the amount that had been used in the budget based upon the report's information. President Welsh noted that, because of concern about the amount cited in the most recent actuarial report, the District might want to explore using a different actuary.

1. Approval of the Finance Committee Meeting Minutes from June 23, 2015.
 - a. Correspondence received.

Gloria Morrison said she would like the words “for confirmation that” replaced by the word “whether”.

Paula Black noted the roll call was inaccurate. President Welsh, Director Toombs, Paul Dorroh, Derek Suring, Karl Kruger, Jim Watt, Gloria Morrison, and Simon Brafman were present. Paul Haxo, Paula Black, Tony Lloyd, Linda Lipscomb, Pat McLaughlin, Bharat Trehan, and Elena Caruthers were absent.

Rick Artis said he didn't want to change the minutes but that he did want to re-state, for the July 30th minutes, what he'd meant to say at the June 23rd meeting, with respect to his comments about a values-based role for the Finance Committee. He said that many of the time-consuming discussions that took place at the Board level should take place around the values in how the Finance Committee was approaching the budget. He said, for example, that Jim Watt had raised the subject of building reserves and that this was a values-driven discussion. He said such discussions, on a rational level, were best had among a group such as the Finance Committee. He encouraged debate on both a values and pragmatic perspective to discuss where the money comes from and where it goes. He also said that such discussions would mean that the Committee would need to meet more often than once a quarter. GM Hart responded that, once the District got past the budget, he wanted to return to the Committee to discuss strategies for building the budget for the future. He said he also wanted to return to the Committee with the audit.

MOTION: Karl Kruger moved, and Len Welsh seconded, that the minutes be approved as amended. Motion passed 11 – 0.

Ayes: Welsh, Toombs, Black, Dorroh, Morrison, Kruger, Watt, Trehan, Brafman, McLaughlin, Haxo
Noes:
Absent: Suring, Caruthers, Lipscomb, Lloyd

Catya de Neergaard said she wanted to reiterate the comments that had been made by the prior speaker, noting that she'd like to see the Committee empowered with the resources to go over each line item and, in particular, to have the detail for each line item in order to see what the expenses really were. She said she also thought the Finance Committee members should be appointed in the same manner as the Ad Hoc Committee members had been, with each Director selecting two members. She said the meetings were run in an inclusive way. She asked CPA Deborah Russell why the Fiscal-Year 2014 Audit was so late. GM Hart responded that Ms. Russell was prepared to address the question later in the evening.

2. Discussed possible recommendations to the Board regarding a variance report to include within monthly P&L statements. Determine possible threshold stated as a percent or dollar amount.

GM Hart asked Ms. Russell to discuss this issue and possible options. Ms. Russell directed Committee members to the sample Unaudited Profit and Loss Statement for May contained in their packets. She explained that this sample report included additional columns identified as "\$ Over Budget" and "% of Budget". She said that this format would enable people to identify things that stood out, one way or the other. Director Toombs said he'd like to see standards of materiality and asked if footnotes could be added for significant variances. Rick Artis noted that footnotes could be added if Excel were to be used. Ms. Russell agreed with Mr. Artis's comments.

Ms. Russell explained that the budget was cash-based and the audit was accrual-based. She said that some line item amounts appeared as a single amount for a given month but other amounts were divided by a given number of months and that, sometimes, such divisions didn't exactly match accounts payables amounts. She noted that, sometimes, variances resulted from timing differences.

Paul Haxo recommended preparing a verbal report for variances that stood out as unusual. Pat McLaughlin noted that such a variance report had been prepared monthly when she had served on the Board. GM Hart asked what percent of variance should be addressed in a verbal report. Paul Haxo responded that it should be whatever looked important and said there would likely be five or six of these per month.

Paul Dorroh said that his experience with variance reports was that, primarily, they were tools for management and, secondarily, they were tools for the oversight group. He said there should be a clear guideline for management so they can start spotting things as they begin to develop. He said a 5%

guideline, unless it was for a small dollar amount, would be a good guideline. Specifically, he suggested 5% and greater than \$1,000 should be reported on by management.

Gloria Morrison said that, on a periodic basis, she would like to see a report on available cash. Ms. Russell responded this was more of a balance sheet item but that such information could be made available if people wanted to see it. Ms. Morrison said she'd also like to see an explanation for changes in reported available cash balances, specifically changes in cash flow. Ms. Russell said that providing this information was possible.

Ms. Russell noted that, for some line items, once they were "off", they would remain "off", and that a variance report should focus on what's new.

President Welsh solicited comments about Mr. Dorroh's suggestion. Karl Kruger responded that percentage alone was not a good guideline. Ms. Russell said she liked the percentage information because, at the year's halfway mark, she expected to see percentages in the 50% range. She said that the report presented was what QuickBooks offered but that she could put the data into Excel to produce different information.

President Welsh asked that GM Hart and Ms. Russell get together and return to the next meeting with a proposal based on input received. He said there should be line items, such as salary, that would be discussed in a monthly report and that other items should be discussed as needed, based on a percentage or dollar amounts. GM Hart said he and Ms. Russell would get together. He said it might take one or two months to develop recommendations. President Welsh said that Ms. Russell should continue to prepare the report as it had been prepared in the past and that any changes would be determined following future Committee discussions.

Jim Watt questioned why the Levy Tax was coded as Police Revenue when it was used for police and other expenses. Pat McLaughlin responded that this had been inherited and that she would research the percentage allocations that had been used historically

Catya de Neergaard asked why there was no June 30th P&L. Ms. Russell responded this was because she had yet to make year-end adjustments.

GM Hart reported that he expected the audit report the next day and asked if the Finance Committee wanted to meet again to discuss the report before the Board reviewed it on August 13th.

President Welsh asked what grade the District had earned. Ms. Russell said she had the opinion and that the District had had a clean audit. GM Hart added that his understanding was that the District had always had clean audits.

Ms. Russell explained why the 2014 Audit was late:

- The audit was the product of the auditor, not the District
- The financials are the product of the District but they're scrutinized by the auditor.
- The District was fine, with respect to timeliness up until the 2010-11 Audit, which had been done and completed by Lamorena Chang. However, because the District was under a Grand Jury investigation, Lamorena Chang wouldn't release the audit without a result from that investigation – he was concerned about possible subsequent events.
- Although the fieldwork for the 2011 Audit had been timely completed, it wasn't issued until December, 2013.
- Lamorena Chang was subsequently replaced by Fechter & Co.
- Fechter performed the 2012 Audit, which was issued in February 2015. Ms. Russell indicated that the delay in the release of this audit likely was due, in part, to its greater-than-anticipated complexity.
- The 2013-14 Audit's fieldwork began in April 2015 and had just been completed.

GM Hart said that, although the report was late, there was “no smoking gun”. Ms. Russell said the numbers contained within the report were intact but that she would like the Committee to help review the footnotes. She explained that the footnotes were important because they told the reader what was going on.

Questions arose about the actuarial amount. Ms. Russell explained that actuarial reports were produced every two years and that the amount reflected in the 2013-14 Audit had come from the 2011 Actuarial Report. She explained that the current actuarial report wouldn't be ready until August.

Discussion ensued about when the Committee would meet to review the Audit to ensure that the review would be completed prior to Board packets going out. GM Hart said the Committee should meet on August 6th, with the intent to push for an August 13th presentation of the Audit to the Board. Committee consensus was that this timing seemed too tight.

MOTION: Karl Kruger moved, and President Welsh seconded, that GM Hart bring the Audit to the Committee prior to the Board's September meeting.

Motion passed.

Ayes: Welsh, Toombs, Black, Dorroh, Morrison, Kruger, Watt, Trehan, Brafman, McLaughlin, Haxo
Noes:
Absent: Suring, Caruthers, Lipscomb, Lloyd

GM Hart proposed that the Finance Committee meet on August 19th, at 6:00 PM, to review the Audit, assuming the Community Center room was available. Committee consensus was that the Draft Audit be made available to the public at least five days prior to August 19th.

3. The Finance Committee reviewed and discussed the 2015-16 Proposed Budget submitted to the Board of Directors by General Manager Kevin Hart at its meeting on July 9, 2015.

GM Hart provided an overview of the Proposed 2015-16 Budget. He summarized revenue and expense line items and reported that revenue would exceed expenses by \$69,445. He also reported that Unassigned Fund Balances equaled 41% of expenditures.

Gloria Morrison asked for clarification that Capital Outlay Account 972 was for “new” park items and not the Community Center. Pat McLaughlin said she would prepare a memo about a new capital outlay account for the Community Center/“Old” Park. It was agreed that the budget line item should be left, as presented, for the park.

Jim Watt expressed concern about the long term, especially with respect to officers' salaries and benefits, even though the short term looked good. GM Hart responded that Officer Turner had left, that he would hold off until October to fill that position, and that any savings recognized would go into savings. He explained that, with the vacancy, overtime and recruiting costs could increase.

Jim Watt questioned the amount, \$31,000, set for Account 521T. Ms. Russell explained that 521R and 521T, combined, equaled the required OPEB amount. Jim Watt said he didn't think this was a sufficient amount. Ms. Russell explained that more money than required could be placed in the OPEB Trust but that, once placed there, the money couldn't be withdrawn. Adam Benson added that the amount that Kensington had contributed to its OPEB Trust was well ahead of that for many of the cities for which he works.

Discussion ensued about the amount due to PERS for retirement benefits. GM Hart reported that the District had just made a one-time payment of \$97,000 for this, thereby saving the District \$7,000.

The Committee discussed the amount that had been budgeted for Account 835 (Consultants) of \$6,000. There was discussion about whether this amount should be increased to \$50,000 for the Ad Hoc Governance Committee.

Regarding Levy Tax Revenue, Lori Trevino said the amount should be \$1.55 million. GM Hart said he had used a more conservative \$1.51 million. Ms. Russell responded that the calculation used to get the \$1.55 million amount had not taken into account that not everyone paid his or her property taxes.

Jim Watt asked what the compensated absences liability was. Ms. Russell responded that it was \$89,000.

Mr. Watt said he thought the District should have a 25% contingency fund. Ms. Russell questioned why it would make sense to set aside this much money and make it unavailable. Mr. Watt responded that the California Special Districts Association recommended this percentage. GM Hart recommended putting a discussion of this item on hold and having the Committee make a recommendation in the future.

Paula Black asked what MOU assumptions had been made, with respect to the budget. President Welsh replied that the old MOU had been used and that it contained provisions for things such as step increases.

GM Hart had put a new police vehicle in the budget. President Welsh said that, as the Chief of Police, this was an area of GM Hart's expertise. He said it was known that the District had an aging fleet and that he wasn't going to second-guess the Chief. Bharat Trehan and others agreed.

GM Hart reported that the 2015-16 budget was \$150,000 less than the prior year's budget.

Karl Kruger said he was happy that the amount budgeted for legal expenses had been reduced. He also said he wanted to see a policy for weapons. President Welsh and GM Hart responded that this wasn't a Finance Committee issue. GM Hart said he was committed to a weapons policy. President Welsh said he wanted to give GM Hart a chance to run the District.

Paul Dorroh asked about the possibility of pursuing grant funds. GM Hart responded that he would try to find such talent, using social media, after the budget was adopted. He said he hoped there also would be opportunities for partnerships.

MOTION: Gloria Morrison moved, and Paul Haxo seconded, that the Finance Committee approve, on third reading, and move the budget on to the Board – allowing for minor modifications, in accordance with the Finance Committee's discussion, by GM Hart and Debbie Russell.

Motion passed.

Ayes: Welsh, Toombs, Black, Dorroh, Morrison, Kruger, Watt, Trehan, Brafman, McLaughlin, Haxo
Noes:
Absent: Suring, Caruthers, Lipscomb, Lloyd

Director Toombs asked about money for the Ad Hoc Committee. Finance Committee consensus was that GM Hart should use his judgment in determining an amount.

Final questions were posed about the audit. Ms. Russell reiterated that the District had received a clean opinion and said there had been no material findings.

MOTION: Paul Haxo moved, and Paula Black seconded, that the meeting be adjourned.

Motion passed.

Ayes: Welsh, Toombs, Black, Dorroh, Morrison, Kruger, Watt, Trehan, Brafman, McLaughlin, Haxo
Noes:
Absent: Suring, Caruthers, Lipscomb, Lloyd

The meeting was adjourned at 8:58 P.M.

Len Welsh
President and Committee Chairman

Lynn Wolter
District Administrator

KPPCSD Finance Committee Meeting Minutes for 8/19/15

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Wednesday, August 19, 2015, at 7:00 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

ATTENDEES

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Chuck Toombs, Director	Deborah Russell, CPA
Paula Black	Celia Concus
Paul Dorroh	David Spath
Derek Suring	
Karl Kruger	
Jim Watt	
Elena Caruthers	
Simon Brafman	
Pat McLaughlin	
Paul Haxo	
Linda Lipscomb	
<u>Staff Members</u>	
GM/COP Kevin Hart	
Lynn Wolter, District Administrator	
<u>Press</u>	
Linea Due	

Director Chuck Toombs called the meeting to order at 7:00 PM and took roll call. Director Chuck Toombs, Paul Haxo, Derek Suring, Karl Kruger, Paula Black, Jim Watt, Paul Dorroh, Elena Caruthers, Pat McLaughlin, Simon Brafman, General Manager Hart, and District Administrator Wolter were present. Linda Lipscomb arrived at 7:07 PM. Len Welsh, Bharat Trehan, Gloria Morrison, and Tony Lloyd, were absent.

PUBLIC COMMENTS

Jim Watt asked when the updated June 30, 2015 Profit and Loss Statement would be available. GM/COP Hart responded that it would be ready soon and noted that staff was preparing for the 2014-15 audit fieldwork that would commence in August. Deborah Russell, CPA, said that she was in the process of closing the books and making year-end adjustments. GM/COP Hart noted that the District had the equivalent of one full-time employee and Ms. Russell, a contractor, to assist with the financial operations of the District. Ms. Russell added that she had, late in the game, been asked to assist in preparing the budget.

Mr. Watt asked if a five-year plan had been agreed upon. District Administrator Wolter responded that the process of developing this had been in mid-stream when former GM/COP Harman had left. Mr. Watt noted that new standards were forthcoming with GASB 68.

Karl Kruger said there was a difference between the five-year forecast and the five-year plan and noted that Adam Benson had prepared the former in the context of the MOU.

NEW BUSINESS

1. Reviewed and considered recommending approval to the Board of Directors a draft Finance Report from Independent Auditor for fiscal year ending June 30, 2014.

GM/COP Hart asked Ms. Russell to walk the committee through the report. As members of the committee identified needed amendments, Ms. Russell noted them in her copy of the report so they could be transmitted to the independent auditor.

Karl Kruger noted that COPS money had been used to fund the tenth officer and asked if the funding would continue if the department were reduced by one officer. Pat McLaughlin responded that the COPS funding could be used for other things. GM/COP Hart said he would look into the matter when he re-applied for the grant.

Comments were made about legal expenses having exceeded the amount budgeted.

Celia Concus commented on the fact that there was no recording being made of the meeting. Director Toombs noted that minutes were being taken.

David Spath asked if more detail about Measure G should appear on page 3 of the document. Consensus of the Committee was that it should.

Jim Watt questioned how the District's money was being invested in LAIF and asked if the District had a choice in the matter. Ms. Russell responded that the District had no choice because the County managed the District's money. Director Toombs added that the County held all of the District's money.

Director Toombs asked about the District's obligation with respect to the park bond repayment. Ms. Russell responded that the District would be obligated to pay \$93,430, said that the debt would be paid off in fiscal year 2020-21, and noted that the bond had been refinanced, at a lower interest rate, with a bank several years earlier.

Jim Watt said he was unsure of the actuarial assumptions. Ms. Russell responded that the District could ask the actuarial to use different assumptions when the new report was done. She noted that, unless there was a major change in the report, the amount used for the 2015-16 Budget would not be changed. She said that the 2016-17 Budget would reflect the new amount.

Director Toombs asked when the final report would be presented to the Board. Ms. Russell responded that it would be presented at the September meeting.

Consensus was that the next Committee meeting would be in October and that the agenda would include a five-year plan and the actuarial report.

**MOTION: Pat McLaughlin moved, and Paul Haxo seconded, that the meeting be adjourned.
Motion passed 10 – 0**

**Ayes: Toombs, Kruger, Brafman, Black, Watt, Dorroh, Caruthers, McLaughlin, Haxo
Noes: Absent: Welsh, Trehan, Morrison, Lloyd,**

The meeting was adjourned at 8:30 PM.

Chuck Toombs
Committee Co-Chairman

Lynn Wolter
District Administrator

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

AGENDA

A Regular meeting of the Finance Committee of the Kensington Police Protection and Community Services District will be held Thursday, Jan 29, 2015, 6:30 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

Roll Call

Public Comments

Board Member/Staff Comments

APPROVAL OF CONSENT CALENDAR

- a. Minutes of the November 20, 2014 Finance Committee meeting.

COMMITTEE - NEW BUSINESS

1. General Manager/ Chief of Police Greg Harman will review and lead the discussion of the Kensington Police Protection and Community Services District Fiscal Year 2014/15 through Fiscal Year 2019/20 Budget Projections, with the first set including the costs associated with the proposed Kensington Police Officers Association/ KPPCSD Contract agreement and the second set with no change in the current MOU. Committee Action.
2. Members of the Kensington Property Owners Association will present for review and lead the discussion of their analysis of the financial impact of the proposed Kensington Police Officers Association/ KPPCSD Contract agreement. Committee Action.
3. Jim Watt will present for review and lead the discussion of his recommendation of adopting a District financial reserve policy. Committee Action.

Adjournment

General Information

Accessible Public Meetings

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District General Manager Greg Harman, Kensington Police Protection & Community Services District, 217 Arlington Ave, Kensington, CA 94707

POSTED: Public Safety Building-Colusa Food-Library-Arlington Kiosk-
and at www.kensingtoncalifornia.org

Complete agenda packets are available at the Public Safety Building and the Library.

Meeting Minutes for 11/20/14

A Regular Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Thursday, November 20, 2014, at 7:00 P.M., at the Community Center, 59 Arlington Avenue, Kensington, California.

ATTENDEES

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Len Welsh, Board President & Committee Chairman	Gail Feldman
Tony Lloyd, Director	Jim Watt
Elena Caruthers	Peter Conrad
Pat McLaughlin	
Gloria Morrison	
Karl Kruger	
Paul Haxo	
<u>Staff Members</u>	
GM/COP Gregory Harman	
Lynn Wolter, District Administrator	
Sgt. Barrow (own time)	

Board President and Committee Chairman Welsh called the meeting to order at 7:04 PM.

PUBLIC COMMENTS

None

COMMITTEE MEMBER COMMENTS

Paul Haxo, noted that the Brown Act would prohibit newly elected and current KPPCSD Board members in attendance who were not on the committee from speaking during the meeting.

Pat McLaughlin said she would like to receive, in advance of committee meetings, any documents that would be discussed.

Paul Haxo and Director Lloyd reiterated Ms. McLaughlin's request.

President Welsh said he was struggling with what the role of the Finance Committee should be but said he wanted the committee to be task oriented and clear in its mission.

Karl Kruger said he would like the Finance Committee meetings to be a place where the General Manager would explain variances and issues and then an appointed member of the Committee would present Finance Committee reports to the Board on a quarterly basis. Mr. Kruger also said he didn't think the District's Profit and Loss reports should appear as part of the monthly Board agendas' consent calendars.

Gloria Morrison asked if information regarding the Finance Committee would change in the proposed revision of the District's Policy and Procedures Manual. GM/COP Harman replied that the tasks and responsibilities hadn't changed.

GM/COP Harman said that those who would like to serve on the Finance Committee should contact the new Board President, as it's the Board President who assigns people to the Committee.

APPROVAL OF MINUTES

Karl Kruger moved, and Gloria Morrison seconded, that the Minutes of April 23, 2014 be approved. Motion passed unanimously.

President Welsh moved, and Paul Haxo seconded, that the Minutes of August 24, 2014 be approved. Motion passed unanimously.

NEW BUSINESS

Prior to beginning New Business, GM/COP Harman said he would like to change the order of items presented, placing Item 3 ahead of Item 2.

1. Review, briefing, and status discussion of the Kensington Police Protection and Community Services District 2014-2018 proposed KPOA/KPPCSD Contract Agreement.

GM/COP Harman reported that Directors Chuck Toombs and Pat Gillette had represented the District and that Sergeant Keith Barrow and Corporal Eric Stegman had represented the Kensington Police Officers Association (KPOA) in the contract negotiations. He reported that the two sides had agreed to a four-year contract, which would have the advantage of saving money and time by not having to negotiate sooner. He then summarized the basic terms of the agreement:

In the first two years, the officers would receive a salary increase of 3.75% and would give back 3%, towards the officers' portion of CalPERS, for a net increase in salary of 0.75%. In year 3, the officers would receive a 4.25% increase in pay and would pay an additional 3% towards the officers' portion of CalPERS, for a net salary increase of 1.25%; and in year four, the officers would receive a 4.25% salary increase and contribute 50% of the normal cost rate up to 12% of reportable compensation, for an estimated net salary increase of 1.25%. In sum, from year three on, the officers would pay all 9% of the officers' portion of CalPERS and, in year four, a total of 12% would go towards reportable CalPERS compensation.

GM/COP Harman said that the District's current portion of CalPERS was 38.62% and the officers' portion was 9%, with the District covering both portions. He reported that, in the 1980's, the officers received the benefit of having the District pay the officers' portion in lieu of a salary increase.

GM/COP Harman said that, over the four-year term, the net cost of the proposed agreement to the District would be \$233,451. He also reported that the officers agreed that the increase would not be retroactive. Therefore, in the first year, the net cost to the District would be \$14,000.

GM/COP Harman also reviewed changes that would occur with medical benefits, with respect to new hires. He said that, for newly hired officers, in order to receive 100% medical coverage for life, an officer would need to have been a PERS participant for at least 20 years, with the last five years serving as an officer with the Kensington Police Department. He said that, in the past, the department often hired older officers but now, the department was hiring younger officers, with the expectation that they would remain with the department for 20 to 30 years.

GM/COP Harman also reported that, for officers hired on or after January 1, 2013, the new pension benefit would be 2.7% at 57.

GM/COP Harman reviewed changes that would occur with the accrual of vacation time, which, under the new agreement, would be capped at 200 hours.

Jim Watt said that the PERS plan had changed and that the changes would impact the proposed agreement. GM/COP Harman and President Welsh responded that they would look into this.

GM/COP then proceeded to the next agenda item to explain how the proposed increases could be afforded.

2. Review, briefing, and status discussion of the Kensington Police Protection and Community Services District 2014-2015 Operating Budget.

GM/COP Harman said that, at the time the 2014-2015 Budget was approved, a shortfall of \$268K had been projected. He said that, because of a number of changes that had occurred since then, a shortfall was no longer likely to occur. He summarized the changes:

Projected shortfall	(\$268K)
Officers' salary increase under proposed agmt.	(\$14K)
COPS funding	100K
Additional property tax revenue	42K
WCCUSD revenue	25K
Sgt. Hui's participation in Computer Task Force	36K
Solid Waste RFP cost reduction	<u>78K</u>
Revised Projected shortfall for FY 2014-15	(\$1K)

GM/COP Harman reported that, historically, property taxes had increased by 5% to 6% annually; that during the last three years property taxes were flat; and that this year, property taxes were projected to increase by 9.29%. He said this large increase likely would not recur, since the increase reflected the reversal of previously granted decreases that had occurred during the downturn in property values several years earlier.

3. Review, briefing, and status discussion of the Kensington Police Protection and Community Services District Six Year Fiscal Projection Report.

GM/COP Harman reported that, prior to the above revisions having been made to the 2014-2015 Budget, it had been anticipated that the District's Budgeted Surplus had been \$1,276,580 for FY 2014-15 and \$367,327 for FY 2019-20. He said that, following the above revisions, the District's Budgeted Surplus for 2019-20 had been increased to \$973,058.

Peter Conrad expressed concern that the District would still be drawing down reserves.

Gail Feldman suggested that franchise fees revenue and solid waste expenses appear separately from operating revenue and expenses, as franchise fees would not be available for operational expenses.

Karl Kruger complimented GM/COP Harman's six-year projection.

A discussion ensued about the increases in CalPERS pension costs. It was noted that in 2000 and 2001 the Employers' portion of CalPERS had been zero and that now this portion had climbed to 38.62%. It was noted that the PERS increases had become difficult for many agencies.

President Welsh suggested that, for the next Committee meeting, there should be a discussion about reserves.

The meeting was adjourned at 9:12 PM.

Memorandum

Kensington Police Department

To: Finance Committee

APPROVED



NO

From: Gregory E. Harman, General Manager/ Chief of Police

Date: January 23, 2015

FORWARDED TO:

Subject: Finance Committee- New Business Item #1- Discussion of the KPPCSD Fiscal Year 2014/15 through 2019/20 Budget Projections

Attached you will find two sets of charts that have been prepared by staff, with the first set an analysis of the fiscal impact of the proposed KPPCSD and the Kensington Police Officers Association contract, and the second set an analysis of the fiscal impact of maintaining the current agreement through the next five (5) years.

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

Revenue	Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
401	Property Tax	1,401,120	1,443,380	1,448,659	1,477,632	1,507,185	1,537,329	1,568,075	1,599,437
	Homeowner Tax	12,500	0	12,500	13,000	13,000	13,000	13,000	13,000
402	Police Tax	680,000	681,690	681,690	681,690	681,690	681,690	681,690	681,690
404	Measure G	501,443	501,950	501,950	514,499	527,361	540,545	554,059	567,910
410	Police Fees/Service	1,500	1,050	1,500	1,500	1,500	1,500	1,500	1,500
415	COPS Grant	100,000	36,236	100,000	100,000	100,000	100,000	100,000	100,000
416	Police Interest	2,500	907	1,800	1,800	1,800	1,800	1,800	1,800
418	Other Police Rev	18,000	12,008	20,000	20,500	21,000	21,500	22,000	22,500
419	Workers Comp Reim	0	6,448	42,000	0	0	0	0	0
424	Park O&M Assessment	33,000	34,335	34,335	35,193	36,073	36,975	37,899	38,847
427	Community Center Rev	30,000	31,188	32,000	32,000	32,000	32,000	32,000	32,000
438	Other Park & Rec Rev	500	122	250	250	250	158,000	250	250
448	Franchise Fess	21,000	25,246	25,250	50,000	51,500	53,000	54,500	56,000
458	WCCSD Reimbursement	0	0	25,000	25,000	25,000	0	0	0
459	NCCCTF Salary Remiburs	0	0	36,000	0	0	0	0	0
	Total Revenue	2,801,563	2,774,560	2,962,934	2,953,064	2,998,359	3,177,339	3,066,773	3,114,934
	Expenses	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
502	Police Salary	980,983	532,776	994,449	1,055,936	1,100,813	1,147,598	1,147,598	1,147,598
504	Vacation/ Comp	8,800	2,316	5,000	9,130	9,518	9,923	9,923	9,923
506	Overtime	45,000	29,366	45,000	45,000	45,000	45,000	45,000	45,000
516	Uniform Allowance	8,000	4,333	8,000	8,000	8,000	8,000	8,000	8,000
518	Safety Equipment	2,500	0	2,500	2,500	2,500	2,500	2,500	2,500
521F	Medical-Active	190,306	104,545	181,312	199,821	209,812	220,303	231,318	242,884
521F	Medical-Retired	135,748	84,116	143,728	142,536	149,663	157,146	165,003	173,253
521I	Medical-Trust	58,058	58,058	58,058	50,000	50,000	50,000	50,000	50,000
522	Disability& Life Ins	5,240	2,886	5,240	5,502	5,777	6,066	6,369	6,688
523	Medicare 1.45% District	16,308	6,031	16,474	17,225	17,777	18,352	18,352	18,352
527	PERS District Portion	378,780	207,447	383,937	400,344	445,238	446,019	391,145	397,021
528	PERS Officers Portion	89,008	48,340	90,220	31,741	0	0	0	0
	Sub-Total Police Sal&Ber	1,918,731	1,080,214	1,933,918	1,967,735	2,044,098	2,110,907	2,075,208	2,101,219

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
508 Salary Non-Sworn	81,900	29,433	70,400	81,900	81,900	81,900	81,900	81,900
524 Soc Sec 6.2% Non-Swo Di	5,078	2,046	4,365	5,078	5,078	5,078	5,078	5,078
601 Salary Park & Rec	7,800	3,560	7,460	7,800	7,800	7,800	7,800	7,800
602 Custodian	22,750	11,375	22,750	22,750	22,750	22,750	22,750	22,750
623 Soc Sec 7.65% District	597	0	597	597	597	597	597	597
Sub-Toatal Non-Sworn	118,125	46,414	105,572	118,125	118,125	118,125	118,125	118,125
530 Workers Comp Ins	50,000	28,479	38,000	41,245	42,482	43,757	45,070	46,422
Total Salary & Benefits	2,086,856	1,155,107	2,077,490	2,127,105	2,204,705	2,272,789	2,238,403	2,265,766
Other District Expenses								
Police Expenses								
552 Expendable Police Sup	1,500	4,259	4,259	1,500	1,500	1,500	1,500	1,500
553 Range/ Ammunition	3,000	1,641	3,000	3,000	3,000	3,000	3,000	3,000
560 Crossing Guard	10,515	4,790	10,515	10,830	11,155	11,490	11,835	12,190
562 Vehicle Operation	60,000	24,533	55,000	60,000	60,000	60,000	60,000	60,000
564 Communications (RPD)	156,070	44,071	156,070	167,356	179,658	193,067	207,683	223,614
566 Radio Maintenance	21,750	908	21,750	21,750	21,750	21,750	21,750	21,750
568 Prisoner/Case Exp/Book	5,400	5,856	6,800	5,400	5,400	5,400	5,400	5,400
570 Training	10,000	5,899	10,000	10,000	10,000	10,000	10,000	10,000
572 Recruiting	6,500	0	2,850	6,500	6,500	6,500	6,500	6,500
574 Reserve Officers	4,050	2,026	3,500	4,000	4,000	4,000	4,000	4,000
576 Misc Meals & Travel	3,140	2,335	3,140	3,140	3,140	3,140	3,140	3,140
580 Utilities Police	8,960	5,718	9,800	9,800	9,800	9,800	9,800	9,800
581 Bldg Repairs/Mainten	1,000	276	901	1,000	1,000	1,000	1,000	1,000
582 Expendable Office Sup	6,000	3,524	6,000	6,000	6,000	6,000	6,000	6,000
588 Telephone	8,904	4,241	8,904	9,171	9,446	9,730	10,022	10,322
590 Housekeeping	4,000	2,453	4,000	4,000	4,000	4,000	4,000	4,000
592 Publications	2,200	2,177	2,550	2,500	2,500	2,500	2,500	2,500
594 Community Policing	2,000	8,245	8,745	2,200	2,200	2,200	2,200	2,200
596 WestNet/ CAL ID	13,925	13,655	13,655	13,938	14,235	14,422	14,743	15,080
599 Police Tax Admin	3,300	2,537	3,300	3,300	3,300	3,300	3,300	3,300
Total Police Expenses	332,214	139,144	334,739	340,519	349,032	357,758	366,702	375,870

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
Park & Rec								
642 Community Center Utili	5,616	3,047	5,616	5,784	5,958	6,137	6,321	6,510
643 Janitorial Supplies	800	896	896	922	951	979	1,008	1,038
646 Com Center Repairs	3,000	2,726	3,000	3,000	3,000	3,000	3,000	3,000
662 Annex Utilities	0	0	0	0	0	0	0	0
668 Annex Repairs	0	0	0	0	0	0	0	0
668 Misc Annex Exp	0	0	0	0	0	0	0	0
670 Gardening Supplies	0	0	0	0	0	0	0	0
672 Kens Park O&M	79,524	24,488	79,524	81,910	84,367	86,898	89,505	92,190
674 Park Construct Exp	0	0	0	0	0	0	0	0
678 Misc Park Exp	0	170	170	170	170	170	170	170
Total Park & Rec Exps	88,940	31,327	89,206	91,786	94,446	97,184	100,004	102,908
District Administration								
810 Computer Maintenance	24,288	16,118	24,288	25,017	25,767	26,540	27,336	28,156
820 Copier Expenses	5,700	3,401	5,700	5,871	6,047	6,229	6,415	6,608
830 Legal District/Personnel	150,000	70,584	150,000	125,000	150,000	125,000	125,000	125,000
835 Consulting	7,500	0	0	3,000	0	3,000	0	3,000
840 Accounting	35,750	4,144	35,750	36,823	37,927	39,065	40,237	41,444
850 Insurance	30,000	29,531	29,531	30,417	31,329	32,269	33,237	34,234
860 Election Expenses	10,000	8,608	8,608	0	9,000	0	10,000	0
865 Public Safety Build Lease	1	1	1	1	1	35,000	36,050	37,132
870 County Expenditures	22,300	9,222	22,300	22,969	23,658	24,368	25,098	25,852
890 Waste/Recycle	118,600	35,389	36,889	25,000	1,000	1,000	1,000	1,000
898 Misc District Expenses	12,300	5,952	9,370	11,500	11,500	11,500	11,500	11,500
Total District Expenses	416,439	182,950	322,437	285,598	296,229	303,971	315,873	313,926
Sub-Total	2,924,449	1,508,528	2,823,872	2,845,008	2,944,412	3,031,702	3,020,982	3,058,470
Capital Exp	0							
Patrol Vehicle	46,000	29,308	44,988		46,000		46,000	
Community Center Remo	0	0	7,100			241,500		
Total Exp	2,970,449	1,537,836	2,875,960	2,845,008	2,990,412	3,273,202	3,066,982	3,058,470

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
Total Projected Rev	2,801,563	2,774,560	2,962,934	2,953,064	2,998,359	3,177,339	3,066,773	3,114,934
Total Exp	-2,970,449	-1,537,836	-2,875,960	-2,845,008	-2,990,412	-3,273,202	-3,066,982	-3,058,470
Proj Surplus-Shortfall	-168,886	1,236,724	86,974	108,056	7,947	-95,863	-209	56,464
Beg Cash Reserves	1,383,764		1,383,764	1,470,738	1,578,794	1,586,741	1,490,878	1,490,669
Proj Surplus-Shortfall	-168,886		86,974	108,056	7,947	-95,863	-209	56,464
Ending Cash Reserves	1,214,878		1,470,738	1,578,794	1,586,741	1,490,878	1,490,669	1,547,133

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Kensington Police Protection Community Services District
Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

F/N # Footnotes

- 401 Property Tax revenue increased by 2% each year following 9% increase 2013/14
- 402 There is no CPI built in to this tax
- 404 Measure G revenue increased by a CPI of 2.5% each year/ Increases (Up to CPI) are set by Board each year
- 410 Fees charged for reports and vehicle releases
- 415 COPS grant funding cannot be included in yearly budgets
- 416 Interest earned in LAIF
- 418 Revenue received from traffic/ parking enforcement with a CPI increase of 2.5%
- 419 Workers Comp reimbursement occurs only when officer(s) injured on duty
- 424 Revenue increased by CPI of 2.5%
- 427 Revenue will drop during remodel year but increase once rental fees are increase so estimates should balance out
- 438 If \$241,500 is used for Center remodel in 2017, then \$158,000 can be received from EBRPD Measure WW Grant
- 448 Franchise fee increase to 7% but 3% to County/ Contract calls for minimum 3% (to CPI of 5%) increase in BV fees
- 458 West Contra Costa Co Unified School District Grant Contract to 2017/ Unknown if it will continue
- 459 No Ca Comptuer Crimes Task Force reimbursement for 1/2 Sgt. Hui's salary second 1/2 FY
- 502 **Costs do not include any increases for COP/ No increases for POA after MOU expires 2018**
- 502 No salary increase as of 012915/ Proposed 3.75% increase for POA could occur in Feb 2015 projecting salary to
- 504 Cash outs lower than expected/ 4% increase per year estimated
- 506 Overtime should be at budget projections/ Can control OT some costs
- 516 As per MOU
- 518 As per MOU
- 521F Active medical costs 5% lower than budgeted
- 521F Retiree medical costs 6% higher than budgeted
- 521F ARC \$193,906-\$143,728= new 521F of \$50,178
- 522 As per MOU
- 523 Salary x 1.45%
- 527 Increase due to possible 3.75%/4.25% salary increases/ PERS moves to new costs schedule
- 528 Increase due to possible 3.75% salary increase/ per MOU officer portion paid by officers

Kensington Police Protection Community Services District
Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

F/N

- 508 Budgeted salary adjustment did not occur until Jan 2015/ With salary adjustment, should be no increases next 5 yrs
- 524 Salary x 7.65%
- 601 Budgeted salary adjustment did not occur until Jan 2015
- 602 As budgeted under contract
- 623 Salary x 7.65% (May be picked up in #524)

- 530 SDRMA est annual discounted fee of \$41,245 less \$3,273 discounts= \$37,972 (Could have year end adjustments)
- 530 Increased at 3% CPI with no discount taken

- 552 Over budget \$830 flashlights & \$500 safety vests (Received \$1,000 grant to reimburse), \$1,800 radar -1 time purchase
- 553 Range fee \$250 x4, ammo \$2,000 a year for qualifying
- 560 Past increases have ranged between 2.5% and 4.5%/ Used 3% for budget/ This expense reimbursed by WCCUSD 3yr
- 562 Budgeted 7,000 gal at \$4.30 before gas prices went down to \$3.50
- 564 Contract with RPD expired 6/2014/ Past contracts called for 10% projected increases but have been at 9% (\$125,400)
- 566 Current lease contract w/Motorola expires 2016, expense could change depending on action taken
- 568 \$3,250 fee for lab work for sexual assault case
- 570 \$5,000 reimbursement per MOU/ \$5,000 for training (Some reimbursements by POST when available)
- 572 Expect to complete process for 1 reserve this fiscal year/ budget for 2 each year
- 574 Expect to complete process for 1 reserve this fiscal year/ budget for 2 each year
- 576 Association dues and CPOA per MOU
- 580 Budgeted for \$747 average/ YTD \$816 average
- 581 \$625 1 time expense for garbage disposal
- 582 Can control costs of this item
- 588 Adjusted 3% CPI each year
- 590 Custodial contract \$2,520/ all other costs controllable
- 592 Lexipol \$1,950 year/ \$600 Co Co Times
- 594 \$7,500 for website re-design
- 596 WestNET contract \$8,000 (WestNET may dissolve July 2015)/ CALID increases 5% each year
- 599 Contract w/NBS

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Kensington Police Protection Community Services District
Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

F/N

- 642 Increase CPI of 3%
- 643 Increase CPI of 3%
- 646 With remodel in 2017, costs of repairs should decrease
- 662 Note: Annez utilities may be currently expensed to 672
- 668
- 668
- 670
- 672 Increase CPI of 3%
- 674
- 678 Membership CA Park & Rec Soc

- 810 Increase CPI of 3%
- 820
- 830 Legal costs should decrease when Writ litigation is completed/ Increase in 16/17 for Center remodel prep
- 835 Note: Website design was expensed to 594/ CERBT Actuarial Report due every 2 years
- 840 Increase CPI of 3%
- 850 Increase CPI of 3%
- 860 KPPCSD Board elections every 2 years
- 865 3 Yr agreement for no rent w/KFPD/ Future cost est with CPI increase of 3%
- 870 Increase CPI of 3%
- 890 Below budget due to new contract w/No chg public cans/ No RFP/ Est \$25,000 legal fees for new contract w/County
- 898 LAFCO \$1,200/Sem Directors \$2,000/CSDA-CCSDA Mem \$5,300/CSDA Confer \$3,000/ Gov Days \$500 cancelled

- Patrol vehicle \$29,308 with \$500 discount plus \$15,680 equipment
- Engineer's Structural Analysis was not budgeted for in 14/15 Budget/ Could be expensed to Building Reserve Acct

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Kensington Police Protection Community Services District
Five (5) Year Budget Projection with KPOA New MOU January 29, 2015

F/N

No increases in COP salary in calculations
FY14/15 \$81,000 saved as result of no RFP for garbage service/\$11,500 saved in 508/ \$36,000 saved in 502 (NCCCTF)/
\$42,000 Workers Comp reimbursement not budgeted/expected
FY15/16 Franchise fees double from 2% to 4%/
No vehicle purchases FY15/16, 17/18, 19/20 saving \$46,000 each year
FY17/18 shortfall due to Center remodel at \$241,500-\$158,000 WW Grant= \$83,500/ 527 PERS contribution at peak
No increases to KPOA salaries FY18/19 & 19/20 (Original projections had 3% salary increases calculated into them)

Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

Revenue	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
Budget Year	1,401,120	1,443,380	1,448,659	1,477,632	1,507,185	1,537,329	1,568,075	1,599,437
401 Property Tax	12,500	0	12,500	13,000	13,000	13,000	13,000	13,000
Homeowner Tax	680,000	681,690	681,690	681,690	681,690	681,690	681,690	681,690
402 Police Tax	501,443	501,950	501,950	514,499	527,361	540,545	554,059	567,910
404 Measure G	1,500	1,050	1,500	1,500	1,500	1,500	1,500	1,500
410 Police Fees/Service	100,000	36,236	100,000	100,000	100,000	100,000	100,000	100,000
415 COPS Grant	2,500	907	1,800	1,800	1,800	1,800	1,800	1,800
416 Police Interest	18,000	12,008	20,000	20,500	21,000	21,500	22,000	22,500
418 Other Police Rev	0	6,448	42,000	0	0	0	0	0
419 Workers Comp Reim	33,000	34,335	34,335	35,193	36,073	36,975	37,899	38,847
424 Park O&M Assessment	30,000	31,188	32,000	32,000	32,000	32,000	32,000	32,000
427 Community Center Rev	500	122	250	250	250	158,000	250	250
438 Other Park & Rec Rev	21,000	25,246	25,250	50,000	51,500	53,000	54,500	56,000
448 Franchise Fess	0	0	25,000	25,000	25,000	0	0	0
458 WCCSD Reimbursement	0	0	36,000	0	0	0	0	0
459 NCCCTF Salary Remiburs								
Total Revenue	2,801,563	2,774,560	2,962,934	2,953,064	2,998,359	3,177,339	3,066,773	3,114,934
Expenses	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
502 Police Salary	980,983	532,776	982,976	992,574	996,957	997,883	997,883	997,883
504 Vacation/ Comp	8,800	2,316	5,000	5,000	5,000	5,000	5,000	5,000
506 Overtime	45,000	29,366	45,000	45,000	45,000	45,000	45,000	45,000
516 Uniform Allowance	8,000	4,333	8,000	8,000	8,000	8,000	8,000	8,000
518 Safety Equipment	2,500	0	2,500	2,500	2,500	2,500	2,500	2,500
521F Medical-Active	190,306	104,545	181,312	199,821	209,812	220,303	231,318	242,884
521F Medical-Retired	135,748	84,116	143,728	142,536	149,663	157,146	165,003	173,253
521F Medical-Trust	58,058	58,058	58,058	50,000	50,000	50,000	50,000	50,000
522 Disability & Life Ins	5,240	2,886	5,240	5,502	5,777	6,066	6,369	6,688
523 Medicare 1.45% District	16,308	6,031	15,094	15,233	15,297	15,310	15,310	15,310
527 PERS District Portion	378,780	207,447	376,480	388,606	424,881	451,104	370,655	396,228
528 PERS Officers Portion	89,008	48,340	88,468	89,332	89,726	89,809	89,809	89,809
Sub-Total Police Sal&Ber	1,918,731	1,080,214	1,911,856	1,944,104	2,002,613	2,048,121	1,986,847	2,032,555

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
508 Salary Non-Sworn	81,900	29,433	70,400	81,900	81,900	81,900	81,900	81,900
524 Soc Sec 6.2% Non-Swo Di	5,078	2,046	4,365	5,078	5,078	5,078	5,078	5,078
601 Salary Park & Rec	7,800	3,560	7,460	7,800	7,800	7,800	7,800	7,800
602 Custodian	22,750	11,375	22,750	22,750	22,750	22,750	22,750	22,750
623 Soc Sec 7.65% District	597	0	597	597	597	597	597	597
Sub-Toatal Non-Sworn	118,125	46,414	105,572	118,125	118,125	118,125	118,125	118,125
530 Workers Comp Ins	50,000	28,479	38,000	41,245	42,482	43,757	45,070	46,422
Total Salary & Benefits	2,086,856	1,155,107	2,055,428	2,103,474	2,163,220	2,210,003	2,150,042	2,197,102
Other District Expenses								
Police Expenses								
552 Expendable Police Sup	1,500	4,259	4,259	1,500	1,500	1,500	1,500	1,500
553 Range/ Ammunition	3,000	1,641	3,000	3,000	3,000	3,000	3,000	3,000
560 Crossing Guard	10,515	4,790	10,515	10,830	11,155	11,490	11,835	12,190
562 Vehicle Operation	60,000	24,533	55,000	60,000	60,000	60,000	60,000	60,000
564 Communications (RPD)	156,070	44,071	156,070	167,356	179,658	193,067	207,683	223,614
566 Radio Maintenance	21,750	908	21,750	21,750	21,750	21,750	21,750	21,750
568 Prisoner/Case Exp/Book	5,400	5,856	6,800	5,400	5,400	5,400	5,400	5,400
570 Training	10,000	5,899	10,000	10,000	10,000	10,000	10,000	10,000
572 Recruiting	6,500	0	2,850	6,500	6,500	6,500	6,500	6,500
574 Reserve Officers	4,050	2,026	3,500	4,000	4,000	4,000	4,000	4,000
576 Misc Meals & Travel	3,140	2,335	3,140	3,140	3,140	3,140	3,140	3,140
580 Utilities Police	8,960	5,718	9,800	9,800	9,800	9,800	9,800	9,800
581 Bldg Repairs/Mainten	1,000	276	901	1,000	1,000	1,000	1,000	1,000
582 Expendable Office Sup	6,000	3,524	6,000	6,000	6,000	6,000	6,000	6,000
588 Telephone	8,904	4,241	8,904	9,171	9,446	9,730	10,022	10,322
590 Housekeeping	4,000	2,453	4,000	4,000	4,000	4,000	4,000	4,000
592 Publications	2,200	2,177	2,550	2,500	2,500	2,500	2,500	2,500
594 Community Policing	2,000	8,245	8,745	2,200	2,200	2,200	2,200	2,200
596 WestNet/ CAL ID	13,925	13,655	13,655	13,938	14,235	14,422	14,743	15,080
599 Police Tax Admin	3,300	2,537	3,300	3,300	3,300	3,300	3,300	3,300
Total Police Expenses	332,214	139,144	334,739	340,519	349,032	357,758	366,702	375,870

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
Park & Rec								
642 Community Center Utili	5,616	3,047	5,616	5,784	5,958	6,137	6,321	6,510
643 Janitorial Supplies	800	896	896	922	951	979	1,008	1,038
646 Com Center Repairs	3,000	2,726	3,000	3,000	3,000	3,000	3,000	3,000
662 Annex Utilities	0	0	0	0	0	0	0	0
668 Annex Repairs	0	0	0	0	0	0	0	0
668 Misc Annex Exp	0	0	0	0	0	0	0	0
670 Gardening Supplies	0	0	0	0	0	0	0	0
672 Kens Park O&M	79,524	24,488	79,524	81,910	84,367	86,898	89,505	92,190
674 Park Construct Exp	0	0	0	0	0	0	0	0
678 Misc Park Exp	0	170	170	170	170	170	170	170
Total Park & Rec Exps	88,940	31,327	89,206	91,786	94,446	97,184	100,004	102,908
District Administration								
810 Computer Maintenance	24,288	16,118	24,288	25,017	25,767	26,540	27,336	28,156
820 Copier Expenses	5,700	3,401	5,700	5,871	6,047	6,229	6,415	6,608
830 Legal District/Personnel	150,000	70,584	150,000	125,000	150,000	125,000	125,000	125,000
835 Consulting	7,500	0	0	3,000	0	3,000	0	3,000
840 Accounting	35,750	4,144	35,750	36,823	37,927	39,065	40,237	41,444
850 Insurance	30,000	29,531	29,531	30,417	31,329	32,269	33,237	34,234
860 Election Expenses	10,000	8,608	8,608	0	9,000	0	10,000	0
865 Public Safety Build Lease	1	1	1	1	1	35,000	36,050	37,132
870 County Expenditures	22,300	9,222	22,300	22,969	23,658	24,368	25,098	25,852
890 Waste/Recycle	118,600	35,389	36,889	25,000	1,000	1,000	1,000	1,000
898 Misc District Expenses	12,300	5,952	9,370	11,500	11,500	11,500	11,500	11,500
Total District Expenses	416,439	182,950	322,437	285,598	296,229	303,971	315,873	313,926
Sub-Total	2,924,449	1,508,528	2,801,810	2,821,377	2,902,927	2,968,916	2,932,621	2,989,806
Capital Exp	0							
Patrol Vehicle	46,000	29,308	44,988		46,000		46,000	
Community Center Remo	0	0	7,100			241,500		
Total Exp	2,970,449	1,537,836	2,853,898	2,821,377	2,948,927	3,210,416	2,978,621	2,989,806

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Kensington Police Protection Community Services District
 Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

Budget Year	Budg 14/15	YTD 14/15	Proj 14/15	15/16	16/17	17/18	18/19	19/20
Total Projected Rev	2,801,563	2,774,560	2,962,934	2,953,064	2,998,359	3,177,339	3,066,773	3,114,934
Total Exp	-2,970,449	-1,537,836	-2,853,898	-2,821,377	-2,948,927	-3,210,416	-2,978,621	-2,989,806
Proj Surplus-Shortfall	-168,886	1,236,724	109,036	131,687	49,432	-33,077	88,152	125,128
Beg Cash Reserves	1,383,764		1,383,764	1,470,738	1,602,425	1,651,857	1,618,780	1,706,932
Proj Surplus-Shortfall	-168,886		86,974	131,687	49,432	-33,077	88,152	125,128
Ending Cash Reserves	1,214,878		1,470,738	1,602,425	1,651,857	1,618,780	1,706,932	1,832,060

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Kensington Police Protection Community Services District
Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

F/N # Footnotes

- 401 Property Tax revenue increased by 2% each year following 9% increase 2013/14
- 402 There is no CPI built in to this tax
- 404 Measure G revenue increased by a CPI of 2.5% each year/ Increases (Up to CPI) are set by Board each year
- 410 Fees charged for reports and vehicle releases
- 415 COPS grant funding cannot be included in yearly budgets
- 416 Interest earned in LAIF
- 418 Revenue received from traffic/ parking enforcement with a CPI increase of 2.5%
- 419 Workers Comp reimbursement occurs only when officer(s) injured on duty
- 424 Revenue increased by CPI of 2.5%
- 427 Revenue will drop during remodel year but increase once rental fees are increased so estimates should balance out
- 438 If \$241,500 is used for Center remodel in 2017, then \$158,000 can be received from EBRPD Measure WW Grant
- 448 Franchise fee increase to 7% but 3% to County/ Contract calls for minimum 3% (to CPI of 5%) increase in BV fees
- 458 West Contra Costa Co Unified School District Grant Contract to 2017/ Unknown if it will continue
- 459 No Ca Comptuer Crimes Task Force reimbursement for 1/2 Sgt. Hui's salary second 1/2 FY

- 502 **Costs do not include any increases for COP/ No increases for POA**
- 502 No salary increases, just step increases/ By 2018 all personnel at top step
- 504 Cash outs lower than expected/ 4% increase per year estimated
- 506 Overtime should be at budget projections/ Can control OT some costs
- 516 As per MOU
- 518 As per MOU
- 521F Active medical costs 5% lower than budgeted
- 521F Retiree medical costs 6% higher than budgeted
- 521F ARC \$193,906-\$143,728= new 521T of \$50,178
- 522 As per MOU
- 523 Salary x 1.45%
- 527 PERS moves to new costs schedule
- 528 With no new MOU, officers portion 9% still paid by District

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Kensington Police Protection Community Services District
Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

F/N

- 508 Budgeted salary adjustment did not occur until Jan 2015/ With salary adjustment, should be no increases next 5 yrs
- 524 Salary x 7.65%
- 601 Budgeted salary adjustment did not occur until Jan 2015
- 602 As budgeted under contract
- 623 Salary x 7.65% (May be picked up in #524)

- 530 SDRMA est annual discounted fee of \$41,245 less \$3,273 discounts= \$37,972 (Could have year end adjustments)
- 530 Increased at 3% CPI with no discount taken

- 552 Over budget \$830 flashlights & \$500 safety vests (Received \$1,000 grant to reimburse), \$1,800 radar -1 time purchase
- 553 Range fee \$250 x4, ammo \$2,000 a year for qualifying
- 560 Past increases have ranged between 2.5% and 4.5%/ Used 3% for budget/ This expense reimbursed by WCCUSD 3yr
- 562 Budgeted 7,000 gal at \$4.30 before gas prices went down to \$3.50
- 564 Contract with RPD expired 6/2014/ Past contracts called for 10% projected increases but have been at 9% (\$125,400)
- 566 Current lease contract w/Motorola expires 2016, expense could change depending on action taken
- 568 \$3,250 fee for lab work for sexual assault case
- 570 \$5,000 reimbursement per MOU/ \$5,000 for training (Some reimbursements by POST when available)
- 572 Expect to complete process for 1 reserve this fiscal year/ budget for 2 each year
- 574 Expect to complete process for 1 reserve this fiscal year/ budget for 2 each year
- 576 Association dues and CPOA per MOU
- 580 Budgeted for \$747 average/ YTD \$816 average
- 581 \$625 1 time expense for garbage disposal
- 582 Can control costs of this item
- 588 Adjusted 3% CPI each year
- 590 Custodial contract \$2,520/ all other costs controllable
- 592 Lexipol \$1,950 year/ \$600 Co Co Times
- 594 \$7,500 for website re-design
- 596 WestNET contract \$8,000 (WestNET may dissolve July 2015)/ CALID increases 5% each year
- 599 Contract w/NBS

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Kensington Police Protection Community Services District
Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

F/N

- 642 Increase CPI of 3%
- 643 Increase CPI of 3%
- 646 With remodel in 2017, costs of repairs should decrease
- 662 Note: Annez utilities may be currently expensed to 672
- 668
- 668
- 670
- 672 Increase CPI of 3%
- 674
- 678 Membership CA Park & Rec Soc

- 810 Increase CPI of 3%
- 820
- 830 Legal costs should decrease when Writ litigation is completed/ Increase in 16/17 for Center remodel prep
- 835 Note: Website design was expensed to 594/ CERBT Actuarial Report due every 2 years
- 840 Increase CPI of 3%
- 850 Increase CPI of 3%
- 860 KPPCSD Board elections every 2 years
- 865 3 Yr agreement for no rent w/KFPD/ Future cost est with CPI increase of 3%
- 870 Increase CPI of 3%
- 890 Below budget due to new contract w/No chg public cans/ No RFP/ Est \$25,000 legal fees for new contract w/County
- 898 LAFCO \$1,200/Sem Directors \$2,000/CSDA-CCSDA Mem \$5,300/CSDA Confer \$3,000/ Gov Days \$500 cancelled

- Patrol vehicle \$29,308 with \$500 discount plus \$15,680 equipment
- Engineer's Structural Analysis was not budgeted for in 14/15 Budget/ Could be expensed to Building Reserve Acct

Kensington Police Protection Community Services District
Five (5) Year Budget Projection with No New KPOA MOU January 29, 2015

F/N

No increases in COP salary in calculations
FY14/15 \$81,000 saved as result of no RFP for garbage service/\$11,500 saved in 508/ \$36,000 saved in 502 (NCCCTF)/
\$42,000 Workers Comp reimbursement not budgeted/expected
FY15/16 Franchise fees double from 2% to 4%/
No vehicle purchases FY15/16, 17/18, 19/20 saving \$46,000 each year
FY17/18 shortfall due to Center remodel at \$241,500-\$158,000 WW Grant= \$83,500/ 527 PERS contribution at peak

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Board Members: Gail Feldman Paula Black
Kristine Hafner John Sullivan

Dear Kensington Property Owner,

The financial impact of a newly proposed Memorandum of Understanding (MOU) negotiated between the Kensington Police Protection and Community Service District (KPPCSD) and the Kensington Police Officers' Association will have long term financial consequences for the District and Property Owners. If approved on February 12th, this new MOU sets police salaries and benefits for the next four years.

The Board of the Kensington Property Owners Association (KPOA), with the assistance of other community professionals, analyzed the current financial condition of the District. The analysis, conducted in the wake of two years of operating deficits, evaluates the impact of additional costs on the District budget and ultimately on property owners, who are the sole support of the police budget through our taxes. To underscore this support, the cost of policing Kensington requires over 80% of District funds.

Background on Police MOU

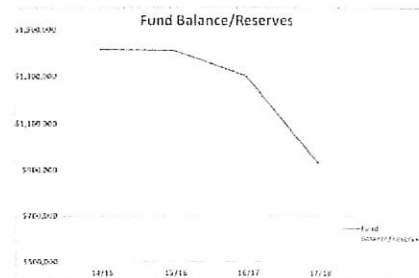
The proposed MOU, which was given its first public review at the November KPPCSD Board meeting, requires police officers to pick up 12% of their pension costs over the four-year agreement. This is a change from the current contract in which the District pays all pension costs, and will reduce the District's pension expenses by \$124,000 over four years. The new pension provision complies with the Public Employees Pension Reform Act, which requires employees to contribute to pension costs. Over the same period, Kensington police officers will receive a 16% salary increase. The District projects that by the fourth year, the MOU will increase annual police salary and benefit expenses by \$233,500.

At the November KPPCSD meeting, many Kensington residents expressed their view that (1) the MOU should be evaluated in the context of its impact on the District budget and finances, (2) the KPPCSD Board needs to identify how the additional expenses can be paid, and (3) the public, and the newly elected Board members, should be given adequate time to evaluate the contract terms and budgetary impacts before a final vote is taken. The KPOA believes that all parties, including taxpayers, must have an opportunity to evaluate the MOU's impact on the long-term financial condition of the District, including the likelihood that taxes would need to be raised in the near future.

KPOA Submits Financial Analysis to KPPCSD

In December, KPOA presented a letter to the KPPCSD Board analyzing the projected impact of the proposed MOU (included in the board's agenda packet for 12/11/14- www.kensingtoncalifornia.org). Based on data provided by District staff, the County Auditor/Controller and the Actuary at the California Pension System (CalPERS) and other research, KPOA found that the District's financial forecast did not use updated pension rates, and that the cost of the MOU would result in annual operating shortfalls over several years. These shortfalls would continue to reduce the District's reserves, impacting its capacity to provide for emergencies, obligated retiree health benefits and other obligations, including improvements to the Community Center.

KPOA urged the board to develop a plan to *address the deficit spending and impact to reserves before* approving the new MOU. We also suggested incorporating a provision in the MOU requiring that the agreement be renegotiated if shortfalls continue to chip away at reserves.¹



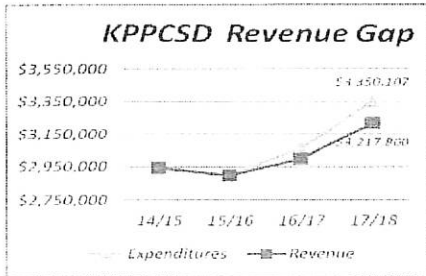
¹ The fund balance & reserves are projected to decrease by \$488,170 over four years, of which \$241,500 is for Community Center Repairs.

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At its December meeting, the KPPCSD Board postponed its vote on the MOU until February 12th so that accurate financial information could be made available for review by the Finance Committee at its January 29th meeting.

Following a meeting with the District General Manager/Police Chief to discuss new property tax information from the County, KPOA updated our financial forecast (attached), and it continues to show

that if the MOU is approved, spending may exceed revenue as early as FY 2015/16. By the end of the MOU in FY 2017/18, we project an annual operating deficit of over \$132,000.



Call for Action

In the near future, the District will consider further community input on police service in Kensington. Exploration of options with professional experts and jurisdictions that are addressing the high costs of police operations will be an important part of this process.

In the short term, the KPOA Board believes the following issues need to be addressed prior to action on the MOU on February 12th:

1. The MOU should be amended with a provision requiring the agreement to be reopened if District expenses exceed annual revenue.
2. The KPPCSD should adopt a resolution to improve financial transparency and accountability through availability of timely financial information which would include the following actions to be implemented no later than March 31st:
 - a. Quarterly five-year financial forecasts in a standardized format that projects the operating shortfall or surplus and the impact to fund balance and reserves.
 - b. Approve a reserve policy that identifies restricted funds and those designated for specific purposes. Segregate restricted funds and liabilities from the general revenue balances, which are used for operations, including solid waste franchise fees.
 - c. Complete the independent annual audits within six months after the close of the fiscal year for timely and accurate information for the public.

If you would like to share your concerns about these issues with the KPPCSD board, we urge you to contact members of the KPPCSD board by email or through the office at 217 Arlington Ave. 94707:

Please don't hesitate to copy your comments or ask questions to the KPOA at our email or postal address below. Best wishes for the New Year.

Sincerely,

Gail Feldman, President KPOA

Kensington Property Owners Association 289 Arlington Ave. Kensington, CA 94707
 Email: KPOAssoc@gmail.com

The Kensington Property Owners Association is a nonprofit membership organization founded in 1972 that reviews and disseminates information on issues affecting Kensington property owners.

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KPPCSD Financial Forecast
Salary and Benefits Expenditure (Est)

Code	Budget Year	14/15	15/16	16/17	17/18	18/19	19/20
502	Salary	\$1,017,770	\$1,055,936	\$1,100,814	\$1,147,598	\$1,182,026	\$1,217,487
504	Vacation/Comp	\$8,800	\$9,130	\$9,518	\$9,923	\$10,221	\$10,528
506	Overtime	\$45,000	\$46,688	\$48,672	\$50,741	\$52,263	\$53,831
508	Salary/Non-Sworn	\$81,900	\$84,971	\$88,582	\$92,347	\$95,117	\$97,971
	Subtotal	\$1,153,470	\$1,196,725	\$1,247,586	\$1,300,609	\$1,339,627	\$1,379,817
524	Social Security (6.2%/Non-Sworn)	\$5,078	\$6,500	\$6,777	\$7,065	\$7,276	\$7,495
516	Uniform Allowance	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
518	Safety Equipment	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
521A	Medical Insurance - Active	\$190,306	\$199,821	\$209,812	\$220,303	\$231,318	\$242,884
521R	Medical Insurance - Retired	\$135,748	\$142,535	\$149,662	\$157,145	\$165,003	\$173,253
521T	Medical Insurance - Trust	\$58,058	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
	Subtotal	\$399,690	\$409,357	\$426,752	\$445,013	\$464,097	\$484,132
527	P.E.R.S.(Pension)- District	\$393,093	\$400,344	\$445,238	\$480,448	\$406,747	\$439,270
528	P.E.R.S.(Pension)- Officers Portion	\$61,066	\$31,678	\$0	(\$4,428)	(\$5,461)	(\$6,525)
523	Medicare 1.45% (District)	\$16,308	\$17,469	\$18,206	\$18,975	\$19,541	\$20,123
522	Disab. & Life Insurance	\$5,240	\$5,502	\$5,777	\$6,066	\$6,369	\$6,688
530	Workers Compensation	\$50,000	\$51,250	\$52,531	\$53,845	\$55,191	\$56,570
	Subtotal	\$525,707	\$506,243	\$521,752	\$524,906	\$452,387	\$485,126
601	Park & Recreation	\$7,800	\$8,093	\$8,437	\$8,796	\$9,060	\$9,332
602	Custodian	\$22,750	\$23,603	\$24,606	\$25,652	\$26,422	\$27,215
623	Social Security / 7.65% (District Match)	\$597	\$619	\$645	\$673	\$693	\$714
	Subtotal	\$31,147	\$32,315	\$33,688	\$35,121	\$36,175	\$37,261
	Total Salary & Benefits	\$2,110,014	\$2,144,640	\$2,229,777	\$2,305,650	\$2,292,286	\$2,387,336
Estimated Operating Expenditures							
	Budget Year	14/15	15/16	16/17	17/18	18/19	19/20
Growth	Salary & Benefits	\$2,110,014	\$2,144,640	\$2,229,777	\$2,305,650	\$2,292,286	\$2,387,336
	Police	\$332,213	\$340,519	\$349,032	\$357,758	\$366,702	\$375,870
	Recreation	\$88,940	\$91,164	\$93,443	\$95,779	\$98,173	\$100,627
	District Admin	\$337,439	\$327,000	\$340,898	\$349,420	\$358,156	\$367,110
	Total Operating Expenditures	\$2,868,606	\$2,903,323	\$3,013,150	\$3,108,607	\$3,115,317	\$3,230,943
***	Expenditures from Capital Reserve	\$62,250	\$0	\$46,000	\$287,500	\$46,000	\$46,000
	Less saving from fewer vehicle purchases				(\$46,000)		(\$46,000)
	Total Expenditures	\$2,930,856	\$2,903,323	\$3,059,150	\$3,350,107	\$3,161,317	\$3,230,943

From CALPERS Annual Valuation Report letter dated Oct 14, 2014
Negative figures shows Officer pension pick up of District PERS cost.

Assumes District increase all staff salaries by MOU COLAS

FY 15 Reduced by \$79,000 for garbage service RRP not done

FY 17/18 Includes Community Center repair expense

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KPPCSD Financial Forecast

Operating	14/15	15/16	16/17	17/18	18/19	19/20
REVENUES (Estimated)						
Property Taxes	\$1,441,723	\$1,477,766	\$1,514,710	\$1,552,578	\$1,591,392	\$1,631,177
Homeowners Tax	\$12,500	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
Special Tax	\$681,690	\$681,690	\$681,690	\$681,690	\$681,690	\$681,690
Measure G Supplemental Tax	\$501,949	\$514,498	\$527,360	\$540,544	\$554,058	\$567,909
COPS Grant Revenue	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Other Police Revenue	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Park O&M Assessment	\$33,000	\$33,825	\$34,671	\$35,537	\$36,426	\$37,336
Community Center Revenue	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Other Park / Rec Revenue	\$600	\$600	\$600	\$600	\$600	\$600
Other District Revenue	\$350	\$350	\$350	\$350	\$350	\$350
Officer Reimbursement	\$36,000					
WCCUSD contribution	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Total Revenues	\$2,884,812	\$2,898,729	\$2,949,381	\$2,976,300	\$3,029,516	\$3,084,063
Beg Cash Carryover	\$1,461,059	\$1,415,015	\$1,410,421	\$1,300,652	\$926,845	\$795,043
Total Operating Funds Available	\$4,345,871	\$4,313,744	\$4,359,802	\$4,276,951	\$3,956,361	\$3,879,106

Increases at property tax rate from County
Per the County Auditor
Escalates at CPI 2.5%
Must be used for specific police purposes
Escalates at CPI 2.5%

For Officer Hit training and work in Sacramento
This is projected amount; may be less depending on charges by District

Unaudited beginning cash; FY 14/15 number from District

Revenue / Expenditure Summary	14/15	15/16	16/17	17/18	18/19	19/20
Budget Year						
Planned Use of Reserves (+)	\$62,250	\$46,000	\$46,000	\$241,500	\$46,000	\$46,000
Total Revenues (+)	\$2,884,812	\$2,898,729	\$2,949,381	\$2,976,300	\$3,029,516	\$3,084,063
Total Revenues & Reserves	\$2,947,062	\$2,898,729	\$2,995,381	\$3,217,800	\$3,075,516	\$3,084,063
Total Expenditures (-)	\$2,930,856	\$2,903,323	\$3,059,150	\$3,350,107	\$3,161,317	\$3,230,943
Budgeted Operations Surplus / (Deficit)	\$16,206	(\$4,594)	(\$63,769)	(\$132,307)	(\$85,801)	(\$146,880)
Total Expenditures	\$2,930,856	\$2,903,323	\$3,059,150	\$3,350,107	\$3,161,317	\$3,230,943
Total Operating Funds Available	\$4,345,871	\$4,313,744	\$4,359,802	\$4,276,951	\$3,956,361	\$3,879,106
Total Fund Balance Available for carryover	\$1,415,015	\$1,410,421	\$1,300,652	\$926,845	\$795,043	\$648,163
Less Reserve for Payouts	\$80,000	\$83,000	\$86,528	\$90,205	\$92,911	\$95,698
Less Reserve for Contingency	\$293,086	\$290,332	\$305,915	\$335,011	\$316,132	\$323,094
Ending Funds Available after Contingency/Payo	\$1,041,929	\$1,037,088	\$908,209	\$501,629	\$386,001	\$229,371

FY 17/18 assumes using reserves for Community Center repair expense

Includes Planned Use of Reserves for Capital Improvements & Vehicle purchases

Compensated Absences for vacation/comp escalated at MOU salary increases
Set at 10% of expenditures, as required by law.

Restricted Funds	14/15	15/16	16/17	17/18	18/19	19/20
Solid Waste Franchise Fees	\$21,000	\$42,000	\$43,050	\$44,126	\$45,229	\$46,350

Franchise Fees are restricted funds; moved from available operating funds

Assumptions

Property Tax increase	9%	2.50%	2.50%	2.50%	2.50%	2.50%
CPI increase		2.50%	2.50%	2.50%	2.50%	2.50%
Medical costs increase		5.00%	5.00%	5.00%	5.00%	5.00%
Salary increase	3.75%	3.75%	4.25%	4.25%	3.00%	3.00%

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January 21, 2015

Kensington Finance Committee
Attn: Len Welsh

At the November KPPCSD Board meeting you suggested that a discussion of KPPCSD's reserve policy be brought up at the next Finance Committee meeting scheduled for January 29, 2015. I have done some research on this matter and would like to share my thoughts with you and members of the Committee.

Purpose of a Reserves Policy and Recommended Amounts

The purpose of having a reserve policy is to retain sufficient cash on hand to meet day-to-day cash flow needs, unplanned contingencies (e.g. lawsuits), catastrophic events (e.g. earthquakes) and, in some cases, to build funds for capital improvement projects. Most communities have adopted specified targets based on a percent of annual expenditures or revenues, or using a number of months as the criteria. Kensington assumes 10% of expenditures because we are told that this is mandated by the State (I have not found this requirement).

Other sources suggest these reserves should be much higher. At a January 2014 meeting of the California Special Districts Association (CSDA), and attended by Lynn Wolter, there was a presentation by CPA David Becker entitled "Board's Role in Finance and Fiscal Accountability". Mr. Becker's recommended that 3 months (25%) of operating expenses was a bare minimum, 6 months (50%) was better, and 9-12 months (75% to 100%) was best. The Government Finance Officers Association (GFOA) recommends a minimum unassigned (excluding restricted funds like franchise fees) fund balance of at least 2 months revenues, or 17%.

Some other nearby communities describe their reserve policies as part of their annual budget. The following are the reserves requirements for these communities: Lafayette – 60%; Orinda (50%); Clayton (50%); Danville (43%); and Brentwood 30%.

Component of General Fund Revenues/Expenditures

The KPPCSD has three main areas of responsibility; police, Kensington Park and solid waste refuse. Historically, about 90% of General Fund expenditures are spent on police related activities and 10% on Kensington Park. Refuse collection is billed separately to homeowners, however 4% of total Bay View revenues are reimbursed to the District.

Restricted Funds - Proposition 218 specifically states that revenues received from the Bay View 4% franchise fee may only be used for uses related to solid waste collection. The District has maintained that these revenues will be held for future Bay View contract negotiations and/or litigation. As such, these funds are restricted and cannot be used for costs associated with the police or for Park expenditures.

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Capital Improvement Projects (CIP) – While the police require periodic capital investments in cars, the largest capital expenditures (Cap Ex) facing the District is its obligation to maintain Kensington Park – particularly the Community Center (last remodeled in 1988), the Annex (vacant since 2006), and Building E (rebuilt in 2000 and leased and used exclusively by the KCC). With the defeat of Measure L, it is generally accepted that, at a bare minimum, the Community Center needs seismic and ADA upgrades, roof and possible drainage repairs, plus other amenities provided Cap Ex funds are available. There are no precise estimates of these costs, in part because a seismic study has never been undertaken. Nevertheless, the current 5-year budget forecast has set aside \$287,500 for Community Center upgrades. According to the Muller & Caulfield 3/8/2012 report, the Annex has some major issues, and a teardown would probably be the best solution. The costs of a teardown of this 1,772 square foot facility were not provided by Muller & Caulfield – but could certainly be over \$100,000. Building E appears to be in good condition, and thus no Cap Ex costs should be anticipated over the next 5 years for Building E.

The purpose of this background is to emphasize that no analysis has been done to determine the amount and timing of Cap Ex funds necessary to fulfill the District's obligations to maintain the buildings in Kensington Park. Until this is done, any budget projections are little better than guesstimates for these important expenditure obligations by the District.

Recommendation

The Finance Committee, whose mandate includes making recommendations on investment policies and long-range planning, needs to take the lead in recommending a realistic and coherent reserve policy, and should insist on immediate Board action to develop a long-range capital improvement program for Kensington Park. Based on my review of available information, I would propose the following be considered.

1. That the Finance Committee recommend that the Board maintain a mandatory minimum reserve equal to 3 months (25%) annual unassigned revenues – meaning that Bay View Franchise fees would be excluded from the calculation. A proposed sample policy language is contained at the end of this letter for possible inclusion in the District's Policy Manual.
2. That the Finance Committee recommend the Board adopt a policy that reserves of 6 months (50%) are desirable, but not mandatory, to build a positive funds balance for the expressed purpose of using reserve funds of between 25% and 50% of annual revenues for future Cap Ex projects in Kensington Park.
3. The Finance Committee should request the Board immediately authorize a seismic study in order to gauge the extent of seismic upgrades for the Community Center. The information from this study and an ADA analysis should be the basis for determining the District's minimal Cap Ex requirements for the Community Center over the next 5-years. An estimate should also be obtained for the

teardown of the Annex, which sum should be included in the 5-year budget forecast. These costs should be available for the Board's May meeting in order to finalize the budget for year 2015/16.

4. The Finance Committee should request that the Board require that a balanced budget be mandatory, and this obligation should be included in the Policy Manual.
5. Recent budget projections suggest that with the increased costs of the proposed police MOU, the District could be faced with on going budget shortfalls. Therefore, to maintain the balanced budget requirement recommended in #4 above and to build budget reserves recommended in #2 above, the Finance Committee should recommend to that Board that any approval of the MOU be conditioned upon the elimination of one police officer commencing in January 2016.

Jim Watt

Unassigned fund balance is typically the primary subject of a reserve policy. However, committed and assigned fund balance may also be thought of as part of a reserve policy as the governing board or management, respectively, has some control over the balances. Conversely, restricted fund balances or nonspendable fund balances are fundamentally constrained, making it unnecessary to place parameters on them through reserve policy in order to achieve prudent savings and expenditures of public resources.

It is recommended that every district establish policies regarding minimum fund balance and spending priorities in order to communicate to users the importance of a reserve for economic uncertainties, why it consists of amounts that are unassigned and that it is not available for spending.

Districts' policies should specify the order in which fund balances are spent when more than one amount is available for a specific purpose. Where such policies do not exist, GASB 54 prescribes that the default order in which these amounts should be spent is committed, assigned, and then unassigned.



Sample Policy Language

The "X" district maintains a minimum unassigned fund balance of not less than "X" percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The district believes a reserve of this level is prudent to maintain a high bond rating and to protect the district from the effects of fluctuations in property tax revenues to which special districts are vulnerable. Because amounts in the nonspendable, restricted, committed and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.



GASB 54

According to the Governmental Accounting Standards Board, statement No. 54 was issued after, "...research revealed that the existing standards guiding fund balance reporting were being interpreted inconsistently by different governments. Consequently, the fund balance information reported by many governments also was inconsistent. It also became clear that the understandability of fund balance information was affected and that financial statement users were unable to readily interpret reported fund balance information."

(GASB) fact sheet about Fund Balance Reporting and Governmental Fund Type Definitions

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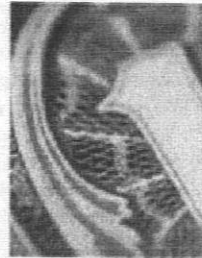
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GASB fact sheet about Fund Balance Reporting and Governmental Fund Type Definitions

KPPCSD Finance Committee Meeting Minutes for 1/29/15

A Regular Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Thursday, January 29, 2015, at 6:30 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

ATTENDEES

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Len Welsh, President	Deborah Russell, CPA
Chuck Toombs, Director	Leonard Schwartzburd
Paul Haxo	David Spath
Derek Suring	Gail Feldman
Bharat Trehan	Nick Day
Tony Lloyd	Anthony Gutierrez
Karl Kruger	John Sullivan
Paula Black	Peter Conrad
Jim Watt	
Paul Dorroh	
Elena Caruthers	
Gloria Morrison	
Linda Lipscomb	
Simon Brafman (arrived at 6:43 PM)	
<u>Staff Members</u>	
GM/COP Gregory Harman	
Lynn Wolter, District Administrator	
<u>Press</u>	
Joel Koosed, Outlook	

Board President Welsh called the meeting to order at 6:30 PM and took roll call. President Welsh, Director Toombs, Paul Haxo, Derek Suring, Bharat Trehan, Tony Lloyd, Karl Kruger, Paula Black, Jim Watt, Paul Dorroh, Elena Caruthers, Gloria Morrison, Linda Lipscomb, General Manager/Chief of Police Harman, CPA Deborah Russell, and District Administrator Wolter were present. Pat McLaughlin was absent.

President Welsh asked members of the committee, staff, and CPA Russell to introduce themselves, which they did.

President Welsh provided an overview of what the evening's meeting was intended to ascertain: the impact of the proposed 4-year Memorandum of Understanding (MOU) with the Kensington Police Officers Association on the District's budget. He said issues had been about this topic at prior District Board

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meetings and that Gail Feldman and Jim Watt had brought additional information to the fore. He reported that the Draft Audit for Fiscal-Year 2013 had arrived and that he'd like to move this, Item 4, to be discussed ahead of Item 1.

PUBLIC COMMENTS

Gloria Morrison noted that, in the November General Manager's Report, a number of items were listed as adjustments or possible adjustments to the budget and asked if any had been formally adopted by the Board. President Welsh responded that there had been discussion, but nothing had been adopted.

BOARD MEMBER COMMENTS

Director Toombs welcomed everyone and said he hoped the committee could come to consensus and take something back to the Board. He explained that the Finance Committee was advisory only and made recommendations to the Board. However, it was the Board that would make decisions.

President Welsh said he was impressed by the caliber of the people present and complimented the homework that had been done in the preceding months.

STAFF COMMENTS

None

CONSENT CALENDAR

Karl Kruger asked that the minutes of the November 20, 2014 Finance Committee Meeting be amended. He asked that his comment under Agenda Item 3 be expanded to read as follows:

Karl Kruger complimented GM/COP Harman's six-year projection and said he had concerns about some of the items presented by GM/COP Harman.

Note: Mr. Kruger's amendment is italicized.

**MOTION: Paul Haxo moved, and Director Toombs seconded, to approve the minutes, as amended by Karl Kruger.
Motion passed 13 to 0.**

AYES: Welsh, Toombs, Haxo, Suring, Trehan, Lloyd, Kruger, Black, Watt, Dorroh, Caruthers, Morrison, Lipscomb

NOES: 0

ABSENT: McLaughlin

Simon Brafman arrived at 6:44 P.M.

DISTRICT NEW BUSINESS

4. GM/COP Greg Harman presented the draft of the KPPCSD Independent Auditor's Report for Fiscal Year Ending 2013 for review and discussion.

GM/COP Harman explained that, after he had sent out the agenda for the meeting, he received the draft Audit. Therefore, he sent out a revised agenda, which included this document.

MOTION: Paul Haxo moved, and President Welsh seconded, that Item 4 be moved to the first item discussed.

Motion passed 14 to 0

AYES: Welsh, Toombs, Haxo, Suring, Trehan, Lloyd, Kruger, Black, Watt, Dorroh, Caruthers, Morrison, Lipscomb, Brafman

NOES: 0

ABSENT: McLaughlin

GM/COP Harman introduced the item by noting that this was the audit for 2012-13 and then summarized the history that explained why it had taken so long to receive the report. He explained that, last year and upon the recommendation of the Finance Committee, the District had changed auditors. He said that hiring a new auditor meant that the new auditor had to become familiar with the District. He said the audit had been promised in February 2014, and the process had been protracted, with the draft arriving on Monday, January 26, 2015.

GMCOP Harman reviewed the highlights of Management's Discussion and Analysis. He reported:

- The total net position for the years ended June 30, 2013 and 2012 were \$5,522,184 and \$5,719,149, respectively and that this was a 3.4% decrease.
- The Unrestricted net position, or the part that can be used to finance day-to-day operations (cash in the bank), for fiscal years ended June 30, 2013 and 2012 were \$1,649,755 and \$1,764,932, respectively.
- The General Fund balance decreased by \$104,922

GM/COP Harman explained this \$104,922 shortfall as follows:

- Property tax revenues, including special tax revenue for police services, for fiscal years ending June 30, 2013 and 2012 were \$2,333,542 and \$2,347,230, respectively. This was a 0.58% decrease.
- Actual revenues and actual expenditures versus budget equaled a negative variance of \$28,626.
- Actual revenues exceeded budgeted revenues by \$98,423, largely because the District had received \$100,000 more than budgeted in Grant Revenue.
- Actual expenditures were more than final budgeted expenditures by \$127,049 largely because of Legal and Waste/Recycle expenses which were over budget due to Bay View Refuse's arbitration demand in a rate increase request and to a Writ of Mandate filed by a former KPPCSD Director, representing nine residents, including another former KPPCSD Director.
- Two major expenditure categories that came in under budget were Capital Outlay (because there had been no purchase of a new vehicle or a computer system), communications, and recruiting.

GM/COP Harman reported that Total Reserves, as of June 30, 2013, were \$1,649,755.

GM/COP Harman concluded by saying that, once the FYE 2013 Audit was approved, the District would proceed with the FYE 2014 Audit.

Linda Lipscomb complimented GM/COP Harman and the Finance Committee for bringing expenses in so close to the amounts that had been budgeted, especially given the extraordinary expenses that arose. She also asked about the new auditor. GM/COP Harman replied that the name of the new firm was Fechter & Company, located in Sacramento. He added that compiling numbers for the first year' audit was more difficult than doing so for subsequent years and that the agreement with Fechter was for three years. CPA Russell noted that, in some ways, the new auditor had tested information from prior years.

Karl Kruger asked if a full audit was required annually. GM/COP Harman replied it was.

Karl Kruger noted that the compensated absences amount had increased by 20% between 2012 and 2013. GM/COP Harman responded that 10 years of historical data indicated that the 1300 hours had been the

average but that, with the proposed police officers' MOU, this amount could increase to 1900 hours. CPA Russell added that compensated absences could be taken as time or as money, but regardless, overtime was reported as an expense for the period in which it was earned.

Simon Brafman asked about the Bay View Refuse arbitration. Linda Lipscomb provided a brief summary, noting that Bay View had asked for out-of contract increases of 6% and 23%. GM/COP Harman added that had the District granted this increase the cost to the ratepayers would have been \$60,000. He said the legal costs for the arbitration had been \$125,000 and the subsequent required rate review had cost \$25,000. And he reported that the total offsetting savings to the ratepayers had been \$180,000.

Linda Lipscomb noted that, when an arbitration demand is made of the District, the District must respond.

CPA Russell noted that the order of the Fund Balances, as shown in Note 12, should be amended: "Restricted" funds should appear before "Committed" funds.

MOTION: Karl Kruger moved, and Paul Haxo seconded, that the Finance Committee pass the audit, as amended, on to the Board.

Motion passed 14 to 0

AYES: Welsh, Toombs, Haxo, Suring, Trehan, Lloyd, Kruger, Black, Watt, Dorroh, Caruthers, Morrison, Lipscomb, Braufman

NOES: 0

ABSENT: McLaughlin

1. General Manager/Chief of Police Greg Harman reviewed and lead the discussion of the Kensington Police Protection and Community Services District Fiscal Year 2014/15 through Fiscal Year 2019/20 Budget Projections, with the first set including the costs associated with the proposed Kensington Police Officers Association/KPPCSD Contract agreement and the second set with no change in the current MOU.

Paula Black questioned the process. President Welsh responded that he wanted to gain clarity about the proposed MOU's impact on the budget.

GM/COP Harman reported that the Board had been in negotiations with the Police Officers' Association for a long time and that both sides had worked hard to reach agreement. He said the proposed agreement had been presented, for the first time, to the Board and the community in November 2014 and that this had spawned community discussion. He said he wanted to correct the false rumor that had been circulated, which was that the District was "going broke".

GM/COP Harman reported that, at the November Finance Committee meeting he had presented a rough six-year projection that reflected a preliminary estimate of the proposed salary increases and pension costs. At that time, he used the current PERS rate of 38.623%. Unbeknownst to him in November, CalPERS revised its contribution methodology in October 2014, and his rough projections did not incorporate this revision.

GM/COP Harman reported that the projected shortfall, without COPS funding, would be \$268,000 and that, with COPS funding, the shortfall would be \$168,000. He reported that Sergeant Hui's participation in the NC3 Task Force would create an additional savings of \$36,000. GM/COP Harman reported that additional items had been identified that would reduce the shortfall to break-even. He reported that, in six years, reserves would be about \$900,000.

GM/COP Harman said that the prior projection of \$600,000 had been a very rough projection. He reported that the proposed raises were: a 3.75% increase in salary, with a 3% payback to CalPERS retirement in year one; a 3.75% increase, with an additional 3% payback in year two; and a 4.25% increase, with an additional 3% payback in year three. He said that, in three years, these proposed changes would eliminate the District's expense of covering the officers' 9% portion of PERS contribution. He also reported that, at the

end of the proposed four year MOU, the officers' cumulative salary increase would be 16%, with 12% of the increase being paid back into PERS contributions.

GM/COP Harman reported that, with respect to the other line items in the budget, he had applied a 2½% CPI for each year.

GM/COP Harman said that, at the same time that he had prepared his rough projection, the Kensington Property Owners Association (KPOA) had produced its own set of numbers, which varied greatly from his own projections because the KPOA had used a different set of assumptions. And, based on these assumptions, the KPOA said that reserves would be \$16,000 at the end of the six-year period. GM/COP Harman reported that, after receiving KPOA's numbers, he went to the Board and let them know that he would do a five-year projection, on a line-by-line basis. He reported that the numbers he had compiled for the evening's meeting reflected this work.

GM/COP reported that he and KPOA had met to discuss their differences and that they were supposed to work together on a projection. Then, in January, the KPOA, independent of the GM/COP, produced a revised set of numbers that showed reserves would be \$384,000 at the end of six years. He reported that he had produced his own updated projection, that the KPOA still had different numbers, and that those differences would be discussed at the evening's meeting.

The District's CPA, Deborah Russell, reported that she had reviewed the KPOA's version and the District's version, on a line-by-line basis. She noted that there were some differences in calculations and some items that were idealistically different. President Welsh and Ms. Russell recommended that the committee begin by focusing on the budget lines where the two versions varied most. GM/COP Harman reported that a fundamental difference was with the accounting for reserves and that, upon a review of the "big ticket" items he and Ms. Russell had accounted for all but about \$1,400 of the total difference.

Ms. Russell reported that the KPOA had not included franchise fee income because the organization was of the opinion this money should not be included, however this amount had been included in the GM/COP's forecast. She reported that KPOA had included the solid waste expenses that are to be paid out of the franchise fee revenue and cited that this difference amounted to \$290,000.

GM/COP Harman explained that the forecast he and Ms. Russell had prepared reflected the effect the proposed MOU would have on the District's finances over six fiscal years: as such, the effects of the proposed salary increases were incorporated for the first four-year period; and no increases were shown for the subsequent two years because no salaries had been negotiated for this period of time. He noted that this change accounted for a \$104,000 difference between this forecast and the Property Owners' Association's forecast.

GM/COP Harman summarized the franchise fees, which would increase under the recently re-negotiated contract with Bay View Refuse. He said that, under the old agreement, the District received a 2% franchise fee, and the County received a 3% franchise fee. He reported that the legal opinion about franchise fees was they could not be used for anything other than the purpose for which they were collected: Garbage-related expenses. He said that, over the years, the District had placed franchise fees in a separate account to be used strictly for garbage related expenses. He reported that, for many years, the District had been able to bank this money, but in 2012 the garbage company had demanded arbitration. He said that, at one point, the District had accumulated about \$160,000 in the account but that this had been spent as a result of the arbitration.

GM/COP Harman further reported that, under the new agreement, the District would receive 4% in franchise fees and the County likely would continue to receive 3%. He said that this would increase total franchise fees from about \$21,000 to about \$42,000 and that, as garbage rates increased (between 3% and 5%) over the term of the contract, so too would the franchise fees. He also said that, if the expenses associated with solid waste were going to appear in the operating budget, so too did the offsetting franchise fee revenue. Ms. Russell clarified that the franchise fee revenue account number was 448 and the offsetting

expense account number was 890. GM/COP Harman clarified that the franchise fees would be banked to cover the cost of maintaining the garbage contract and of future RFP's/negotiations.

Paula Black said she thought the franchise fees should not be included in reserves, citing that franchise fees are shown separately on the annual audit's balance sheet. Ms. Russell directed everyone's attention to page 20 of the FY 2013 Audited Financial Report. She said the balance sheet reported net position and then, beyond that, showed balances based on how restricted the funds were. She said the definitions of the reserve categories appeared on the following page: non-spendable, restricted, committed, assigned, and what remained afterwards was unassigned. She explained that these were levels of restriction and that franchise fees were categorized as restricted. In response to a question from Linda Lipscomb, Ms. Russell said that no payroll expenses had been paid for out of the franchise fees; the general fund had absorbed those costs. Ms. Lipscomb said she would like to see franchise fees cover the clerical costs associated with maintaining the solid waste contract.

Paul Dorroh said that, when he did a line-by-line comparison of the Chief's numbers and those of the KPOA, he thought the franchise fee discussion would occur. He said he had come across information indicating that attributable administrative expenses could be charged against the franchise fees; they didn't have to be just hard, out-of-pocket expenses. GM/COP Harman responded that, when he first started in his position, very little of his time had been devoted to solid waste but that, when arbitration had begun, almost all of his time had been dedicated to it.

Paula Black suggested that the reserves shown in the six-year projection be separated out, just as they were done in the audited financial report, so that the unassigned amount was clearly identified. Ms. Russell said she had no objection. Director Toombs noted that the annual budget reflected just such a separation.

Gloria Morrison said the Board should adopt a policy for restricted funds.

GM/COP Harman addressed something he had been told when he started working for Kensington: there was a mandated 10% reserve. He said this was not accurate. He clarified that any government agency could set its own contingency guidelines but that to set aside money for a specific purpose would require a public hearing, informing the public how much would be set aside and for what it would be used.

President Welsh invited KPOA President, Gail Feldman, to participate in the discussion. She said there weren't any real differences, only about \$50,000, which she said was due to the franchise fees. She said that, if solid waste expenses were to be included, then the franchise fee revenue also should be included. Ms. Feldman said that, because expenses were so much less than the franchise fee revenue, the revenue should be reported below the line because the revenue was not available for other purposes. Ms. Russell disagreed, noting that the net remaining franchise fees were segregated below the line. Ms. Russell noted that, in tough times, everything could be "on the table".

GM/COP Harman noted that the KPOA analysis did not incorporate the \$158,000 Measure WW Funds and that, several years earlier, the Board had set aside \$300,000 for improvements to the Community Center. He said the Board had used some of those funds in the prior year for various consultants related to Measure L. GM/COP Harman reported that the remaining balance was \$241,500. He said that, by 2018, the District would need to spend the \$158,000 Measure WW Funds, or they would be forfeited; so, he had forecast using the WW money (\$158,000) and the reserve balance (\$241,500) in 2017-18 for Community Center improvements. Ms. Feldman observed that, although the District's forecast included the \$158,000 plus \$241,500 as funds available for the project, it showed only \$241,000 of this total being spent. She cited that the \$158,000 needed to be included in the expense. GM/COP Harman acknowledged the difference.

Jim Watt said the budget needed to reflect the actual cost of the building. He said the forecast indicated an amount of about \$350,000, which he said might be woefully inadequate. He said the first thing that should be done was a seismic study. Director Toombs responded that one of the analyses done prior to Measure L had not taken into account paying expenses out of District money. He added that, if it had been needed, \$500,000 of local money could have been available and that, in addition, \$250,000 would have been needed in the form of a bank loan. He said there could be arguments about what the building could cost and

that, if push came to shove, and the building weren't sustainable and it proved to be seismically inadequate, it would have to be closed. He said he'd like to stick with the amounts shown in the forecast.

GM/COP Harman brought the discussion back to the whether the proposed MOU would bankrupt the District. He said it would not. He continued by responding to Mr. Watt's saying the feasibility would depend on what the cost of the Community Center work would be. He said a structural analysis had not been done, but that what a structural analysis said would affect what the needed cost of work would be. He said that, although he understood why Mr. Watt had raised the issue, the evening's discussion was about the proposed MOU and the forecast that had been prepared.

President Welsh noted that the community had been able to get by with the Community Center for a very long time, said a discussion about the building was important, and that the priority was the continuation of police services. He said there was some urgency in getting a structural analysis and then determining what the community wanted to do but that could be a five to ten year timeframe, during which time the community would determine how much it would cost and how to fund it. He said the priority of the building needed to be weighed against the priority of police services.

GM/COP Harman resumed the discussion of the differences between the District's and the KPOA's forecasts. He reiterated that the 3% salary increases that had been shown for the last two year's of the preliminary forecast had been removed from the District's current forecast, but it hadn't been removed from the KPOA's forecast, and he noted this accounted for a \$104,000 difference.

Ms. Feldman said some of the data used needed to be a policy matter for the Board, such as whether or not salary increases would be granted for staff, noting there were no increases for these in the forecast. And she noted that in the final two years, there was now an assumption the officers wouldn't receive an increase. She said that, although the ending balances looked better, there was still a downward trend.

GM/COP Harman spoke about the change to the Workers' Comp. amount. He explained that, when an officer went out on an injury, the District's Workers' Comp. insurance paid for half of that officer's salary. He said there was currently an officer out with an injury and the \$42,000 decrease in salaries reflected this. He said this officer's injury was an example of how the financial information changed almost daily. GM/COP Harman clarified that overtime was not being incurred to cover this officer's absence, instead things were being moved around. President Welsh cited this as an example of why it made sense to have reserve officers, money, and capability.

GM/COP Harman addressed the \$61,000 difference in non-sworn salaries. He said that the Property Owners' Association had projected cost of living increases for non-sworn and that, although he had included increases in his initial projection he had eliminated it in his amended forecast because one-time salary adjustments had been made for these positions during the current fiscal year.

Ms. Russell explained the \$242,000 difference, which was comprised of about \$40,000 per year in Account 890 (solid waste). She said this adjustment had been made because of the changed forecast for legal expenses associated with managing the garbage contract.

GM/COP Harman summarized that the KPOA projected fund balance, before the reserves, would be \$680,000 and that, with the assumptions previously discussed factored in, the projected fund balance before reserves would be \$1.5 million. He concluded by saying that, with the \$158,000 adjustment, the total would be slightly less. He said he disagreed with Ms. Feldman's conclusion that the District was in a downward trajectory. He said the current fiscal year's balance was \$1.4 million and that even after factoring in the proposed MOU, the forecast ending balance would be essentially the same at the end of six years.

President Welsh said the forecast demonstrated that there was not an emergency situation, as had been portrayed by some in the community. He said the forecast was a best-guess spending plan, that things changed frequently, and the Board would revisit the forecast to gauge the District's status. He said he didn't see anything in the forecast that would keep the District from moving forward with the proposed MOU. He added that, just because the District had a contract wouldn't lock it into nine officers on duty all the time; if

someone left, the position could be held open, resulting in salary savings. He said he didn't think the community would want this to happen, rather it wanted to keep the level of service it currently had – the community's low crime rate was a result of this.

President Welsh and Linda Lipscomb thanked GM/COP Harman and Ms. Russell.

President Welsh said that the District was in good shape to enter into the proposed MOU and that the District would continue to closely monitor its finances.

Paula Black and Jim Watt said they were concerned that the forecast didn't reflect the needs of the Community Center.

Members of the public commented.

Peter Conrad suggested there was a sense of urgency with respect to the Community Center. Director Toombs responded that had been the reason for Measure L and said the Board was working on obtaining a seismic analysis because public safety was paramount. Mr. Watt questioned whether the Board, if it discovered that \$800,000 were needed for work on the Community Center, would find that money, even if it had to dip into its reserves. President Welsh responded that the Board would determine how to proceed, once the seismic information was known, but that it would address urgent needs.

David Spath said he favored moving forward with the MOU and said that the community might conclude it didn't make sense to spend a lot of money renovating the Community Center. He said it was unrealistic to think the money needed for renovation would come out of existing District revenues. President Welsh responded that the Fire District was dealing with a similar issue with the Public Safety Building.

MOTION: Paul Dorroh moved, and Elena Caruthers seconded, that the Committee accept the General Manager's recommendations and recommend to the Board that it sees no fiscal impediment to approving the proposed MOU with the officers at this time, based on the information available. Motion passed 12 to 0, with two abstentions.

AYES: Welsh, Toombs, Haxo, Suring, Trehan, Lloyd, Kruger, Dorroh, Caruthers, Morrison, Lipscomb, Brafman **NOES:** **ABSENT:** **ABSTENTIONS:** Watt, Black

Ms. Black and Mr. Watt said they had abstained because the forecast didn't adequately address the funding needs for the Community Center.

2. Jim Watt presented for review and led the discussion of his recommendation of adopting a District financial reserve policy.

Jim Watt suggested that the Finance Committee should recommend that the Board should set aside 25% of 6 months of revenue in reserves and that the Board should have a balanced budget policy.

The meeting was adjourned at 9:20 PM.

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