KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

AGENDA

A Meeting of the Finance Committee of the Kensington Police Protection and Community Services District will be held **Wednesday, April 26, 2017, at 7:00 P.M.**, at the Kensington Community Center, 59 Arlington Avenue, Kensington, California.

Note: All proceedings of the Meeting will be audiotaped.

1. **Call to Order/Roll Call 7 P.M.**
2. **Public Comments**
3. **Correspondence** Page - 3
4. **Approval of Finance Committee Minutes**
    a. March 22, 2017, Page - 4
5. **Update from Rob Firmin regarding the development of his financial model.**
6. **Discussion with Adam Benson of Public Management Group regarding OPEB contribution in light of audit prepared by Nicolay Consulting, Inc. and anticipated expenses in the Fiscal Year 2017-18 Budget.** Page - 15
7. **Presentation of the Draft Budget of the Fiscal Year 2017-18. Committee will review, discuss and review line items in the Draft Budget.** Page - 45
8. **Steven Chang, of Lamorena & Chang CPA, will give a presentation of the final draft of the Independent Auditor's report year ended June 30, 2016.** Page - 129
9. **Update from IGM/COP Hull about the CAD/RMS Records services contract with the Albany Police Department.** Page - 167

ADJOURNMENT

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:

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.

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.

To: Rachelle Sherris-Watt, Chair, KPPCSD Finance Committee
From: Sylvia Hacaj, Chair, KPPCSD Park Planning & Recreation Committee
Date: April 20, 2017
Re: Funds for Youth Hut/Community Center Renovation in 2017-18 Budget

The members of the Park Planning and Recreation Committee urge the Finance Committee to continue to set aside funds for the long-overdue renovation of the Youth Hut/Community Center. By doing so you will demonstrate that addressing seismic strength and disability access deficiencies, and other required items to bring the building up to current codes, is a high priority. We respectfully request at least $200,000 be set aside in the 2017-18 fiscal year for this work.

Over the years, the Kensington Police Protection and Community Services Board (KPPCSD) has budgeted $368,000 for the renovation, including $150,000 last year, and secured a county grant of $158,000 that must be spent in 2018. We recognize that there are several important items which will impact our budget this year and in the future, and count the community center's renovation as one of them. It is critical that the budget continue to reflect the community's commitment to this vital asset.

As you know, the full KPPCSD Board has accepted our recommendation to engage Glass Associates for architectural and project management services. Through their work we will secure a solid estimate, and eventually hard numbers, for the cost of the project. From there, we can take the next steps to bring this project to fruition.

As a Senator and then Vice President, Joe Biden often said: "Don't tell me what you value. Show me your budget, and I'll tell you what you value."

The KPPCSD budget should reflect the importance of the Youth Hut/Community Center to the quality of Kensington's civic and community life, not to mention the regard in which we hold the lives of those who use it each and every day.

Thank you in advance for your thoughtful consideration of this request.

KPPCSD Finance Committee Meeting Minutes for 3/22/17

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Wednesday, March 22, 2017, at 7:00 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

ATTENDEES

Committee Members	Speakers/Presenters
Len Welsh, Director	Deborah Russell, CPA
Eileen Nottoli, Director	A. Stevens Delk
Rob Firmin	David Spath
Karl Kruger	Linda Spath
Jim Watt	
Paul Haxo	
Lori Trevino	
Staff Members	
Rickey Hull, Interim General Manager/Chief of Police (IGM/COP)	
Lynn Wolter, District Administrator	
Press	

Director Welsh called the meeting to order at 7:02 PM and took roll call. Director Welsh, Vice President Nottoli, Rob Firmin, Karl Kruger, Jim Watt, Paul Haxo, Laurie Trevino, IGM/COP Hull, and District Administrator Wolter were present. President Sherris-Watt and Jacqueline Berman were absent.

COMMITTEE MEMBER COMMENTS

Paul Haxo said that the budget was becoming a pressing issue and that, based on the calendar, he thought the Committee would need to have a meeting before the Board's second Regular Meeting in May, which meant the Committee would probably need to have a special meeting. Director Welsh responded that he would pass this onto President Sherris-Watt and said he agreed.

Paul Haxo asked about the status of the Public Safety Building. President Welsh responded that this was the "elephant in the room" and that the KPPCSD needed to know more about it because its price tag would likely be about $10 million. Director Welsh said he wanted this issue to be on the agenda for the next Committee meeting.

Jim Watt said that he'd attended the last Fire Board meeting and that Don Dommer had indicated that the Fire District would likely be prepared to make a presentation to the community in June. He said that the Fire District was looking at various options and that he had serious concerns about those options.

Jim Watt said he, too, was concerned about the budget because there were a lot of moving parts: It would probably be the most difficult budget in the three years he'd been looking at it. He said it concerned him that the Committee wasn't addressing the budget this evening. He noted that, unless the Committee scheduled a second meeting, it wouldn't address the budget until April and that there would be many things to discuss, with respect to the budget. He noted that the Committee would likely need to review the budget twice before recommending it to the Board so that the Board could then approve it in June. Director Welsh said he would work with President Sherris-Watt on this.

Jim Watt said that, when an item was placed on the agenda, whoever placed the item on the agenda should provide corresponding analysis about why, how, what other options might be available, the economics, etc. He said that, for someone to come to the meeting and provide only an oral presentation meant that Committee members would be learning about the matter for the first time. He added that it was unfair to put Committee members in this position; they needed to be able to come to meetings prepared. He said every city provided such information. He said he meant no disrespect to IGM/COP Hull, noting that the department was very short-handed. Director Welsh responded that he understood what Mr. Watt was saying: Mr. Watt was looking for an explanatory document that corresponded with each agenda item.

Jim Watt noted that, with respect to the proposed agreement with General Counsel, Ms. Danforth was only going to perform certain tasks. Director Welsh responded that this would be addressed when the item came up on the agenda.

Karl Kruger said he was concerned about the MOU with the officers and asked if there was a timeline to negotiate this with the District's officers. He added that he wanted to see the contract done in a timely way and noted that the District had about eight months to complete it. Director Welsh responded that this would be a good thing to raise at the next night's Board meeting.

Rob Firmin asked what the timing would be, with respect to the items mentioned by Mr. Watt. Director Welsh noted that he wanted the Public Safety Building on the next agenda.

A. Stevens Delk asked for the sound system to be turned on because she couldn't understand what people were saying. It was decided that the microphones would be distributed to Committee members and staff and that they would share them for the duration of the meeting.

David Spath said that, if the Committee was going to discuss the Public Safety Building, he would recommend that Don Dommer be invited to explain the options the Fire Board was considering.

APPROVAL OF MINUTES

MOTION: Karl Kruger moved, and Vice President Nottoli seconded, to approve the September 21, 2016 minutes.
Motion passed: 6 – 0, with one abstention.

(Lori Trevino abstained because she hadn't been present at the September 21, 2016 meeting.)

MOTION: Rob Firmin moved, and Paul Haxo seconded, to approve the February 22, 2017 minutes.
Motion passed unanimously.

NEW BUSINESS

4. The Committee heard details of the ongoing discussion for retention of dispatch, RMS, and records management services via contract with outside agencies. The Interim GM/COP explained options, facilitated discussion, and answered questions. The Committee considered suggesting a course of action for the Board, based on fiscal impact.

Director Welsh reported that this item had been placed on the agenda because the Board had already received a couple of reports on the item and because there was a timing issue with respect to the money. He said it was important for the Committee to understand that whatever decision was made would have fiscal impacts. He said there were two options on the table and there were differences in profiles and timing on the expenses for each. He said that, if IGM/COP Hull recommended one option over the other, the Committee could decide whether the fiscal impact would make sense.

IGM/COP Hull reported that he'd passed out a document so everyone could follow along. He said the options had been narrowed down to Albany and El Cerrito/Sheriff's Department. He said that the total costs had been "bolded" in the document and that the document provided three-year projections for each of the entities. He said he'd also shown the Albany option with a three-year amortized loan for the RIMS software. He noted that among the major considerations were cost and officer safety and that these had limited Kensington in being able to consider only adjacent communities' agencies. He added that Albany planned to use its software platform into the future but that El Cerrito was on a platform it planned not to continue using.

With respect to officer safety, IGM/COP Hull reported that the Albany and El Cerrito/Sheriff's Department options would be equal. But, as far as services were concerned, he said Albany was slightly ahead, and he cited records department, IT, and dispatch services. He said that both options had the ability to cover into Kensington, as needed but said that Albany would be slightly more expensive. He reported that, if Kensington were to go with El Cerrito and the Sheriff's Department, Kensington would have four contracts, and then would have to wait to see which new platform El Cerrito would select and follow suit.

IGM/COP Hull reported that the cost of going with El Cerrito in the first year would be $170,000, Kensington would maintain that platform for a couple of years, and would then have transfer to a new platform – as selected by El Cerrito, the cost of which was unknown. However, he said that the cost was estimated to be between $100,000 and $150,000, which would be in addition to the costs as known now.

IGM/COP Hull reported that, although the Albany costs would be greater, up front, Kensington would not need to incur the cost of going to a new platform in the future.

Therefore, IGM/COP Hull said he would recommend that the Board select the Albany option. He added that Kensington could wait to see which platform El Cerrito might select in the future or could remain with Albany and the RIMS platform.

Vice President Nottoli noted that the Sheriff's costs were related to the volume of calls to dispatch and that the Albany costs were based on having a dispatcher and that there might be flexibility with those negotiations. She asked if the $97,000 amount might be negotiable. IGM/COP Hull responded in the affirmative. He added that the Sheriff's Department's amount was based on calls for service volume (3,777 calls was the number that had been provided to the Sheriff's Department). He said that the estimated number of calls seemed low; therefore, the amount of $97,000 might also be low because Kensington had about 4,000 calls per year. He said the Albany price would be, for the most part, static, except for CPI and MOU adjustments for Albany's employees.

IGM/COP Hull said that, although Albany's price was higher, it was offering more services – up front and into the future.

Jim Watt asked if IGM/COP Hull had determined the length of the contract. IGM/COP Hull responded that this had not been established but would likely be two to three years. IGM/COP Hull said he'd had a meeting with Albany's Police Chief McQuistin that day and that the term would be negotiable. Director Welsh noted that these were estimates and that the Board would need to authorize IGM/COP Hull to negotiate a firm offer and that, hopefully, the KPPCSD had enough information to identify which option it should pursue.

Jim Watt addressed the manner in which the dispatch costs had been determined:

- The Sheriff's Department would take Kensington's service calls and add them to the service calls of all the other agencies to which they provided service. Kensington would represent less than 1% of total calls. He cited the many communities to which the Sheriff's Department provided service. He said he'd worked through some calculations, based on information from the County, and had determined that the $59,000 amount provided by the Sheriff's Department seemed about right. He said the Sheriff's Department would calculate it's costs, going forward, based on its costs divided by the total number of service calls of all the communities to which it provided service. Thus, he noted that, because Kensington represented such a small percentage, its costs probably wouldn't change much.
- Albany's cost of $97,000 would increase annually at the lesser of 4% or the CPI. He noted that Albany's costs would also increase based upon the increased cost for payroll and benefits increases. McQuistin's letter indicated that he was suspicious of the 3,777 calls number; thus, Mr. Watt thought there could be an increase in this amount, too. In sum, he said he thought the Albany amount could increase at a slightly faster rate, especially because Kensington and Albany would constitute a much smaller base.

With respect to the overall report, Mr. Watt said he wasn't in favor of the amortization schedule: KPPCSD had the money in its reserves, and he wasn't in favor of spreading the initial $139,000 purchase of the RIMS system over three years. Thus, he said he thought people should look at the first Albany option as opposed to the second one. He noted that the first-year costs for Albany were $246,000 and that each of the next two years' costs would be $104,000.

By comparison, Mr. Watt said that the El Cerrito/Sheriff's Department option had a first-year cost of $170,000, which included KPD needing to buy into the Sheriff's Department's Tiburon program, followed by $103,000 for each of the next two years. He said the big issue was the first-year amount: $80,000 more if Kensington selected the Albany option. He noted that, if Kensington selected the El Cerrito/Sheriff's Department option, Kensington would need to buy into the RIMs program in the future, which would obligate Kensington to this cost – some of which the El Cerrito Chief indicated El Cerrito would absorb: Thus, this cost would be about $100,000.

Mr. Watt concluded that the amount for each option was about the same. He said that, if Kensington selected the El Cerrito option, the bulk of the costs would be paid to the Sheriff's Department. He noted that El Cerrito's City Council had approved a contract with the Sheriff's Department the previous evening and that the two-year contract had a provision that either party could cancel with 90-days notice – something Mr. Watt said was a good thing. Mr. Watt said that, if Kensington were to start talking about outsourcing, it would not be wedded to a long-term obligation with Albany, along with its huge up-front costs. He noted that Kensington could extricate itself from Contra Costa County at will. Mr. Watt said he believed that the El Cerrito contract would provide the KPPCSD with more flexibility, lower up-front costs – particularly at a time when the District would be looking at some very large other cost increases: The Public Safety Building, a new GM, increased OPEB costs, and pension liabilities (for which he said he had suggestions). He asked why the District needed to add the large up-front cost associated with Albany.

Vice President Nottoli said that, if KPPCSD were to go with the Sheriff's, it would come with a $66,000 cost that would be wasted because of the software Kensington would need for the Sheriff's option. She clarified that, if Kensington then went with Albany later, the value of the $66,000 would be lost.

Mr. Watt said there were some other factors – politics always entered into things, and there were people who were very upset with the Sheriff for his stand… He said he hoped this wouldn't be a factor that would enter into these discussions.

Lori Trevino asked for clarification about whether Albany would provide a different level of service. IGM/COP Hull responded that this was correct: Albany was offering better service that would be in Kensington's better interests. IGM/COP Hull responded by citing an example: Earlier in the week a six-year-old child had gone missing from the park, and this call had taken all Kensington PD's resources, including himself, until the child had been located. He said that the El Cerrito records department had been open at the time; therefore, the on-duty officer had been able to use his cell phone to call into that records department to make the State-mandated CLETS entries. He said that, if this had occurred after hours and Kensington were under the Sheriff's contract, the Sheriff would only take care of dispatching – it did not want to provide any records department/CLETS services. IGM/COP Hull added that, an officer had only two hours within which he needed to make entries into the DOJ's CLETS system. He said that the Albany PD would offer 24/7 records department service, which meant that an officer would be able to use his/her cell phone to call into Albany to get information entered into the CLETS system. Lori Trevino asked how El Cerrito got its information into the CLETS system after hours. IGM/COP Hull responded that, because El Cerrito had multiple officers on duty, one officer could be taking care of the making the entries at the station while the other officers could be conducting a search/investigation.

Vice President Nottoli noted that the police department had to file Uniform Code Reports (UCRs) and that it required a minimum of ten man-hours per month for staff to complete these reports because Kensington's software, New World, was very "clunky." She noted that it was very difficult and time-consuming to identify where an error was, in the event there was an error message. She said the RIMS software, which Albany used, made completing the UCR reports much quicker and easier. Lori Trevino asked how this was different from El Cerrito. Vice President Nottoli responded that El Cerrito used the same software that Kensington was using: New World. IGM/COP Hull said that Albany's RIMS software was much better than the New World software, in part because it would enable staff to complete UCR reports in less time.

Vice President Nottoli said that, based only on the numbers, she could understand the attraction to the El Cerrito/Sheriff's Department option. She added that, to administer all the contracts with the El Cerrito/Sheriff's Department option would be a bit of a worry – to ensure that no balls were dropped. She said that Chief McQuistin had said that his people would help out Kensington, as needed, and that she thought the number in Albany's letter was negotiable.

IGM/COP Hull said that Mr. Watt was correct – it would be cheaper to go with the Sheriff's Department on the front end. However, he said that, on the back end – because of El Cerrito's software change cost, Albany would be less expensive.

Director Welsh said he wanted to go back to Mr. Watt's comment about the amortization schedule and asked if Mr. Watt thought the interest rate was too high. Mr. Watt responded that the interest rate was going to be 4% over three years and that KPPCSD had money sitting in its bank account, earning no interest; so, why would it not want to make an up-front payment. Director Welsh responded that he was concerned about the Public Safety Building issue, and that, given what the KPPCSD was facing, it didn't have a tremendous amount of reserves.

Rob Firmin asked by when the KPPCSD would need to make a decision. IGM/COP Hull responded that Kensington PD's relationship with Richmond would terminate on July 1st but added that, given the time it would take to complete the transition, the relationship with Richmond likely would extend beyond July 1st, on a month-to-month basis. Mr. Firmin asked if there would be a limit to this arrangement. IGM/COP Hull responded in the affirmative because Richmond, too, would be leaving the New World software system: Richmond would begin its arrangement with a new vendor in September – thus there would only be an additional 60-day window for the month-to-month extension Mr. Firmin asked how long it would take to transition to the new dispatch system. IGM/COP Hull responded that the longest aspect of the transition would be the AT&T part, which would involve digging the trench for the fiber-optic cable and converting the phone system which, combined, could take between 90 and 100 days.

Lori Trevino asked how much the District had paid for all the services Richmond was currently providing. IGM/COP Hull responded the amount was $119,000 but that, because of a new formula, the new annual amount would be about $128,000. Thus, he said that, if KPPCSD were to remain with Richmond, the District would be paying that amount for less service than it would be receiving with Albany.

Vice President Nottoli noted that the Board should be voting on this matter at its April 13th meeting so that IGM/COP Hull could begin final negotiations with he three entities. Rob Firmin suggested that the Finance Committee could make its recommendation at a special meeting. Director Welsh asked what the benefit would be of postponing making a decision. Mr. Firmin responded that, perhaps, some, such as Jim Watt, still might want more information.

Jim Watt said that, in the interest of compromising, he would be willing to go along and work with the Albany proposal with these conditions: that there be no amortization and that the contract could be cancellable after two years. He said his concern was the original five-year term: being committed to Albany for that long would tie the District's hands on a lot of fronts. Mr. Watt said he did a lot of negotiations and that, if he were doing this one, he would structure it so that it could be cancelled at the end of the second year, with a 90-day prior notice.

Rob Firmin asked what software system El Cerrito would go to at the end of its agreement with New World. IGM/COP Hull responded that El Cerrito planned to see what was the latest product available that would serve its needs. Mr. Firmin asked if it was likely that El Cerrito would go with RIMS, and IGM/COP Hull responded that it was likely but not a certainty. Vice President Nottoli added that it was her and IGM/COP Hull's understanding that RIMS was the predominant and trending software of law enforcement agencies.
Jim Watt said that the El Cerrito Chief had noted that the technology was changing very quickly; thus the cost of a software program could be much less expensive in the future than today.

Karl Kruger asked for an explanation for the difference in the amounts shown on the earlier spreadsheet, which had been distributed before the meeting, and the updated one, which had been distributed at the start of the meeting. He noted that the up-front costs were substantial, so it would take a long time to catch up with these. He also questioned the shipping name and address for the Tiburon system. Returning to the subject of the amounts, Mr. Kruger noted that the amounts didn't match. IGM/COP Hull responded that, on the narrative page, he was trying to simplify the influences upon cost. Vice President Nottoli responded that the numbers were so different because there had been a meeting with El Cerrito on Monday at which that agency had offered to absorb certain costs of the Tiburon contract. However, she said there was still some confusion: She had spent about two hours earlier in the day updating the spreadsheets but was still unsure about the mobile unit costs on a per-seat basis. She said that this particular cost might be picked up because the Sheriff would likely be able to get four of the licenses. On the second page of the Tiburon contract – under maintenance ($1,116), Vice President Nottoli said this amount was noted to be a per-seat cost: In one part of the contract the amount had been multiplied by four, but in another part it hadn't been. She said this was the kind of thing that had taken hours to do: She'd spent at least 80 hours on the project. Mr. Kruger responded that he understood that the amounts on the second spreadsheet were more refined.

Mr. Kruger addressed the comment that there would be an $8,000 savings in man-hours with the new software system. He said this wasn't a real number – there might be a reduction in officer hours on the reporting, but the District wouldn't save any money. IGM/COP Hull explained how the number had been derived. Director Welsh said that the number of hours that would be freed up shouldn't be minimized and that this could reduce the amount of overtime being paid.

Paul Haxo said that, when he'd been on the KPPCSD Board 15 years earlier, the District had gone through the same thing. He asked if the RIMS software would be cloud based. IGM/COP Hull responded in the negative: Neither Albany nor Kensington planned to use that option, even though it was available. Mr. Haxo asked if there was any chance the Fire Department would go with Albany. IGM/COP Hull responded that, based on his conversations with the Fire Chief, there was no chance that would happen. He added that the Fire Department would be going with Confire. Mr. Haxo said that there would then have to be a transfer when someone called 9-1-1. IGM/COP Hull said that, regardless of which option Kensington selected, there would still have to be a call switch.

Mr. Haxo said that one of the issues he'd had to deal with 15 years earlier was how quickly dispatch picked up and how many people were available on dispatch. He asked if any research had been done on this for Albany versus the Sheriff's Department. IGM/COP Hull responded that he'd not yet received information from the Sheriff's Department about ring times but that he'd had a chance to review Albany's times earlier in the day. Mr. Haxo asked how the ring times compared to those of Richmond. IGM/COP Hull responded that he'd need to get back to Mr. Haxo, after reviewing data. IGM/COP Hull noted that some of the ring times for Albany were about 98.7% and only one was under 95% and one had be 91%, based on the number of seconds. Director Welsh asked if IGM/COP Hull would be able to get numbers from the County for comparison. IGM/COP Hull responded that he would do so, and he added that Albany's numbers looked to be better than what Kensington had been experiencing with Richmond. Director Welsh noted that quality of service was an issue, and he thanked Mr. Haxo for having raised it.

Mr. Haxo asked how cell phone 9-1-1 calls were now being handled. IGM/COP Hull said that, using GPS, such calls were directed to the closest dispatch and that this enabled officers to be dispatched to the vicinity of the 9-1-1 call. Director Welsh said the quality of ring times was an important issue: There should be a high level of comfort about every aspect of changing service.

IGM/COP Hull said he'd received a copy of ring times from Chief McQuistin earlier in the day but that Albany didn't publicly produce the document and that IGM/COP Hull was to keep the document confidential.

Karl Kruger asked by when the Committee needed to provide a recommendation, and he acknowledged that this project had taken a long time to work on. Director Welsh responded that Vice President Nottoli said that a decision was needed before April 13th.

Jim Watt said he believed there were still some open issues and didn't see why the Committee couldn't recommend to the Board that it authorize IGM/COP Hull to proceed with the negotiations.

MOTION: Jim Watt moved, and Lori Trevino seconded, that the Finance Committee recommend to the Board that the Chief of Police be authorized to enter into contract negotiations with Albany, on the condition that the contract could be terminated by the KPPCSD after two years in contract, with 180 days prior notice.
Motion passed unanimously.

During the discussion of this motion, Director Hacaj said she wanted to confirm that the attractive provision in the contract between El Cerrito and the Sheriff was that it could be cancelled with 90 days notice and that the contract was for two years.

Following the motion, Director Welsh thanked Jim Watt for all the homework he'd done.

5. The Committee received and considered recommending approval to the Board of Directors of the June 30, 2016 Financial Statements and Independent Auditor's Report prepared by Lamorena and Chang.

Director Welsh asked for a high-level summary and asked if anyone had questions. The District's CPA, Debora Russell offered to answer them.

Jim Watt said that the District had had a good year for the fiscal year just ended: The District had put about $240,000 into the "bank." With respect to the fifth bullet on page three, Mr. Watt noted that the financial report had used the PERS Actuarial Report dated 2014 and that PERS had produced an Actuarial Report in August of 2016. Ms. Russell responded that the cut-off date for the audit had been June 30, 2016. Mr. Watt asked if the 2015 Actuarial Report should have been used. Ms. Russell responded that she didn't think so – the audit was based on the most recent data available at the end of the fiscal year, and there was a lag.

With respect to the third paragraph on Page 5, Jim Watt asked about the special Landscape and Lighting District Assessment, the funds of which were restricted for the maintenance of that part of the park purchased with the proceeds of the 1994 Limited Obligation Improvement Bonds. He asked which of the revenue items this was. Ms. Russell responded that this was called "LLD" and was part of the property taxes. She explained that when the budget was prepared, there was reference to the new versus the old part of the park, that this revenue was kept separate, and that this part of the park actually cost more than the LLD amount and so drew funds out of the General Fund. Mr. Watt said he'd looked at his property tax bill and said it appeared that the amount was about $14 per parcel. Ms. Russell responded that the audit didn't look at that level of detail but that it was kept on the General Ledger. She explained that this tax was used for the maintenance of the park and that the park bond was a separate item.

Mr. Watt asked about the following paragraph on the same page about the COPS Grant and that it had been used to fund the tenth officer position. He asked if it was really true that this was really earmarked for an officer. Ms. Russell responded that he District used to have to explain to the COPS agency how the District had used this. However, she said she didn't believe this was still a requirement, but the intention had been to keep the tenth officer. Mr. Watt asked if the COPS Grant needed to be renewed periodically. Ms. Russell responded that all agencies received a minimum of $100,000.

Paul Haxo asked if the language regarding the COPS Grant could be expanded to make it clear that, although the District is likely to receive the $100,000, it couldn't include this revenue in the budget. Ms. Russell said she would incorporate this. Mr. Watt said that other agencies reported COPS Grant money as income. Ms. Russell responded that the KPPCSD could do so, if it revised its budget mid-year.

Jim Watt asked if the $362,000 amount shown as medical expense was the total of accounts 521 A, R, and T and noted that the prior year's audit had this total amount broken out so that the entries matched the budget's account line items. Ms. Russell noted that the District was working with a different auditor and that she would ask him to make this change.

Karl Kruger asked why the District had paid the County more than $21,000. Ms. Russell responded that most of this represented the payment to the County for its having brought in the tax money.

Karl Kruger said he couldn't believe that Legal Fees had come in at $263,000 and indicated it had resulted from a lack of discipline. He asked people not to sue the District.

Paul Haxo asked for greater clarity for a couple of items on Page 8. Ms. Russell responded that she would take care of these.

With respect to page 11, Mr. Watt asked if this was the bond for the park and whether it would be paid off in the year 2020. Ms. Russell responded in the affirmative. He asked if the amount noted would become available to the General Fund, once the bond was paid off. Ms. Russell responded in the negative. Ms. Russell explained that Pages 11 and 12 were for the fiduciary accounts, which meant that the District was just the bypass: The money for these accounts came in with the property taxes and then went out to pay the bond – it wasn't the District's money.

Paul Haxo asked that, on page 14, the Organization and Description of Funds section include information about the District having just two Government-Wide Funds. Ms. Russell said she would work on this.

With respect to Page 17, Paul Haxo asked that there be additional information about why the new accounting principles, GASB 68 and GASB 71, were included and why they had been added. Ms. Russell noted that, further back in the report, there were pretty extensive explanations.

For Page 18, Jim Watt asked about the $128,000 Capital Project Fund, noting that this was money that had been set aside some time ago for purchasing vehicles. He asked why this money couldn't be moved into the General Fund. Ms. Russell responded that the Board would have to decide to make this change at budget time.

Ms. Russell noted that FYE 6/30/16 was the last year of Emergency Preparedness money.

Lori Trevino asked why, with respect to Page 23, the District couldn't use the actuarial report dated 6/30/15, which had been issued in August 2016. Ms. Russell responded that it couldn't be used because the audit cutoff date had been 6/30/16, but she added that she would check on this with the auditor.

With respect to the "Defined Benefit Pension Plan" summarized on Page 24, Karl Kruger pointed out what a difference a 1% change in the discount rate produced and said this was vitally important to the District.

Lori Trevino asked about the lease agreements summarized on Page 24 and whether the KPPCSD had a lease agreement with the Fire District. Ms. Russell responded in the affirmative and explained that the current $1.00 agreement would end at the end of the next fiscal year. Ms. Trevino asked if the Fire District would be renovating the building before the agreement expired. Vice President Nottoli responded that the Fire District was considering three options: Renovating the existing building; tearing down the current building and rebuilding it; and building it in a different location. Jim Watt added that, at the last Fire Board meeting, Janice Kosel had been designated as the point person to negotiate the new lease with the KPPCSD and that the agreement would actally expire in June 2017.

With respect to Page 26, Lori Trevino asked about the net change in the pension liability. Ms. Russell responded that there should not be a line for it in this location: Ms. Trevino agreed.

Paul Haxo noted that, on Page 28, there should be brackets around two of the numbers and the word "less" should be added to the corresponding line names ("Unamortized initial UAAL" and "Actuarial value of assests" respectively) so that the equation appeared correctly.

Jim Watt asked to discuss the Capital Projects Fund. He said the Unassigned Funds totaled approximately $1,250,000, which reflected an increase of $108,000 from the prior year. Ms. Russell pointed out that, with the liability listed, the net position was negative. Mr. Watt noted that, if the $128,000 were to be added to this amount, the ending balance would be roughly $1.4 million. Ms. Russell explained that, the $128,000 fund, to which Mr. Watt had referred, had been established years earlier to fund the purchase of police vehicles and that, in recent years, vehicles had been paid for out of the General Fund.

Jim Watt said that, in the 2016-17 budget, $100,000 had been allocated for the Community Center and asked if that would be renewed. Ms. Russell responded that there had been a real $100,000 in the budget and that, if that amount were not to be spent in the current year, it didn't automatically roll over to the next year's budget: The line item could be newly budgeted, though the argument could be made that it should be rolled over. Lori Trevino said that having a fund for vehicles seemed odd that it should be moved to the General Fund. Vice President Nottoli said she'd already sent an email requesting that this item appear on the agenda.

Vice President Nottoli asked Ms. Russell about the restricted fund for Bay View Refuse: Was this the Franchise Fee that was the District's portion. Ms. Russell responded in the affirmative. Ms. Russell added that she was having difficulty with this particular line item in the budget: Bay View wasn't providing much help because it had a "kind of paper system," so it was hard to get information about the company's receivables. But, she said the number in the audit was a true amount, based on receipts. Vice President Nottoli asked if, as people reduced their waste and migrated to smaller, lower rate cans over time, this would lower the Franchise Fee. Director Welsh explained that this had been what had caused an earlier conflict with Bay View.

Paul Haxo asked that the year be added to the footnote on Page 32.

In sum, Ms. Russell reported that there had been no findings: It was a clean audit.

Karl Kruger asked if it had been easier to work with Lamorena and Chang than with the prior year's auditor. Ms. Russell responded in the affirmative.

MOTION: Paul Haxo moved, and Karl Kruger seconded, to recommend to the Board that it accept the audit, with the recommended changes.
Motion passed unanimously.

Ms. Russell was excused from the meeting.

6. The Committee reviewed and discussed details of the proposed contract between the KPPCSD and possible Legal Counsel Ann Danforth. The Committee considered making a recommendation to the Board of Directors based on long-term fiscal impact.

Director Welsh said he wasn't entirely sure why this had been placed on the Finance Committee agenda and noted that the proposed fees were significantly less than those of all the other firms with which he'd had experience since joining the Board. He reported that Ms. Danforth had been among those interviewed when the Board had interviewed legal counsel candidates previously and said the proposal would be voted upon by the Board at the following night's meeting.

Linda Spath said she had two comments about page 6 of the contract. She asked if the District wanted to protect itself against the open-ended agreement for Westlaw and Lexis expenses by adding a "not to exceed" amount. Director Welsh responded that he didn't think he'd ever seen an agreement for legal services that included this expense. On the other, hand, Director Welsh said Ms. Danforth was offering a very good rate. Vice President Nottoli noted that Ms. Danforth was on her own and not a member of a big firm but that Ms. Spath's comment had been well taken.

Linda Spath also suggested that it would be good to be proactive about asking for billing that provided the kinds of details the Board had tried to obtain from its prior legal services providers so that the Board could tracking this for each confidential matter. She added that the public should know why the District had a certain amount of legal fees. Vice President Nottoli said she'd spoke with Ms. Russell about separating out some of the categories that comprise legal fees, such as investigative costs when someone had a complaint against the police or administrative law costs. Ms. Spath responded that, for the District to approve payment of the invoice, the detail should be provided on the invoice. Vice President Nottoli agreed and said the two suggested requests could be made.

Karl Kruger said that, on Page 6, the proposed agreement said that the attorney would send bi-monthly invoices. He noted that, what that really meant was the bills would be three months old. He said it would be difficult to control costs if billing wasn't timely received. He said it would be better for billing to be done on a monthly basis. Director Welsh responded that this was an excellent point. Director Hacaj said she thought that, perhaps, the bi-monthly reference actually meant twice-a-month billing. Director Welsh said this needed to be clarified.

Paul Haxo asked about Ms. Danforth's level of insurance coverage, and Rob Firmin recommended ensuring that Ms. Danforth had errors and omissions insurance, in addition to general liability coverage.

David Spath asked about the special service section of the contract; specifically, he wondered if Ms. Danforth would be involved with negotiating the MOU, for example. Vice President Nottoli responded that PLG would continue in that role. Vice President Nottoli added that Ms. Danforth had extensive experience as the City Attorney for Tiburon and that she was doing work for other cities: Therefore, Ms. Danforth had expertise as a City Attorney. Vice President Nottoli said that Ms. Danforth had told the Board that, if she thinks she can do a particular thing, she will and, that if it was out of her area of expertise, such as litigation, that would be done with PLG or some other firm. Director Welsh added that a sole practitioner would have limitations in that regard and that this had been part of his concern the last time around, when the Board had chosen Amara Morrison. Director Welsh noted that the Board had been lucky in that PLG had previously said it didn't want to work with the Board anymore but had then continued to do so.

Jim Watt said the agreement cited that Ms. Danforth would provide advisory services and attend monthly meetings but that she would not handle litigation, personnel matters, or workers' compensation issues. He wondered if the latter items constituted a big part of the legal fees being incurred. He said the Board would be committed to providing Ms. Danforth with 17 hours of work per month at roughly $3,000 per month and noted she would attend two Board meetings per month, which would consume six hours per month. He said this meant there would be eleven hours remaining. He asked if the Board was confident Ms. Danforth would be able to complete other needed work within that time. Vice President Nottoli said Ms. Danforth would be reviewing things like the MOU with the County and taking care of the dispatch contract. She said attorneys used other attorneys for many different matters. She said the District had been getting double-billed, in some instances, with Wendel Rosen and PLG – Ms. Morrison had been acting as a coordinator, which was an unnecessary cost at her rate. Vice President Nottoli said she didn't anticipate that Ms. Danforth's cost would be anywhere close to prior costs. With respect to attending meetings, Vice President Nottoli said Ms. Danforth would like to attend the first few meetings to get to know Kensington, but after that, Vice President Nottoli said she didn't think it would be necessary for Ms. Danforth to continue to attend.

Director Welsh said that, when the Board had made the move to Wendel Rosen, it thought that it was losing PLG because that firm had given the Board notice. He added that there were several projects that PLG wanted to hand off and so that had been handed off to Ms. Morrison (Wendel Rosen), which was why the District had been double billed.

Jim Watt said that, because he was an independent contractor whose contracts reflected such, Ms. Danforth's contract didn't include reference to the fact that she's an independent contractor and not a District employee. He said the District should make clear she's not entitled to workers' compensation and should include some indemnification provisions. Vice President Nottoli responded that she'd never seen this in a contract with an attorney or an attorney's firm. Director Welsh added that this was an attorney's services contract but said the Board could include a provision that would make these things clear.

Director Welsh said that there had been good suggestions to pass on to the Board and that, at the following night's meeting, the Board would likely ask President Sherris-Watt or Vice President Nottoli to finalize the contract.

Paul Haxo said one of the advantages of the Finance Committee was that the members brought a wide variety of perspectives and that this was helpful.

MOTION: Paul Haxo moved, and Director Welsh seconded, to adjourn.
Motion passed unanimously.

The meeting was adjourned at 9:09 P.M.

Lynn Wolter
District Administrator

KENSINGTON POLICE PROTECTION DISTRICT

Actuarial Valuation of

Postemployment Medical Benefits

Valuation Date: July 1, 2016

NICOLAY CONSULTING

NICOLAY CONSULTING GROUP

NICOLAY CONSULTING

PENSION CONSULTANTS AND ACTUARIES

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February 2, 2017

Chief Rickey Hull
Interim General Manager/Chief of Police
Kensington Police Protection and Community Services District
217 Arlington Avenue
Kensington, CA 94707-1401

Dear Chief Hull:

Re: Actuarial Valuation of Postemployment Medical Plans

Kensington Police Protection District has retained Nicolay Consulting Group to complete this valuation of the Kensington Police Protection District postemployment medical program as of July 1, 2016.

The purpose of this valuation is to determine the value of the expected postretirement benefits for current and future retirees and the Actuarial Accrued Liability and Annual Required Contribution recognized under Government Accounting Standards Board Statement No. 45 (GASB 45) requirements for the fiscal year ending June 30, 2017. The amounts reported herein are not necessarily appropriate for use for a different fiscal year without adjustment.

In preparing this report we relied on employee data and plan information provided by the District. The results of the valuation are dependent on the accuracy of the data and other information provided. These data are not audited by Nicolay Consulting Group, although they were reviewed for reasonableness. Calculations presented in this valuation do not reflect any other postemployment benefits than those described in this report.

The financial projections presented in this report are intended for internal use in evaluating the potential cost of the retiree medical program and for the plan sponsor's financial statements. Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without the written consent of Nicolay Consulting Group.

On the basis of the data provided, this report has been prepared in accordance with generally accepted actuarial principles and methods. The assumptions for termination, retirement, mortality and health care claims morbidity rates are those used in the most recent California PERS Public Agency retirement plan valuations.

NICOLAY CONSULTING

Mortality improvement was reflected based on the most recent tables published by the Society of Actuaries. Morbidity rates for age-adjusting claims rates are based on the most recent tables published by CalPERS. Certain other assumptions were selected specifically for this valuation, and in many cases, including assumed health care trend, reflect changes from that used in the prior valuation. For all other assumptions, we believe they are reasonable for the measurement of the obligation involved. It should be recognized, however, that there can be significant differences between actual experience and the assumptions. Moreover, other sets of reasonable assumptions can yield materially lesser or greater results.

GASB stipulates that if the plan is prefunded, the discount rate should be the long-term yield on investments to be used to pay plan benefits. The District pre-funds liabilities by contributing to the California Employees Retirement Benefit Trust (CERBT). Based on the investment portfolio of this Trust, the long-term yield is expected to be 7.28%. Since the District's funding policy is to contribute the full ARC to the Trust, the discount rate used in this valuation is based entirely on the Trust expected return of 7.28%. Any changes in funding policy or asset allocation may result in changes to the 7.28% discount rate assumption.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. Because of limited scope, we have not performed analysis of the potential range of such future differences.

Based on the foregoing, the cost results and actuarial exhibits presented in this report were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures. We believe they fully and fairly disclose the actuarial position of the Plan based on the plan provisions, employee and plan cost data submitted.

The passage of healthcare reform in March 2010 ushered in a number of changes that might be expected to impact postretirement medical plans over time. We considered the possible effects of these changes for the District and summarized the results in this report.

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On December 18, 2015, President Obama signed the Omnibus Appropriations Act of 2016. There are significant provisions in this law relating to the Cadillac tax, the annual fee on health insurers, and the medical device tax. This valuation reflects this new legislation.

This report represents a statement of actuarial opinion by the undersigned actuary, who is a member of the American Academy of Actuaries (AAA) and is qualified to issue that opinion. Questions about the report should be directed to Gary Cline at (415) 512-5300 x231.

Sincerely,

By: Gary E. Cline

Gary E. Cline, ASA, FCA, MAAA

KENSINGTON POLICE PROTECTION DISTRICT

Actuarial Valuation of
Postemployment Medical Benefits

Table of Contents

SECTION I
Summary of Valuation Results

Table 1-1
Summary of Valuation Results

	7/1/2016	7/1/2015**
Present Value of Future Benefits		
Active	$2,826,298	$994,305
Retiree	$2,405,178	$1,885,328
Total	$5,231,476	$2,879,633
Actuarial Accrued Liability		
Active	$1,446,394	$479,375
Retiree	$2,405,178	$1,885,328
Total	$3,851,572	$2,364,703
Actuarial Value of Assets	$804,775	$630,782
Unfunded Actuarial Accrued Liability	**$3,046,797**	**$1,733,921**
Expected Employer Share of Current Year Plan Cost (Pay-as-you-go)	**$157,361 ***	**$187,551**
Annual Required Contribution (ARC)	**$404,577**	**173,677**
Number of Plan Participants		
Actives	10	9
Retirees & Surviving Spouses	13	14
Total	23	23
Discount rate	**7.28%**	**7.00%**
Assumed Increase in Per-Capita Claim Costs		
Initial Rate		
Pre-65	8.00%	4.00%
Post-65	5.50%	4.00%
Ultimate Rate	5.00%	4.00%
Year Ultimate Rate Reached	2029	2015

*Excludes implicit subsidy related to retiree premiums (since unadjusted premiums represent the current cash cost) and the implied subsidy related to active employee premiums (but the District can elect to recognize this as a retiree cash cost under GASB 45).

**From Total Compensation Systems, Inc. July 1, 2015 report

The Actuarial Accrued Liability (AAL) has increased $1,486,869 from $2,364,703 as of July 1, 2015 to $3,851,572 as of July 1, 2016. A breakdown of the sources of this change in liability is shown in Table 1-2.

Table 1-2

Estimated Sources of Liability Change (thousands)

	Amount	Percent
Expected Benefits Earned, Benefit Payments and Interest	$25	1%
Recognition of an Age-Related Implicit Subsidy	$865	37%
Revised Health Care Cost Assumed Trend Rates	$376	16%
Revised Child Coverage Assumptions	$164	7%
Revised CalPERS Assumed Mortality Rates	$131	6%
Revised Employer Contribution Caps	$111	5%
Revised CalPERS Assumed Retirement Rates	($45)	(2%)
Revised Discount Rate	($84)	(4%)
New Retiree Contribution Provision	($263)	(11%)
Demographic and Other Experience	$207	8%
Total Liability Change*	$1,487	63%

*Individual amounts may not add to total due to rounding.

Expected Benefits Earned, Benefit Payments and Interest: The liabilities were expected to increase 1% from the prior actuarial valuation due to net effect of active employees continuing to earn benefits, retirees receiving benefit payments, and interest.

Recognition of an Age-Related Implicit Subsidy: Since healthcare costs generally increase with age, an implied subsidy exists. This subsidy is caused by the difference between the flat-rate premiums participants are charged and the assumed average age-related claims costs.

Effective with measurement dates on or after March 31, 2015, Actuarial Standard of Practice No. 6 (ASOP 6) requires actuarial valuations to reflect the impact of aging on claims for "community-rated" plans. For the District, this means we were required to revise the pre and post-Medicare plan liabilities to base them on a claims cost curve as opposed to premiums. The resulting implicit subsidy identified from this assumption increased liabilities approximately $865,000, or roughly 37%. This subsidy is positive (an increase in the liability), which reflects the fact that the flat-rate premiums are lower than the assumed age-adjusted cost of coverage (e.g., for the pre-Medicare plans the younger active employees are subsidizing the older retired participants).

Revised Health Care Cost Assumed Trend Rates: Initial trend rates in the July 1, 2015 valuation was a fixed 4.0% increase. For the July 1, 2016 valuation we adopted stand-alone initial pre- and post-Medicare trend rates. This change generally raised the assumed trend rates for both pre-Medicare and post-Medicare plans, resulting in a 16% increase in liabilities.

Revised Child Coverage Assumptions: We updated child coverage assumptions according to the plan provisions, which cover retirees and any dependents. The report from TCS had an assumption about spouse coverage, but not child coverage. This resulted in a 7% increase in liabilities.

Revised CalPERS Assumed Mortality Rates: We updated the valuation assumed mortality rates to reflect those rates most recently published by CalPERS, and the projection scales most recently published by the Society of Actuaries, which drove a 6% increase in liabilities. This increase is primarily caused by an observed improvement in longevity for the overall population in the SOA study.

Revised Employer Contribution Caps: The increase in caps from 2015 to 2016 was higher than assumed, resulting in a 5% increase in liabilities.

Revised CalPERS Assumed Retirement Rates: We updated the valuation assumed retirement rates to reflect those rates most recently published by CalPERS, which drove a 2% decrease in liabilities.

Revised Discount Rate: The discount rate was increased, from 7.00% in the July 1, 2015 valuation, to 7.28% in the July 1, 2016 valuation. This resulted in a 4% decrease in liabilities.

New Retiree Contribution Provision: Effective January 1, 2016, employees are required to contribute $85 per month, in addition to what they pay if their premium exceeds the Kaiser cap. Effective July 1, 2017, this contribution increases to $125 per month. This decreased liabilities by 11%.

Demographic and Other Experience: This is a catch-all category that refers to experience other than expected. It includes demographic experience (i.e., withdrawals, retirement, deaths, and new entrants other than assumed) and is driven by the participant census data we collect from the District for our valuations. Other experience includes things like retirees selecting different health plans, retirees opting out of certain benefits, or similar changes. Demograhic and other experience since the July 1, 2015 valuation resulted in an overall 8% increase in the liability.

SECTION II

Development of ARC and GASB 45 Disclosures

Table 2-1 presents the Present Value of Future Benefits (i.e., liability based on all future service) and the Actuarial Accrued Liability (i.e., liability based on past service only) broken down by participant status and benefit type.

The implicit subsidy is the obligation associated with the difference between premiums and the assumed true per capita healthcare costs for the District participants.

Table 2-1

Present Value of Future Postemployment Medical Benefits
As of July 1, 2016
Entry Age Normal Actuarial Cost Method
Discount Rate: 7.28%

	District Contribution	Implicit Subsidy	Total
Present Value of Future Benefits			
Actives	$1,974,845	$851,453	$2,826,298
Retirees	$1,975,702	$429,476	$2,405,178
Total	$3,950,547	$1,280,929	$5,231,476
Actuarial Accrued Liability (AAL)			
Actives	$1,010,945	$435,449	$1,446,394
Retirees	$1,975,702	$429,476	$2,405,178
Total	$2,986,647	$864,925	$3,851,572

This valuation was completed using the Entry Age Normal Actuarial Cost method and assumes a closed 30-year amortization (started in 2009) of the Unfunded Actuarial Accrued Liability using the level percent of pay amortization method.

Projected Expected Health Benefit Payments

Table 2-2 contains a ten-year projection of the District pay-as-you-go cost to provide postemployment medical benefits and the total Expected Benefit Payments.

Table 2-2

Projected Expected Benefit Payments

	District Premiums*	Implicit Subsidy	Total
2016/17	$157,361	$51,766	$209,127
2017/18	$163,502	$53,834	$217,336
2018/19	$181,331	$66,836	$248,167
2019/20	$187,901	$64,031	$251,932
2020/21	$187,477	$60,777	$248,254
2021/22	$207,256	$75,640	$282,896
2022/23	$205,321	$70,573	$275,894
2023/24	$209,864	$75,033	$284,897
2024/25	$220,971	$69,867	$290,838
2025/26	$244,682	$84,027	$328,709

*This is actual pay-as-you-go cost and excludes the implicit subsidy related to retiree premiums (since unadjusted premiums represent the current cash cost) and the implied subsidy related to active employee premiums (but the District can elect to recognize this as a retiree cost under GASB 45).

Health Benefit Costs Under GASB 45

The Annual Required Contribution (ARC) consists of the Normal Cost plus the current period amortization of the Unfunded Actuarial Accrued Liability.

Normal Cost is the portion of the actuarial present value of future benefits that is allocated to a particular year. Another interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year. This valuation is based on the Entry Age Normal actuarial cost method and an attribution period that runs from date of hire until the expected retirement date.

Employers are allowed to amortize the Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years. The following Tables are based on amortization of the UAAL over a closed 30-year period using the level percent of pay amortization method. The District adopted GASB 45 in the 2008/09 fiscal year. The remaining amortization period is 23 years.

Table 2-3

Fiscal Year 2016/17 OPEB Annual Required Contribution

	2016/17	2015/16
Discount rate	7.28%	7.00%
Actuarial Accrued Liability	$3,851,572	$2,364,703*
Actuarial Value of Assets	$804,775	$630,782*
Unfunded Actuarial Accrued Liability	$3,046,797	$1,733,921*
Remaining Amortization Period	23 years	24 years*
Level percent pf pay Amortization Factor (based on the discount rate and a salary scale of 2.75%)	13.824	14.435**
Normal Cost (based on the Entry Age Normal Method)	$184,178	$53,559*
Annual Level Percent of Pay Amort. of Unfunded AAL	$220,399	$120,118*
Annual Required Contribution	$404,577	$173,677*
Interest on Net OPEB Obligation	$297	***
Adjustment to ARC	($295)	***
Annual OPEB Cost	$404,579	$199,136****
Estimated Contribution	($404,577)	($163,595)****
Increase In Net OPEB Obligation	$2	$35,541****
Net OPEB Obligation – Beginning of Year	$4,078	($31,463)****
Net OPEB Obligation – End of Year	$4,080	$4,078****

*From Total Compensation Systems, Inc. July 1, 2015 report

**Calculated by the UAAL divided by the Annual Level Dollar Amort. of UAAL

***Not available

****From June 30, 2016 Notes to Financial Statements

Table 2-4 presents a projection of the Trustt funding policy contributions. The funding policy contributions shown below include (i) pay-go costs unreimbursed by the Trust, (ii) $188,723 cash contributions to the District and (iii) active implicit rate subsidy contributions that could be transferred to OPEB accounting.

Table 2-4

Total Trust and Non-Trust OPEB Contributions for Year Ending June 30, 2017

Active Benefit Expense Transfer of Premium Implicit Subsidies and Pay-go Costs

	FYE June 30, 2017
Cash Contributions to the Trust	$204,723
Projected Pay-go Costs*	$157,361
Active Implicit Rate Subsidy**	$42,495
Cross-Employer Subsidy***	0
Estimated Total OPEB Contributions	**$404,577**
ARC Explicit Subsidy****	$285,971
ARC Implicit Subsidy*****	$118,606
Total ARC	$404,577

*Retiree premiums paid by the District.

**The active implicit rate subsidy represents a subsidy toward pre-Medicare retiree medical costs paid via active premiums. It arises because the claims from both groups are combined to calculate a blended premium. The amount ($42,495) should be transferred from active employee benefit expense to OPEB expense and counted as a contribution toward the ARC. This amount ($42,495) should equal the retiree implicit subsidy ($51,766) for 2016/17 shown on page 5 of this report. Since it is less, then there is a cross-employer subsidy equal to the difference ($9,271).

***Per footnote **, there is a cross-employer subsidy ($9,271) because Kensington's active implicit rate subsidy ($42,495) paid is not fully funding the retiree implicit subsidy ($51,766) received. In other words, Kensington's retirees are receiving a subsidy from other employer's active employees. This may be counted as a contribution to OPEB, but GASB has not yet provided guidance on this issue. To consider it a contribution to OPEB, the District should seek approval from their auditor.

****The portion of the ARC attributable to current and future retiree premiums paid by the District.

*****The portion of the ARC attributable to pre-Medicare retiree average claims costs in excess of premiums.

In order for the District to reflect the active implicit rate subsidy as an OPEB contribution, it must transfer the amount ($42,495 in FYE 2017) from active benefit expense (cash accounting) to OPEB contributions (accrual accounting).

Explicit subsidies (i.e., retiree premiums paid by the District) are being prefunded by assets in the Trust. In order to ensure the explicit subsidy portion of the ARC is prefunded properly, the District should confirm that cash plus pay-go contributions are at equal to or more than the ARC Explicit Subsidy.

Plan Assets

The District pre-funds liabilities by contributing to CERBT. We understand that the District's Trust Fund balance was $670,646 as of June 30, 2016. Using five-year asset smoothing, we have determined the Actuarial Value of Assets to be $804,775, by the calculations shown in Table 2-6.

Table 2-6

Calculation of Actuarial Value of Assets

Using Five-Year Asset Smoothing

a. Actuarial Value of Assets as of July 1, 2015	$630,782
b. Employer Contribution in FY 2015/16	$163,595
c. Expected Investment Earnings = (a) x 7%	$44,155
d. Expected Actuarial Value of Assets = (a) + (b) + (c)	$838,532
e. Market Value of Assets as of June 30, 2016	$670,646
f. Preliminary Actuarial Value of Assets = (d) + ((e) – (d)) x 1/5	$804,955
g. Minimum Actuarial Value of Assets = (e) x 80%	$536,517
h. Maximum Actuarial Value of Assets = (e) x 120%	$804,775
i. Actuarial Value of Assets as of July 1, 2016 = Max((g), Min((f), (h)))	**$804,775**

SECTION III

Plan Description and Demographic Summary

Eligibility and Contribution Requirements

The District provides lifetime retiree medical coverage to eligible employees who retire at age 50, along with their dependents. The medical plan benefits are contracted with the California Public Employees' Retirement System under the public Employees' Medical and Hospital Care Act (PEMHCA).

The District contributes the entire cost of postemployment medical coverage up to pre determined limits that are established each year.

Eligible retirees may enroll in any of the plans available through the PERS Program. Table 3-1 contains 2016 and 2017 Bay Area CalPERS monthly premium rates. Retirees are subject to a cap of the Kaiser Bay Area rates for the coverage selected.

Effective January 1, 2017, all eligible employees will be required to contribute at least $85 monthly towards the cost of healthcare, regardless of the level of coverage selected. Effective June 30, 2017, all eligible employees will be required to contribute ate least $125 monthly, regardless of the level of coverage selected. The $125 monthly is assumed not to increase in future years.

Retirees are eligible for Delta Dental and the VSP vision plan.

Table 3-1

Cal PERS Bay Area Retiree or Spouse
Calendar Year Monthly Premium Rates

2016

Plan	Younger than Age 65 EE	EE+1	EE+2 or more	Age 65 or Older EE	EE+1	EE+2 or more
Blue Shield Access+	$1,016.18	$2,032.36	$2,642.07	n/a	n/a	n/a
Blue Shield NetValue	$1,033.86	$2,067.72	$2,688.04	n/a	n/a	n/a
Kaiser	$746.47	$1,492.94	$1,940.82	$297.23	$594.46	$891.69
PERS Choice	$798.36	$1,596.72	$2,075.74	$366.38	$732.76	$1,099.14
PERS Select	$730.07	$1,460.14	$1,898.18	$366.38	$732.76	$1,099.14
PERS Care	$889.27	$1,778.54	$2,312.10	$408.04	$816.08	$1,224.12
PORAC	$699.00	$1,399.00	$1,789.00	$442.00	$881.00	$1,408.00
United Healthcare	$955.44	$1,910.88	$2,484.14	$320.98	$641.96	$962.94

2017

Plan	Younger than Age 65 EE	EE+1	EE+2 or more	Age 65 or Older EE	EE+1	EE+2 or more
Blue Shield Access+	$1,024.85	$2,049.70	$2,664.61	n/a	n/a	n/a
Blue Shield NetValue	n/a	n/a	n/a	n/a	n/a	n/a
Kaiser	$733.29	$1,466.78	$1,906.81	$300.48	$600.96	$901.44
PERS Choice	$830.30	$1,660.60	$2,158.78	$353.63	$707.26	$1,060.89
PERS Select	$736.27	$1,472.54	$1,914.30	$353.63	$707.26	$1,060.89
PERS Care	$932.39	$1,864.78	$2,424.21	$389.76	$779.52	$1,169.28
PORAC	$699.00	$1,467.00	$1,876.00	$464.00	$924.00	$1,477.00
United Healthcare	$1,062.26	$12,124.52	$2,761.88	$324.21	$648.42	$972.63

2016/17 Dental and Vision Rates

Delta Dental	
Single	$64.41
2-Party	$124.48
Family	$202.72
VSP	
Composite Rate	$31.52

Demographic Data

Tables 3-2 and 3-3 contain summaries of the demographic information provided by the District.

Table 3-2

Age and Service Table of
Active Employees included in the valuation
as of July 1, 2016

Years of Service

Age	<5	5-9	10-14	15-19	20-24	25+	Total
Under 25	0	0	0	0	0	0	0
25 - 29	1	0	0	0	0	0	1
30 - 34	0	0	0	0	0	0	0
35 - 39	0	1	1	0	0	0	2
40 - 44	1	1	1	0	0	0	3
45 - 49	0	1	1	0	0	0	2
50 - 54	0	0	0	1	0	0	1
55 - 59	1	0	0	0	0	0	1
60 - 64	0	0	0	0	0	0	0
65 - 69	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0
Total	3	3	3	1	0	0	10

Table 3-3

Age Table for Retirees
as of July 1, 2016

Age	Female	Male	Total
Under 55	0	0	0
55-59	0	2	2
60-64	0	4	4
65-69	0	1	1
70-74	0	3	3
75+	3	0	3
Total	3	10	13

SECTION IV

Actuarial Method and Assumptions

In order to project the District's liabilities into the future, a number of economic, demographic, and baseline cost assumptions are necessary. For this valuation, we have used assumptions consistent with those specified in the "OPEB Assumption Model" released by the CalPERS Health Benefits Committee.

Actuarial Cost Method
The valuation was completed using the Entry Age Normal Cost Method. An Actuarial Cost Method is a procedure for allocating the actuarial present value of benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability. The Entry Age Normal cost method allocates the present value of future benefits on a level basis over the earnings or service (in this case earnings) of each employee between the hire date and assumed retirement age. The portion of the present value of future benefits allocated to a valuation year is called the Normal Cost. The portion allocated to all prior years is called the Actuarial Accrued Liability.

Valuation Date
The valuation date is July 1, 2016. This date is the starting point from which current health premium costs are increased according to the assumed annual rates of health care cost trend. The District census is projected from the valuation date to the date of the final benefit payment for each employee and retiree on the census. After calculating future costs for the projected retiree and dependent population, all liabilities are discounted back to the valuation date to obtain the present value of future costs.

Economic Assumptions

Discount Rate

GASB 45 requires an employer to select a discount rate that approximates the "estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits". The District pre-funds liabilities by contributing to CERBT. Based on the investment portfolio of this Trust (Asset Allocation Strategy 1), we understand the long-term yield is expected to be 7.28%. Since the District's funding policy is to contribute the full ARC to the Trust, the discount rate used in this valuation is based entirely on the Trust long-term expected return of 7.28%. Any changes in funding policy or asset allocation may result in changes to the 7.28% discount rate assumption. For 2015 the assumed rate was 7.0%

Health Care Trend

The rate of increase in per capita health care costs is commonly referred to as the *health care trend* rate.

Based on our extensive experience with postemployment health plans, we selected the following annual trend rates for use in this valuation:

Table 4-1

Annual Health Care Cost Trend Rate Assumption

Year Beginning	Increase in CalPERS Regional Premium Rates Pre-65	Post-65
January 1, 2018	8.00%	5.25%
January 1, 2019	7.75%	5.00%
January 1, 2020	7.50%	5.00%
January 1, 2021	7.25%	5.00%
January 1, 2022	7.00%	5.00%
January 1, 2023	6.75%	5.00%
January 1, 2024	6.50%	5.00%
January 1, 2025	6.25%	5.00%
January 1, 2026	6.00%	5.00%
January 1, 2027	5.75%	5.00%
January 1, 2028	5.50%	5.00%
January 1, 2029	5.25%	5.00%
January 1, 2030 and later	5.00%	5.00%

The initial trend rate assumption represents an estimate of short term cost increases based on recent health care marketplace experience, and taking into consideration the cost characteristics of plans available to District retirees. Annual increases in national health expenditures have exceeded the general growth in GDP for many years. However, there are practical limitations to how long these trends can continue. Therefore, over the long term we expect that health care costs will be constrained by the public's ability and willingness to pay the higher cost of health care coverage. This assumption implies that the ultimate trend rate should be related to the expected long-term growth in the economy.

Therefore, we assume the ultimate rate to be comprised of real growth in per capita GDP, long-term growth attributable to technology innovations, and the assumed long-term inflation rate. The initial trend is assumed to decrease ratably to this ultimate rate over time.

Cap Increase

The cap is assumed to increase at the same rate as the pre-Medicare trend.

Amortization Methodology
GASB 45 allows amortization of the Unfunded Actuarial Accrued Liability based on a level dollar approach or as a level percentage of covered payroll. The maximum amortization period is 30 years.

This valuation is based on a closed, 30-year amortization of the Unfunded Actuarial Accrued Liability. The amortization payment is level dollar and will decrease in proportion to the Unfunded Actuarial Accrued Liability. The amortization will continue for the next 23 years.

Per Capita Health Plan Costs

Due to the small size of the retiree population, the per capita claims were developed using the age adjusted premiums for the current CalPERS population. These premiums are assumed to include administrative costs. The premiums for CalPERS are based on community-rated claims experience by region for all CalPERS member agencies.

Administrative Expenses
We did not include any internal administrative expenses in this valuation, as it has been assumed that expenses are included as part of the health premium.

Age-Adjusted Costs
The gender distinct age morbidity factors for pre- and post-Medicare morbidity were developed by CalPERS based on 2013 data. CalPERS developed these tables for use in complying with ASOP 6. Table 4-2 illustrates the age-graded premiums based on the premiums and the male and female morbidity factors that were provided by CalPERS for HMO plans. Because the sample size is so small, we calculated the age-graded premiums based on the average of all premiums for current and future retirees. Because so few have elected PPO plans, and because nearly all employees and retirees are covering spouses, we used a blended male/female HMO curve for all plan participants. For the community-rated premiums on which we based the age-weighted premiums, we used the weighted average of all participants' plan premiums.

Table 4-2

Age-Adjusted Costs at Selected Ages

Age	Cost
50	$9,338
55	$12,116
60	$14,661
65	$2,890
70	$3,345
75	$3,742
80	$4,059
85	$4,180

Demographic Assumptions

In estimating this obligation, a number of demographic assumptions are needed. These assumptions are the same as those used in the most recent California PERS valuation.

Withdrawal

For Police Safety employees we selected withdrawal rates used in the most recent California PERS Police 3% @50 retirement plan valuations. Selected rates are shown below.

Table 4-3
Police Safety Employees
Annual Withdrawal Rates

	Age						
Service	20	25	30	35	40	45	50
0	0.10130	0.10130	0.10130	0.10130	0.10130	0.10130	0.10130
1	0.06360	0.06360	0.06360	0.06360	0.06360	0.06360	0.06360
2	0.02710	0.02710	0.02710	0.02710	0.02710	0.02710	0.02710
3	0.02580	0.02580	0.02580	0.02580	0.02580	0.02580	0.02580
4	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450	0.02450
5	0.02490	0.02490	0.02490	0.02490	0.02490	0.02490	0.00860
6		0.02360	0.02360	0.02360	0.02360	0.02360	0.00790
7		0.02210	0.02210	0.02210	0.02210	0.02210	0.00720
8		0.02080	0.02080	0.02080	0.02080	0.02080	0.00660
9		0.01930	0.01930	0.01930	0.01930	0.01930	0.00590
10		0.01790	0.01790	0.01790	0.01790	0.01790	0.00530
15			0.01090	0.01090	0.01090	0.01090	0.00270
20				0.00820	0.00820	0.00820	0.00170
25					0.00700	0.00700	0.00120
30						0.00650	0.00090
35							0.00090

For the July 1, 2015 valuation, the same withdrawal rates were used.

Disability

Sample disability rates for Police employees are shown in Table 4-4. These rates match those used in the most recent California PERS pension valuations.

Table 4-4
Annual Rates of Disability

Age	Rate
25	0.175%
30	0.496%
35	0.818%
40	1.140%
45	1.462%
50	1.926%
55	4.915%

No disability assumption was mentioned in the TCS report.

Retirement Rates

We used the retirement rates that match those used in the most recent California PERS retirement plan valuations.

For Police safety employees we selected the retirement rates used in the most recent California PERS 3% @50 Police retirement plan valuation. Sample rates are shown below.

Table 4-5a
Police Safety Employees
Annual Rates of Retirement

	Years of Service						
Age	5	10	15	20	25	30	35
50	0.0500	0.0500	0.0500	0.0990	0.2400	0.3140	0.3790
51	0.0340	0.0340	0.0340	0.0720	0.1980	0.2600	0.3120
52	0.0330	0.0330	0.0330	0.0710	0.1980	0.2590	0.3110
53	0.0390	0.0390	0.0390	0.0800	0.2120	0.2770	0.3330
54	0.0450	0.0450	0.0450	0.0920	0.2290	0.3000	0.3610
55	0.0520	0.0520	0.0520	0.1050	0.2480	0.3230	0.3890
56	0.0420	0.0420	0.0420	0.0870	0.2210	0.2890	0.3470
57	0.0430	0.0430	0.0430	0.0880	0.2230	0.2920	0.3510
58	0.0540	0.0540	0.0540	0.1090	0.2550	0.3330	0.4010
59	0.0540	0.0540	0.0540	0.1080	0.2530	0.3300	0.3980
60	0.0600	0.0600	0.0600	0.1210	0.2720	0.3550	0.4280
61	0.0480	0.0480	0.0480	0.0980	0.2380	0.3110	0.3750
62	0.0610	0.0610	0.0610	0.1220	0.2740	0.3570	0.4310
63	0.0570	0.0570	0.0570	0.1150	0.2630	0.3430	0.4140
64	0.0690	0.0690	0.0690	0.1370	0.2960	0.3850	0.4660
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

All Police safety employees hired on or after January 1, 2013, are under the 2.7% @ 57 plan. Sample rates are shown below.

Table 4-5b
Police Safety Employees
CalPERS 2.7%@57 Annual Rates of Retirement

	Years of Service						
Age	5	10	15	20	25	30	35
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451	0.0535
51	0.0123	0.0123	0.0123	0.0123	0.0226	0.0402	0.0477
52	0.0249	0.0249	0.0249	0.0249	0.0456	0.0812	0.0963
53	0.0497	0.0497	0.0497	0.0497	0.0909	0.1621	0.1920
54	0.0662	0.0662	0.0662	0.0662	0.1211	0.2160	0.2559
55	0.0854	0.0854	0.0854	0.0854	0.1563	0.2785	0.3300
56	0.0606	0.0606	0.0606	0.0606	0.1108	0.1975	0.2340
57	0.0711	0.0711	0.0711	0.0711	0.1300	0.2318	0.2747
58	0.0628	0.0628	0.0628	0.0628	0.1149	0.2049	0.2427
59	0.1396	0.1396	0.1396	0.1396	0.1735	0.2544	0.3014
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506	0.2969
61	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506	0.2969
62	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506	0.2969
63	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506	0.2969
64	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506	0.2969
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

For the July 1, 2015 valuation, the 2010 California PERS Police 3% @ 50 rates were used.

Mortality

The mortality rates used in this valuation are those used in the most recent California PERS pension valuations. These rates provide a starting point for the projection of future mortality rates. The mortality rates for each future year were determined based on a generational mortality projection using Projection Scale MP-2014. This scale consists of a set of Annual Mortality improvement factors as a function of age and sex. The resulting projected mortality rates were applied to each employee and retiree.

Table 4-6
Sample Mortality Rates
(prior to the application of Projection Scale MP-2014)

	Non-Safety Employees		Safety Employees		Retired Employees	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
55	0.228%	0.138%	0.244%	0.154%	0.599%	0.416%
60	0.308%	0.182%	0.325%	0.199%	0.710%	0.436%
65	0.400%	0.257%	0.418%	0.275%	0.829%	0.588%
70	0.524%	0.367%			1.305%	0.993%
75					2.205%	1.722%
80					3.899%	2.902%
85					6.969%	5.243%
90					12.974%	9.887%

For the July 1, 2015 valuation, the 2010 California PERS mortality rates were used.

Health Plan Participation

We assumed that 100% of eligible retirees and spouses will enroll in one of the CalPERS medical plans and that all current and future retirees will remain married to their current spouse (if any). We assumed male spouses are three years older than female spouses, that 90% will elect to cover children, and that employees are 35 years older than their children.

Medicare Coverage

We assumed that all future retirees will be eligible for Medicare when they reach age 65.

Plan Selection

We assumed that all future retirees will switch to an HMO plan at retirement.

Health Care Reform Considerations

Health care delivery is going through an evolution due to enactment of Health Care Reform. The Patient Protection and Affordable Care Act (PPACA), was signed March 23, 2010, with further changes enacted by the Health Care and Education Affordability Reconciliation Act (HCEARA), signed March 30, 2010. This valuation uses various assumptions that may have been modified based on considerations under PPACA. This section discusses particular legislative changes that were reflected in our assumptions. We have not identified any other specific provision of PPACA that would be expected to have a significant impact on the measured obligation. As additional guidance on the Act continues to be issued, we'll continue to monitor impacts.

Individual Mandate

Under PPACA, individuals (whether actively employed or otherwise) must be covered by health insurance or else pay a penalty tax to the government. While it is not anticipated that the Act will result in universal coverage, it is expected to increase the overall portion of the population with coverage. We believe this will result in an increased demand on health care providers, resulting in higher trend for medical services for non-Medicare eligible retirees. (Medicare costs are constrained by Medicare payment mechanisms already in place, plus additional reforms added by PPACA and HCEARA.) While we believe that the mandate may result in somewhat higher participation overall, this issue is moot since we assume 100% participation upon retirement.

Employer Mandate

Health Care Reform includes various provisions mandating employer coverage for active employees, with penalties for non-compliance. Those provisions do not directly apply to the postemployment coverage included in this valuation.

Medicare Advantage Plans

Effective January 1, 2011, the Law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. We considered the effect of these reductions in federal payments to Medicare Advantage plans when setting our trend assumption.

Expansion of Child Coverage to Age 26

Health Care Reform mandates that coverage be offered to any child, dependent or not, through age 26, consistent with coverage for any other dependent. We assume that this change has been reflected in current premium rates. While this plan covers dependents, we do not currently assume non-spouse dependent coverage. We believe the impact this assumption has on the valuation is immaterial due to the lack of retirees that have had or are expected to have non-spouse dependents for any significant amount of time during retirement.

Elimination of Annual or Lifetime Maximums

Health Care Reform provides that annual or lifetime maximums have to be eliminated for all "essential services." We assume that current premium rates already reflect the elimination of any historic maximums.

Cadillac Tax (High Cost Plan Excise Tax)

The PPACA legislation added a new High-Cost Plan Excise Tax (also known as the "Cadillac Tax") starting in calendar year 2020. For valuation purposes, we assumed that the value of the tax will be passed back to the plan in higher premium rates.

- The tax is 40% of the excess of (a) the cost of coverage over (b) the limit. We modeled the cost of the tax by calculating (a) using the working rates projected with trend. We calculated (b) starting with the statutory limits ($10,200 single and $27,500 family), adjusted for the following:
  - Limits will increase from 2020 to 2021 by 4.25% (CPI plus 1%);
  - Limits will increase after 2021 by 3.25% (CPI); and
  - For retirees over age 55 and not on Medicare, the limit is increased by an additional dollar amount of $1,650 for single coverage and $3,450 for family coverage.
- Based on the above assumptions, we estimate that the tax will apply as early as 2020 for some of the District's pre-Medicare plans. In addition, we estimate that the tax will not apply to any of the post-Medicare plans.

Other Revenue Raisers

The Health Care Reform includes a variety of other revenue raisers that involve additional costs on providers (such as medical device manufacturers) and insurers. We considered these factors when developing the trend assumptions.

SECTION V
Glossary

- Accrual Accounting – A method of matching the cost of an employee's service, including long term obligations such as OPEB, to that employee's period of active service.
- Actuarial Accrued Liability (AAL) – The Actuarial Present Value of all postemployment benefits attributable to past service. Note: the AAL is sometimes referred to as the Past Service Liability.
- Actuarial Cost Method – A procedure for allocating the actuarial present value of benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
- Actuarial Present Value – The value of an amount or series of amounts payable or receivable at various times. Each such amount or series of amounts is:

  a. adjusted for the probable financial effect of certain intervening events (such as changes in healthcare costs, compensation levels, Medicare, marital status, etc.)

  b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and

  c. discounted according to an assumed rate (or rates) of return to reflect the time value of money
- Actuarial Valuation – The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values.
- Actuarial Value of Assets – The value of cash, investments and other property belonging to a plan. These are amounts that may be applied to fund the Actuarial Accrued Liability. Note: assets must be segregated and placed in a Trust in order to be considered OPEB assets
- Age-Adjusted Costs – The process of converting flat premiums to average annual health care costs that vary by age.

- Amortization Payment – That portion of the Annual OPEB cost which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

  In the year that Statement 45 becomes effective an employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability, over a period not to exceed 30 years.

- Annual Other Postemployment Benefit (OPEB) Cost - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The annual OPEB cost is the amount that must be calculated and reported as an expense.

  When an employer has no net OPEB obligation (e.g., in the year of implementation) the annual OPEB cost is equal to the Annual Required Contribution (ARC).

  In subsequent years the Annual OPEB cost will include:

  - the ARC (equal to the Normal Cost plus one year's amortization of the Unfunded Actuarial Accrued Liability);
  - one year's interest on the net OPEB obligation at the beginning of the year using the valuation discount rate; and
  - an adjustment to the ARC. This adjustment is intended to provide a reasonable approximation of that portion of the ARC that consists of interest associated with past contribution deficiencies. GASB Statement No. 45 specifies that this adjustment should be equal to an amortization of the discounted present value of the net OPEB obligation at the beginning of the year. The amortization should be calculated using the same amortization method and period used in determining the ARC for that year. If the net OPEB obligation is positive the adjustment should be deducted from the ARC.
  - Note: As long as the net OPEB obligation is zero, there will not be any interest charge or adjustment to the ARC. However, if an employer does not contribute the full amount of the ARC, a net OPEB obligation will emerge.

- Annual required contributions of the employer (ARC) - The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.

- ASOP 6 – Actuarial Standards of Practice No. 6 (ASOP 6) – *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, is published by the American Academy of Actuary's Actuarial Standards Board.

- <u>Cadillac Tax</u> – The Patient Protection and Affordability Care Act's (PPACA) high-cost plan tax (HCPT), popularly known as the "Cadillac tax," is a 40% excise tax on employer health plans exceeding $10,200 in premiums per year for individuals and $27,500 for families. The tax only applies on amounts exceeding these thresholds and is scheduled to take effect in 2020.

- <u>Defined benefit OPEB plan</u> - An OPEB plan having terms that specify the *benefits* to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors, such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

- <u>Defined contribution plan</u> - A pension or OPEB plan having terms that (a) provide an individual account for each plan member and (b) specify how contributions to an active plan member's account are to be determined, rather than the income or other benefits the member or his beneficiaries are to receive at or after separation from employment. Those benefits will depend only on the amounts contributed to the member's account, earnings on investments of those contributions, and forfeitures of contributions made for other members that may be allocated to the member's account. For example, an employer may contribute a specified amount to each active member's postemployment healthcare account each month. At or after separation from employment, the balance of the account may be used by the member or on the member's behalf for the purchase of health insurance or other healthcare benefits.

- <u>Employer's contributions</u> - Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

- <u>Entry Age Normal Actuarial Cost Method</u> – An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost.

- <u>Explicit Subsidy</u> – The portion of the retiree health premium borne by the employer.

- <u>HCEARA</u> - The Health Care and Education Affordability Reconciliation Act of 2010 was signed into law on March 30, 2010. Together HCEARA and PPACA, or Patient

Protection and Affordability Care Act of 2010 (signed into law on March 23, 2010), comprise what we usually think of as "ObamaCare".

- Healthcare cost trend rate - The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

- Implicit Subsidy – The implicit subsidy is the difference between average claims cost and the premiums paid for retirees. CalPERS charges the same flat premium for both active employees and retirees. However, retirees are observed to have a higher incidence of ill health (morbidity) on average than active employees. As a result, active employee premiums are subsidizing the cost of the retiree medical plan premiums. Therefore, basing retiree medical valuations on premiums would tend to understate the true liabilities of the plan.

- Investment return assumption (discount rate) - The rate used to adjust a series of future payments to reflect the time value of money.

- Morbidity and Mortality – Morbidity refers to the incidence of ill health within a population. Mortality refers to the incidence of death within a population.

- Net OPEB obligation - The cumulative difference since the effective date of GASB Statement 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

  Most employers will have no net OPEB obligation at the beginning of the year in which Statement 45 is implemented.

  If an employer contributes the annual OPEB cost to the plan each year, and there are no actuarial or investment gains or losses then the net OPEB Obligation will remain zero.

- Normal Cost - That portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Another interpretation is that the Normal Cost is the present value of future benefits that are "earned" by employees for service rendered during the current year.

- OPEB assets - The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expenses.

- OPEB expense - The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

- Other postemployment benefits (OPEB) - Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, except benefits defined as special termination benefits.

- Plan assets - Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or in an equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

- PPACA - The Patient Protection and Affordability Care Act of 2010 was signed into law on March 23, 2010. Together PPACA and HCEARA, or Health Care and Education Affordability Reconciliation Act of 2010 (signed into law on March 30, 2010), comprise what we usually think of as "ObamaCare".

- Present Value – See Actuarial Present Value.

- Projected Unit Credit Cost Method – An actuarial cost method under which the projected benefits of each individual included in an Actuarial Valuation are separately calculated and allocated to each year service by a consistent formula.

- Substantive plan - The terms of an OPEB plan as understood by the employer(s) and plan members.

- Unfunded Actuarial Accrued Liability (UAAL) – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

- Valuation date – The date as of which the postemployment benefit obligation is determined.

- Withdrawal Rates – The incidence of termination from active employment within a population.

CODE	CLASSIFICATION	2016/2017 BUDGET	2016/2017 EXPENDITURES 02/28/17	2016/2017 BALANCE	PERCENT SPENT	2017/2018 BUDGET	BUDGET DIFFERENCES
	POLICE SALARIES AND BENEFITS						
502	Salary - Police	$1,015,274	$621,529	$393,745	61.22%	$921,999	($93,275)
504	Compensation Cash-Out	$9,200	$14,796	($5,596)	160.82%	$9,200	$0
506	Overtime	$75,000	$67,193	$7,807	89.59%	$75,000	$0
508	Salary/Non-Sworn	$100,677	$73,605	$27,072	73.11%	$62,405	($38,272)
516	Uniform Allowance	$9,000	$4,844	$4,156	53.82%	$9,000	$0
518	Safety Equipment	$2,250	$3,867	($1,617)	171.88%	$2,500	$250
521A	Medical Insurance - Active	$182,094	$135,091	$47,003	74.19%	$158,987	($23,107)
521R	Medical Insurance - Retired	$160,278	$117,349	$42,929	73.22%	$138,231	($22,047)
521T	Medical Insurance - Trust	$64,226	$95,868	($31,642)	149.27%	$248,346	$184,120
522	Disab. & Life Insurance	$6,940	$2,858	$4,083	41.17%	$6,940	$0
523	Medicare 1.45% (District)	$17,507	$9,990	$7,517	57.07%	$15,611	($1,896)
524	Social Security(6.2%) /Non-Sworn	$6,242	$4,983	$1,259	79.83%	$3,869	($2,373)
527	P.E.R.S. - District	$509,304	$432,341	$76,963	84.89%	$436,688	($72,616)
528	P.E.R.S. - Officers Portion	$59,836	$39,076	$20,760	65.30%	$36,651	($23,185)
530	Workers Compensation	$67,000	$66,467	$533	99.20%	$92,000	$25,000
540	Advanced Industrial	$0	$0	$0	0.00%	$0	$0
	SUB-TOTAL	$2,284,828	$1,689,857	$594,971	73.96%	$2,217,427	($67,401)
	POLICE EXPENSES						
552	Expendable Police Supplies	$1,700	$3,320	($1,620)	195.29%	$2,200	$500
553	Range/Ammunition	$5,000	$375	$4,625	7.50%	$5,500	$500
560	Crossing Guard	$11,150	$6,567	$4,583	58.89%	$11,623	$473
562	Vehicle Operation	$37,500	$18,692	$18,808	49.85%	$36,250	($1,250)
564	Communications	$156,420	$72,663	$83,757	46.45%	$222,958	$66,538
566	Radio Maintenance	$2,281	$1,090	$1,191	47.79%	$2,180	($101)
568	Prisoner/Case Expenses/Bookings	$8,900	$5,408	$3,492	60.77%	$8,900	$0
570	Training	$10,000	$2,551	$7,449	25.51%	$10,000	$0
572	Recruiting	$15,500	$3,285	$12,215	21.20%	$15,750	$250
574	Reserve Officers	$4,050	$30	$4,020	0.74%	$9,675	$5,625
576	Misc. Dues, Meals.Travel	$3,035	$1,481	$1,554	48.80%	$2,835	($200)
580	Utilities - Police	$10,000	$7,234	$2,766	72.34%	$11,040	$1,040
581	Bldg. Repair/Maint	$5,000	$469	$4,531	9.39%	$3,000	($2,000)
582	Office Supplies	$7,500	$3,257	$4,243	43.43%	$6,500	($1,000)
588	Telephones	$7,476	$2,907	$4,569	38.89%	$5,100	($2,376)
590	Housekeeping	$4,000	$3,044	$956	76.11%	$4,000	$0
592	Publications	$3,000	$2,923	$77	97.44%	$3,500	$500
594	Comm. Policing	$14,000	$4,601	$9,399	32.87%	$8,000	($6,000)
596	CAL-ID	$6,100	$6,101	($1)	100.02%	$6,100	$0
599	Police Taxes Administration	$3,500	$2,591	$909	74.04%	$3,500	$0
	SUB-TOTAL	$316,112	$148,591	$167,521	47.01%	$378,611	$62,499
	RECREATION SALARIES AND BENEFITS						
601	Park and Rec. Admin.	$8,042	$5,747	$2,295	71.47%	$8,042	($0)
602	Custodian	$22,750	$14,000	$8,750	61.54%	$22,750	$0
623	Social Security (7.65%) /Park	$615	$440	$175	71.49%	$615	$0
	SUB-TOTAL	$31,407	$20,187	$11,220	64.28%	$31,407	($0)
	RECREATION EXPENSES						
640	**Community Center Expenses**						
642	Community Center	$5,616	$4,071	$1,545	72.49%	$6,636	$1,020
643	Janitorial Supplies	$1,500	$676	$824	45.10%	$1,250	($250)
646	Community Center Repairs	$5,500	$4,241	$1,259	77.10%	$5,500	$0
650	**Building E Expenses**						
656	Building E Repairs	$0	$0	$0	0.00%	$0	$0
660	**Annex Expenses**						
662	Annex - Utilities	$0	$0	$0	0.00%	$0	$0
666	Annex Repairs	$1,000	$0	$1,000	0.00%	$1,000	$0
668	Annex - Misc. Exp	$1,000	$0	$1,000	0.00%	$1,000	$0
670	Gardening Supplies	$1,000	$0	$1,000	0.00%	$1,000	$0
672	Park O&M	$69,300	$57,158	$12,142	82.48%	$69,300	$0
674	Park Construction Expense	$5,000	$0	$5,000	0.00%	$5,000	$0
678	Misc. Park/Rec Expense	$1,000	$1,275	($275)	127.54%	$1,200	$200
	SUB-TOTAL	$90,916	$67,422	$23,494	74.16%	$91,886	$970

CODE	CLASSIFICATION	2016/2017 BUDGET	2016/2017 EXPENDITURES 02/28/17	2016/2017 BALANCE	PERCENT SPENT	2017/2018 BUDGET	BUDGET DIFFERENCES
DISTRICT EXPENSES							
808	District Salaries	$0	$0	$0	0.00%	$138,280	$138,280
809	Social Security (7.65%) /District	$0	$0	$0	0.00%	$10,578	$10,578
810	Computer Maintenance	$25,118	$19,428	$5,690	77.35%	$26,488	$1,370
820	Canon Copier Contract	$5,700	$3,235	$2,465	56.75%	$5,045	($655)
830	Legal	$99,530	$114,018	($14,488)	114.56%	$84,932	($14,598)
835	Consultant	$46,500	$24,287	$22,213	52.23%	$35,000	($11,500)
840	Accounting	$45,500	$31,983	$13,517	70.29%	$45,500	$0
850	Insurance	$30,000	$27,607	$2,393	92.02%	$30,000	$0
860	Election	$4,500	$3,562	$938	79.15%	$0	($4,500)
865	Police Bldg Lease	$1	$1	$0	100.00%	$30,000	$29,999
870	County Expenditures	$22,300	$8,273	$14,027	37.10%	$21,800	($500)
890	Waste/Recycle Expenses	$20,000	$0	$20,000	0.00%	$0	($20,000)
898	Miscellaneous Expenses - Board	$17,200	$11,822	$5,378	68.73%	$18,750	$1,550
	SUB-TOTAL	$316,349	$244,214	$72,135	77.20%	$446,373	$130,024
	Operating Expense TOTAL	$3,039,612	$2,170,271	$869,341	71.40%	$3,165,705	$126,093
CAPITAL OUTLAY							
961	Police Bldg. Improvements	$0	$0	$0	0.00%	$0	$0
962	Patrol Cars	$0	$0	$0	0.00%	$0	$0
963	Patrol Car Accessories	$0	$0	$0	0.00%	$1,000	$1,000
965	Personal Police	$0	$13,547	($13,547)	0.00%	$0	$0
966	Police Traffic Equipment	$6,600	$8,550	($1,950)	129.55%	$0	($6,600)
967	Station Equipment	$6,100	$6,005	$95	98.44%	$0	($6,100)
968	Office Furn. & Equip.	$0	$0	$0	0.00%	$0	$0
969	Computer Equipment	$3,650	$2,170	$1,480	59.47%	$3,000	($650)
971	Park Land	$0	$0	$0	0.00%	$0	$0
972	Park Bldgs. Improvements	$100,000	$0	$100,000	0.00%	$250,000	$150,000
973	Park Construct Grant Exp	$0	$0	$0	0.00%	$0	$0
974	Other Park Improvements	$7,500	$0	$7,500	0.00%	$4,500	($3,000)
978	Park/Rec. Furniture & Equipment	$21,000	$34,450	($13,450)	164.05%	$1,000	($20,000)
	Capital Outlay SUB-TOTAL	$144,850	$64,723	$80,127	44.68%	$259,500	$114,650
	BUDGET GRAND TOTAL	$3,184,462	$2,234,993	$949,469	70.18%	$3,425,205	$240,743

KPPCSD
Revenue Projection
2017/2018

	Estimated Actual 2016/2017	Projected 2017/2018
Ordinary Income/Expense		
Income		
400 · Police Activities Revenue		
401 · Levy Tax	$1,662,000.00	$1,720,000.00
HomeOwners' Tax	11,800.00	12,000.00
402 · Special Tax-Police	681,630.00	680,000.00
403 · Misc Tax-Police	0.00	0.00
404 · Measure G Supplemental Tax Rev	527,989.00	543,829.00
409 · Asset seizure forfeit/WEST NET	0.00	0.00
410 · Police Fees/Service Charges	3,000.00	1,500.00
411 · Kensington Hilltop Srvcs Reimb	19,467.00	20,051.00
412 · Special Assignment Revenue	0.00	0.00
413 · Crossing Guard Reimbursement	11,151.00	11,623.00
414 · POST Reimbursement	1,054.00	0.00
415 · Grants-Police	140,000.00	0.00
416 · Interest-Police	5,500.00	2,500.00
418 · Misc Police Income	11,500.00	11,500.00
419 · Supplemental W/C Reimb (4850)	90,000.00	10,000.00
Total 400 · Police Activities Revenue	$3,165,091.00	$3,013,003.00
420 · Park/Rec Activities Revenue		
424 · Taxes-L&L	$36,220.00	$35,000.00
426 · Park Donations	0.00	0.00
427 · Community Center Revenue	31,000.00	33,000.00
435 · Grants-Park/Rec	0.00	0.00
436 · Interest-Park/Rec	0.00	0.00
437 · Contributions for Sound System	11,000.00	0.00
438 · Misc Park/Rec Rev	200.00	200.00
Total 420 · Park/Rec Activities Revenue	$78,420.00	$68,200.00
440 · District Activities Revenue		
448 · Franchise Fees	$52,000.00	$53,600.00
456 · Interest-District	250.00	200.00
458 · Misc District Revenue	0.00	0.00
Total 440 · District Activities Revenue	$52,250.00	$53,800.00
Total Income	$3,295,761.00	$3,135,003.00

Draft

KPPCSD
Projected Revenue and Expense
2017/2018

Budgeted Revenues 2017/2018	
400 · Police Activities Revenue	
Total 400 · Police Activities Revenue	$3,013,003
420 · Park/Rec Activities Revenue	
Total 420 · Park/Rec Activities Revenue	68,200
440 · District Activities Revenue	
448 · Franchise Fees	53,600
456 · Interest-District	200
Total 440 · District Activities Revenue	53,800
Total Revenues	$3,135,003
Budgeted Expenditures 2017/2018	
500 · Police Sal & Ben	
Total 500 · Police Sal & Ben	$2,217,427
550 · Other Police Expenses	
Total 550 · Other Police Expenses	378,611
Total 600 · Park/Rec Sal & Ben	31,407
Total 635 · Park/Recreation Expenses	91,886
800 · District Expenses	
Total 800 · District Expenses	446,373
950 · Capital Outlay	
961 · Police Bldg Improvements	0
962 · Patrol Cars	0
963 · Patrol Car Accessories	1,000
965 · Personal Police Equipment-Asset	0
966 · Police Traffic Equipment	0
967 · Station Equipment	0
968 · Office Furn. & Equip.	0
969 · Computer Equipment	3,000
971 · Park Land	0
972 · Park Bldgs. Improvements	250,000
973 · Park Construction Fund	0
974 · Other Park Improvements	4,500
978 · Pk/Rec Furn/Eq	1,000
Total 950 · Capital Outlay	259,500
Total Expenditures	$3,425,205
Excess of Revenue over Expense 2017/2018	-$290,202
Excess Funding over Expenses 2017/2018	-290,202
Cash Carryovers 2016/2017	$1,829,958
Add back large prepaid RIMS software	$139,958
Estimated Fund Carryovers into 2017/2018	$1,679,714

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KPPCSD
Projected Revenue and Expense
2017/2018

Fund Balances, in audit terms (see definitions included)	
Nonspendable - District Portion of Bond	$92,830
Resticted - Est'd Vacation/Comp Liab	80,000
Restricted - Bay View Net Balance	149,013
Committed - Capital Projects (Vehicle Fund)	101,576
Committed - Community Center Bldg Upgrade	150,000
Committed - Annex Renovation Expenditure in Current Year	0
Assigned - Park Bldgs Replacement less FY 17/18 expenditures	0
Assigned - Temporary Police Station Relocation	50,000
Total Identified Fund Balances	$623,419
Unassigned Fund Balance Available for Contingencies	$1,056,295
Percentage of Total Expenditures	30.84%

KPPCSD

Estimated Available Cash 6/30/17

		02/28/17	Incoming Tx Advance	Incoming Grant/Reimb	Mar Exp	Apr Exp	May Exp	June Exp	Transfer between funds	06/30/17 Est	
	ASSETS										
	Current Assets										
	Checking/Savings										
	100 · Petty Cash	100.00								100	
	110 · CCC Cash Accts										
	112 · General Fund	67,203.10	1,334,098.82	21,918.00	-200,000.00	-200,000.00	-200,000.00	-390,000.00	52,110.20	485,330	
	113 · Capital Fund-Cash	26,788.27								26,788	
	114 · Land & Light-Park O&M	18,288.34	15,821.86						-34,110.20	0	
excluded	**116 · PB Admin-Cash**	113,899.78	100,000.00			-40,000.00			-20,000.00	233,900	excluded
excluded	**117 · PB Resv-Cash**	19,301.84								19,302	excluded
	Total 110 · CCC Cash Accts	245,481.33								$512,118	
	134 · CCC LAIF Accounts										
	134a · General LAIF	1,139,148.14		-71,000.00	2,562.06	0.00	0.00	40,000.00		1,110,710	
	134b · COPS LAIF	2,842.27		40,000.00	-2,262.06					40,580	
	134c · Park LAIF	0.00								0	
	134d · Garbage/Bay View LAIF	73,969.97		31,000.00				-40,000.00		64,970	
	134e · Capital LAIF	101,479.56								101,480	
	Total 134 · CCC LAIF Accounts	1,317,439.94								$1,317,740	
	Total Checking/Savings	$1,563,021	$1,449,921	$21,918	-$199,700	-$240,000	-$200,000	-$390,000	-$2,000	$1,829,958	KPPCSD
										2,003,160	including Bond $

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KPPCSD Officers' Salaries - Fiscal 2017/2018

Officer Name	Grade	Date Hired	Date in Grade	Date in Step	Months in Step	Monthly Base	Holiday Pay	Incentive	Monthly Salary	Pay Period	Hourly Base	Hourly	Longevity Pay	Annual Total
Hull, R	Chief portion	12/17/16	12/17/16	12/17/16	12.000	$1,285.45		$96.41	$1,381.86	$ 690.93	$ 7.42	$ 7.97		$ 16,582.31
	MS/Step 2	10/16/97	03/16/13	03/16/13	12.000	$8,569.67		$642.73	$9,212.40	$4,606.20	$ 49.44	$ 53.15	$2,000.00	$ 112,548.74
Supervisor	Incremental	07/01/17	07/01/17	07/01/17	12.000	$205.17	$ 11.01	$15.39	$231.57	$ 115.78	$ 1.18	$ 1.34		$ 2,778.81
Hui, K	Sgt/Step 4	04/17/10	03/16/13	03/16/15	12.000	$8,077.75	$ 434.93	$403.89	$8,916.57	$4,458.28	$ 46.60	$ 51.44		$ 106,998.81
Stegman, E	Corp/Step 1	06/01/06	09/01/12	09/01/12	12.000	$7,186.55	$ 386.96	$538.99	$8,112.50	$4,056.25	$ 41.46	$ 46.80	$1,100.00	$ 98,450.02
Barrow, K.	Step 5	09/16/05	06/01/16	06/01/16	12.000	$7,045.63	$ 379.40	$528.42	$7,953.45	$3,976.73	$ 40.65	$ 45.89	$1,200.00	$ 96,641.43
Martinez, R	Step 5	01/01/06	01/01/06	01/01/10	12.000	$7,045.63	$ 379.40	$528.42	$7,953.45	$3,976.73	$ 40.65	$ 45.89	$1,100.00	$ 96,541.43
Wilson, D	Step 5	05/19/08	05/19/08	05/19/10	6.000	$7,045.63	$ 379.40	$528.42	$7,953.45	$3,976.73	$ 40.65	$ 45.89		$ 47,720.71
Ramos, J	Step 5	09/16/09	09/16/09	09/16/11	12.000	$7,045.63	$ 379.40	$352.28	$7,777.31	$3,888.66	$ 40.65	$ 44.87		$ 93,327.74
Wilkens, S	Step 5	09/17/12	09/17/12	09/17/16	12.000	$7,045.63	$ 379.40	$352.28	$7,777.31	$3,888.66	$ 40.65	$ 44.87		$ 93,327.74
Foley, T	Step 3	03/20/16	03/20/16	03/20/17	8.500	$6,324.76	$ 340.57	$0.00	$6,665.33	$3,332.67	$ 36.49	$ 38.45		$ 56,655.31
	Step 4	03/20/16	03/20/16	03/20/18	3.500	$6,672.62	$ 359.33	$0.00	$7,031.95	$3,515.98	$ 38.50	$ 40.57		$ 24,611.83
Vacancy	Step 2	7/1/2017	7/1/2017	7/1/2017	12.000	$5,995.03	$ 322.84	$0.00	$6,317.87	$3,158.94	$ 34.59	$ 36.45		$ 75,814.44
Vacancy	Step 2	1/1/2018	1/1/2018	1/1/2018	6.000	$5,995.03	$ 322.84	$0.00	$6,317.87	$3,158.94	$ 34.59	$ 36.45		$ 37,907.22
							$ 40,785.38	**$ 47,846.76**					**$ 5,400.00**	**$ 921,999.32**

Total BasePay Minus Holiday, Incentive, & Longevity: **$ 827,967.18**

	Mo. Base	Holiday	Mo. Total	HrlyBase	HrlyTot
Sergeants					
Step#1	7,250.80	390.41	7,641.21	41.83	44.08
Step#2	7,540.82	406.00	7,946.82	43.50	45.85
Step#3	7,767.05	418.23	8,185.28	44.81	47.22
Step#4	8,077.75	434.93	8,512.68	46.60	49.11
Master Sgts					
Step#1	8320.08	448.00	8,768.08	48.00	50.59
Step #2	8569.67	461.44	9,031.11	49.44	52.10

	Mo. Base	Holiday	Mo. Total	HrlyBase	HrlyTot
Officers					
Step#1	5,682.49	$305.95	5,988.44	32.78	34.55
Step#2	5,995.03	$322.84	6,317.87	34.59	36.45
Step#3	6,324.76	$340.57	6,665.33	36.49	38.45
Step#4	6,672.62	$359.33	7,031.95	38.50	40.57
Step#5	7,045.63	$379.40	7,425.03	40.65	42.84
Corporal					
Step #1	7186.55	$386.96	7,573.51	41.46	43.69

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FISCAL YEAR 2017/2018		
CODE 502	CLASSIFICATION:	Salary - Police
	2016/2017 Budget	$1,015,274
	Cumulative as of	$621,529
	2/28/2017	
ITEM		AMOUNT
Officers Base pay		$827,967
Holiday pay		$40,785
Longevity Pay		$5,400
Incentive Pay		$47,847
($93,275)	Total	**$921,999**

FISCAL YEAR 2017/2018		
CODE 504	CLASSIFICATION:	Compensated Absences Cash-Out
	2016/2017 Budget	$9,200
	Cumulative as of	$14,796
	2/28/2017	
ITEM		AMOUNT
Compensation Time Cash-Out	Officers est	
	averg $46 x 200 hrs	$9,200
	adjusted to probability	
$0	Total	**$9,200**

FISCAL YEAR 2017/2018		
CODE 506	CLASSIFICATION:	Overtime
	2016/2017 Budget	$75,000
	Cumulative as of	$67,193
	2/28/2017	
ITEM		AMOUNT
Overtime For:	Cover Training	$75,000
	Court Time	
	Sick/Vacation Coverage	
	Case Coverage	
NOTE:	Long term injury	
	replacement to minimum staffing	
$0	Total	**$75,000**

FISCAL YEAR 2017/2018		
CODE 508	CLASSIFICATION:	Salary/Non-Sworn
	2016/2017 Budget	$100,677
	Cumulative as of	$73,605
	2/28/2017	
ITEM		AMOUNT
	$30.93	
	$46.40	
	$69.60	
15 hr/wk - Dinapoli	780 hours	$24,125
15 hr/wk - Wolter	780 hours	$36,192
2.5 hr/mo Overtime - Wolter	30 hours	$2,088
($38,272)	TOTAL	**$62,405**

FISCAL YEAR 2017/2018		
CODE 516	CLASSIFICATION:	Uniform Allowance
	2016/2017 Budget	$9,000
	Cumulative as of	$4,844
	2/28/2017	
ITEM		AMOUNT
$800.00 x 10 officers		$8,000
Uniform Damage		$1,000
$0	TOTAL	**$9,000**

FISCAL YEAR 2017/2018		
CODE 518	CLASSIFICATION:	Safety Equipment
	2016/2017 Budget	$2,250
	Cumulative as of	$3,867
	2/28/2017	
ITEM		AMOUNT
Safety Equipment/Reimbursement	nt $250 x 10	$2,500
Carry Over Reimbursements -		$0
$250	TOTAL	**$2,500**

FISCAL YEAR 2017/2018			
CODE 521A	CLASSIFICATION:	Medical Insurance - Active	
		Vision, Dental	
	2016/2017 Budget	$182,094	
9 Officers			
	Cumulative as of	$135,091	
	2/28/2017		
ITEM		AMOUNT	
Active P.E.R.S. Medical	Officers 3 @ $1907 x 12	$68,652	
	Officers 1 @ $1876 x 12	$22,512	
	Officers 2 @ $1467 x 12	$35,208	
	Officers 3 @ $733 x 12	$26,388	
	1% increase 01/18	$764	
Active P.E.R.S Admin. Cost	0.34% of $153,024	$522	
Active Vision Care	$31.52 x 9 employees x 12	$3,404	
	0% rate increase Oct 2017	$0	
Active Delta Dental	$64.41 x 3 employees x 12	$2,319	
	$124.48 x 2 employees x 12	$2,988	
	$202.72 x 4 employees x 12	$9,731	
	0% increase Oct 2017	$0	
Total Active Premiums	$172,487		$172,487
NOTE:	Effective 07/01/17, each employee will		
	contribute $125/month		
Less Employee Contributions	9 x $125 x 12 months = $13,500	($13,500)	($13,500)
	Net Expense to District for Active Health		$158,987
($23,107)		**$158,987**	

FISCAL YEAR 2017/2018			
CODE 521R	CLASSIFICATION:	Medical Insurance - Retired	
		Vision, Dental	
	2016/2017 Budget	$160,278	
9 Retirees/3 Widows			
2 Retirees not on VSP	Cumulative as of	$117,349	
1 Retiree not on Delta Dental	2/28/2017		
ITEM		AMOUNT	
Retired P.E.R.S. Medical	Retirees 2 @ $1907 x 12	$45,768	
	Retiree 1 @ $1474 x 12	$17,688	
	Retiree 1 @ $1467 x 12	$17,604	
	Retirees 1 @ $1034 x 12	$12,408	
	Retiree 1 @ $733 x 12	$8,796	
	Retirees 2 @ $601 x 12	$14,424	
	Retirees 4 @ $300 x 12	$14,400	
	1% increase 01/18	$3,277	
Retired P.E.R.S Admin. Cost	0.34% of $134,365	$457	
Retired Vision Care	$31.52 x 10 x 12	$3,602	
Retired Delta Dental	$64.41 x 2 employees x 12	$1,546	
	$124.48 x 6 employees x 12	$8,963	
	$202.72 x 3 employees x 12	$7,298	
	0% increase Oct 2017	$0	
Total Retiree Premiums	$156,231		$156,231
NOTE:	Effective 07/01/17, each employee will		
	contribute $125/month		
Less Employee Contributions	12 x $125 x 12 months = $18,000	($18,000)	($18,000)
	Net Expense to District for Active Health		$138,231
($22,047)		$138,231	

FISCAL YEAR 2017/2018			
CODE 521T	CLASSIFICATION:	Medical Insurance - Trust	
		Vision, Dental	
	2016/2017 Budget	$64,226	
10 Officers			
9 Retirees/3 Widows	Cumulative as of	$95,868	
	2/28/2017		
ITEM		AMOUNT	
CALPERS OPEB Funding	17/18 ARC $404,577-$138,231	$248,346	
Nicolay Consulting	**$404,577**	**17/18 OPEB Cost**	
	NEED NICOLAY FOR FY 17/18		
NOTE: Per Actuarial Report by Nicolay Consulting adopted by the Board			
	Per Actuarial Study Valuation Date 07/01/16		
Normal Cost	184,178		
Amortization of Initial UAAL	220,399		
Amort of Residual UAAL			
Current ARC	**$404,577**		
$184,120		**$248,346**	

FISCAL YEAR 2017/2018			
CODE 522	CLASSIFICATION:	Disab. & Life Insurance	
	2016/2017 Budget	$6,940	
	Cumulative as of	$2,858	
	2/28/2017		
ITEM		AMOUNT	
LTD Insurance	$24.50x10 employees x 12	$2,940	
Life Insurance	$100,000 term insurance	$4,000	
	for 10 employees		
$0	TOTAL	**$6,940**	

FISCAL YEAR 2017/2018		
CODE 523	CLASSIFICATION:	Medicare 1.45% (District)
	2016/2017 Budget	$17,507
10 Officers		
	Cumulative as of	$9,990
	2/28/2017	
ITEM		AMOUNT
$921,999 x 1.45%		$13,369
$9,200 x 1.45%		$133
Overtime $75,000 x 1.45%		$1,088
$62,405 x 1.45%		$905
$7,200 x 1.45%		$116
Total Officers	$1,013,399	
Total Non-Sworn	$62,405	
($1,896)	TOTAL	**$15,611**

FISCAL YEAR 2017/2018		
CODE 524	CLASSIFICATION:	Social Security(6.2%)
	2016/2017 Budget	$6,242
	Cumulative as of	$4,983
	2/28/2017	
ITEM		AMOUNT
Social Security/Medicare	Non-swrn salaries x 6.2%	$3,869
(District Matching Portion)		
($2,373)	TOTAL	**$3,869**

FISCAL YEAR 2017/2018		
		P.E.R.S.
CODE 527	CLASSIFICATION:	P.E.R.S. - District
	2016/2017 Budget	$509,304
Classic: 9 Officers		
PEPRA: 1 Officer	Cumulative as of	$432,341
	2/28/2017	
ITEM		AMOUNT
Classic Salary: $824,465 x 19.723%		$162,609
Classic Uniform: $6,400 x 19.723%		$1,262
Flat CalPERS UAL - Classic Plan		$253,983
	$263,331 less $9,348 discount	
PEPRA Salary: $157,082 x 11.990% rate		$18,834
Side Fund Paid Off		$0
($72,616)	TOTAL	**$436,688**

FISCAL YEAR 2017/2018		
		P.E.R.S.
CODE 528	CLASSIFICATION:	P.E.R.S. - Officers Portion
	2016/2017 Budget	$59,836
Classic: 9 Officers		
PEPRA: 1 Officer	Cumulative as of	$39,076
	2/28/2017	
ITEM		AMOUNT
FY 17/18	Classic Salary: $727,011 x 5%	$36,351
FY 17/18	Classic Uniform: $6,000 x 5%	$300
NOTE:	PEPRA Employees are required to	
	pay this portion themselves	
($23,185)	TOTAL	**$36,651**

FISCAL YEAR 2017/2018			
CODE 530	CLASSIFICATION:	Workers Compensation	
		(P.D./Secretary)	
10 Officers	2016/2017 Budget	$67,000	
	Cumulative as of	$66,467	
	2/28/2017		
ITEM			
SDRMA Estimated Annual Contribution based on			
	$1,185,800 Total Payroll	$92,000	
	(excluding 1/3 O/T)		
NOTE:	Increase due to repayment of continued		
	Supplemental W/C (Section 4850 time)		
$25,000	TOTAL	$92,000	

FISCAL YEAR 2017/2018		
CODE 540	CLASSIFICATION:	Advanced Industrial Disability
	2016/2017 Budget	$0
	Cumulative as of 2/28/2017	$0
ITEM		AMOUNT
Advanced Industrial Disability		$0
$0	TOTAL	**$0**

FISCAL YEAR 2017/2018			
CODE 552	CLASSIFICATION:	Expendable Police Supplies	
	2016/2017 Budget	$1,700	
	Cumulative as of	$3,320	
	2/28/2017		
ITEM		AMOUNT	
SUPPLIES FOR I.D. FUNCTION		$1,500	
INCLUDES: PENS, GLOVES,			
BAGS, FILM, BRUSHES, ETC.			
Pepper Spray for Officers		$500	
Miscellaneous		$200	
$500	TOTAL	**$2,200**	

FISCAL YEAR 2017/2018			
CODE 553	CLASSIFICATION:	Range/Ammunition Supplies	
	2016/2017 Budget	$5,000	
	Cumulative as of 2/28/2017	$375	
ITEM		AMOUNT	
RANGE/AMMUNITION SUPPLIES:		$5,500	
INCLUDES: AMMUNITION,			
TARGETS, WEAPON REPAIR,			
MAINTENANCE, CLEANING			
SUPPLIES			
$500	TOTAL	**$5,500**	

FISCAL YEAR 2017/2018			
CODE 560	CLASSIFICATION:	Crossing Guard	
	2016/2017 Budget	$11,150	
	Cumulative as of	$6,567	
	2/28/2017		
ITEM		AMOUNT	
Crossing Guard - per contract		$11,623	
$473	TOTAL	**$11,623**	

FISCAL YEAR 2017/2018		
CODE 562	CLASSIFICATION:	Vehicle Operation
	2016/2017 Budget	$37,500
	Cumulative as of	$18,692
	2/28/2017	
ITEM		AMOUNT
Gasoline - Patrol Cars	Est.5000 gallons @ $3.25	$16,250
Vehicle Maintenance:		$20,000
Includes all servicing		
and equipment		
($1,250)	TOTAL	**$36,250**

FISCAL YEAR 2017/2018		
CODE 564	CLASSIFICATION:	Communications
		(Richmond Police)
	2016/2017 Budget	$156,420
	Cumulative as of	$72,663
	2/28/2017	
ITEM		AMOUNT
Albany Contract - Dispatch	Includes $33,000 1st yr discount	$47,000
Albany Contract - Records Management		$5,000
Albany Contract - Tech Fee		$12,000
RIMS Software	Most likely prepaid in FY 16/17	$139,958
New World	Buy Out Prior Contract	$9,000
EBRCS	$40/mo x 19 radios x 12 months	$9,120
Radio Reprogramming		$880
$66,538	TOTAL	**$222,958**

FISCAL YEAR 2017/2018		
CODE 566	CLASSIFICATION:	Radio Maintenance
	2016/2017 Budget	$2,281
	Cumulative as of	$1,090
	2/28/2017	
ITEM		AMOUNT
Cell phone connections to mobile units Toughbooks		$2,180
($101)	TOTAL	**$2,180**

FISCAL YEAR 2017/2018		
CODE 568	CLASSIFICATION:	Prisoner/Case Expenses/Bookings
	2016/2017 Budget	$8,900
	Cumulative as of	$5,408
	2/28/2017	
ITEM		AMOUNT
County Booking Fee	10 @ $0	$0
Currently State of CA reimburses Booking Fees		
Crime Lab:		$7,500
Drug Testing		
Alcohol Testing		
Fingerprint Comparisons		
Childrens Interview Center		$500
Evidence Room Monitored Alarm		$900
$0	TOTAL	**$8,900**

FISCAL YEAR 2017/2018		
		Law Enforcement
CODE 570	CLASSIFICATION:	Training
	2016/2017 Budget	$10,000
	Cumulative as of	$2,551
	2/28/2017	
ITEM		AMOUNT
INCLUDES:		
ALL ASPECTS OF OFFICER		
TRAINING		$5,000
SCHOOL, TUITION, BOOKS, ETC	$500 PER OFFICER	$5,000
$0	TOTAL	**$10,000**

FISCAL YEAR 2017/2018		
CODE 572	CLASSIFICATION:	Recruiting
	2016/2017 Budget	$15,500
	Cumulative as of 2/28/2017	$3,285
ITEM		AMOUNT
Medical	5 @ $750	$3,750
Psychological Assessment	5 @ $600	$3,000
Polygraph	5 @ $300	$1,500
Background Investigation	5 @ 1,500	$7,500
NOTE:	Reserve Officer recruitment in progress	
	One officer at retirement age	
$250	TOTAL	**$15,750**

FISCAL YEAR 2017/2018		
CODE 574	CLASSIFICATION:	Reserve Officers
	2016/2017 Budget	$4,050
	Cumulative as of	$30
	2/28/2017	
ITEM		AMOUNT
Reserve Officers:	Training	
	Uniforms	
	Insurance Coverage	
	Safety Equipment	
	Total 5 x $1875	$9,375
Misc. Reserve Costs		$300
$5,625	TOTAL	**$9,675**

FISCAL YEAR 2017/2018		
CODE 576	CLASSIFICATION:	Misc. Dues, Meals.Travel
	2016/2017 Budget	$3,035
	Cumulative as of	$1,481
	2/28/2017	
ITEM		AMOUNT
INCLUDES: Chief's meetings, CPOA dues,		
PORAC General Membership, etc.		
CCC Chief's Association		$775
CPOA/$125 x 10		$1,250
Cal Chiefs $315/$125	Chief Hull/none	$315
CAPE		$45
FBI-LEEDA		$50
Int'l Assn of Chiefs of Police		$150
Miscellaneous - Meeting Supplies		$250
($200)	TOTAL	**$2,835**

FISCAL YEAR 2017/2018		
CODE 580	CLASSIFICATION:	Utilities - Police
Former 514		
	2016/2017 Budget	$10,000
	Cumulative as of	$7,234
	2/28/2017	
ITEM		AMOUNT
Utilities	$920 average x 12	$11,040
$1,040	Total	**$11,040**

FISCAL YEAR 2017/2018		
CODE 581	CLASSIFICATION:	Bldg. Repair/Maint
	2016/2017 Budget	$5,000
	Cumulative as of	$469
	2/28/2017	
ITEM		AMOUNT
Miscellaneous Repairs		$3,000
NOTE:	Property room shelving	
	and painting	
	Maintenance required by	
	contract	
($2,000)	Total	**$3,000**

FISCAL YEAR 2017/2018		
CODE 582	CLASSIFICATION:	Office Supplies
	2016/2017 Budget	$7,500
	Cumulative as of	$3,257
	2/28/2017	
ITEM		AMOUNT
Paper (colored, letter, legal, fax)		
Stamps, envelopes, postage		
Printing		
Envelopes (manilla), folders, etc.		
Ink cartridges/correction tape		
Calendars, refills, etc.		
Miscellaneous (pens, pencils, clips, staples, etc.)		$6,500
($1,000)	TOTAL	**$6,500**

FISCAL YEAR 2017/2018		
CODE 588	CLASSIFICATION:	Telephones
		(+Richmond Line)
	2016/2017 Budget	$7,476
	Cumulative as of	$2,907
	2/28/2017	
ITEM		AMOUNT
INCLUDES:		
(2) Verizon Cellular Phones	$110 x 12	$1,320
Cellular Phones are $110/mo. for both, not per phone.		
AT&T 526-4141	$315 avg. x 12	$3,780
($2,376)	TOTAL	**$5,100**

FISCAL YEAR 2017/2018		
CODE 590	CLASSIFICATION:	Housekeeping
	2016/2017 Budget	$4,000
	Cumulative as of	$3,044
	2/28/2017	
ITEM		AMOUNT
INCLUDES:		
Toilet paper, paper towels, Soaps, light bulbs,		
cleaning supplies, rug cleaning ($250), trash bags		
and coffee, sugar, creamer		
	Estimated Total	$1,120
Custodial Service	$200 x 12	$2,400
Drinking Water	Avg. $40 x 12	$480
$0	TOTAL	**$4,000**

FISCAL YEAR 2017/2018		
CODE 592	CLASSIFICATION:	Publications
	2016/2017 Budget	$3,000
	Cumulative as of	$2,923
	2/28/2017	
ITEM		AMOUNT
INCLUDES: Deering updates, Penal Codes,		$500
magazines, etc.		
Legal Source Book		$500
Department Policy - Lexipol		$2,500
$500	TOTAL	**$3,500**

FISCAL YEAR 2017/2018		
CODE 594	CLASSIFICATION:	Comm. Policing
	2016/2017 Budget	$14,000
	Cumulative as of	$4,601
ITEM	2/28/2017	AMOUNT
National Night Out		$500
Crime Prevention		$500
Children's Interview Center	see G/L Acct #568	
Sand Bags		$0
Website Maintenance		$6,000
Community Outreach		$1,000
($6,000)	Total	**$8,000**

FISCAL YEAR 2017/2018		
CODE 596	CLASSIFICATION:	CAL-ID
	2016/2017 Budget	$6,100
	Cumulative as of	$6,101
	2/28/2017	
ITEM		AMOUNT
CAL-ID expenses		$6,100
$0	TOTAL	$6,100

FISCAL YEAR 2017/2018			
CODE 599	CLASSIFICATION:	Police Taxes Administration	
	2016/2017 Budget	$3,500	
	Cumulative as of	$2,591	
	2/28/2017		
ITEM		AMOUNT	
NBS Administration	Original Police Tax	$3,500	
$0	TOTAL	$3,500	

FISCAL YEAR 2017/2018			
CODE 601	CLASSIFICATION:	Park and Rec. Admin.	
	2016/2017 Budget	$8,042	
	Cumulative as of 2/28/2017	$5,747	
ITEM		AMOUNT	
P.& R. Admin. Salary	$30.93 x 260 hours	$8,042	
($0)	TOTAL	**$8,042**	

FISCAL YEAR 2017/2018		
CODE 602	CLASSIFICATION:	Custodian
	2016/2017 Budget	$22,750
	Cumulative as of	$14,000
	2/28/2017	
ITEM		AMOUNT
600/Custodian	Community Center	$22,750
Park Restroom Custodian	see G/L Acct #672	
$0	TOTAL	$22,750

FISCAL YEAR 2017/2018		
CODE 623	CLASSIFICATION:	Social Security (7.65%) /Park
	2016/2017 Budget	$615
	Cumulative as of	$440
	2/28/2017	
ITEM		AMOUNT
P&R Admin. $8,042 x 7.65%		$615
$0	TOTAL	**$615**

FISCAL YEAR 2017/2018		
CODE 642	CLASSIFICATION:	Community Center
		Utilities
	2016/2017 Budget	$5,616
	Cumulative as of	$4,071
	2/28/2017	
ITEM		AMOUNT
EBMUD Community Center	$140 x 12	$1,680
EBMUD Gore Lot	$20 x 12	$240
PG&E Community Center	$315 avg. x 12	$3,780
Telephone Community Center	$78 avg. x 12	$936
$1,020	Total	**$6,636**

FISCAL YEAR 2017/2018		
CODE 643	CLASSIFICATION:	Janitorial Supplies
	2016/2017 Budget	$1,500
	Cumulative as of	$676
	2/28/2017	
ITEM		AMOUNT
Community Center		
Janitorial Supplies, paper towels, light bulbs, etc.		$1,250
Annex		
Janitorial Supplies, paper towels, light bulbs, etc.		$0
($250)	Total	**$1,250**

FISCAL YEAR 2017/2018		
CODE 646	CLASSIFICATION:	Community Center
		Repairs
	2016/2017 Budget	$5,500
	Cumulative as of	$4,241
	2/28/2017	
ITEM		AMOUNT
Misc Repairs		$4,000
Fire Extinguishers	Four Extinguishers	$1,500
$0	TOTAL	**$5,500**

FISCAL YEAR 2017/2018		
CODE 656	CLASSIFICATION:	Building E Repairs
	2016/2017 Budget	$0
	Cumulative as of	$0
	2/28/2017	
ITEM		AMOUNT
Miscellaneous		$0
$0	Total	**$0**

FISCAL YEAR 2017/2018		
CODE 662	CLASSIFICATION:	Annex - Utilities
	2016/2017 Budget	$0
	Cumulative as of	$0
	2/28/2017	
ITEM		AMOUNT
Utilities		$0
See G/L #642 for PG&E		
See G/L #672 for EBMUD - Water		
$0	Total	$0

FISCAL YEAR 2017/2018		
CODE 666	CLASSIFICATION:	Annex Repairs
	2016/2017 Budget	$1,000
	Cumulative as of	$0
	2/28/2017	
ITEM		AMOUNT
Miscellaneous Repairs		$1,000
$0	Total	$1,000

FISCAL YEAR 2017/2018		
CODE 668	CLASSIFICATION:	Annex - Misc. Exp
	2016/2017 Budget	$1,000
	Cumulative as of	$0
	2/28/2017	
ITEM		AMOUNT
Miscellaneous Expenses		$1,000
$0	Total	**$1,000**

FISCAL YEAR 2017/2018		
CODE 670	CLASSIFICATION:	Gardening Supplies
	2016/2017 Budget	$1,000
	Cumulative as of	$0
	2/28/2017	
ITEM		AMOUNT
Plantings		$1,000
$0	Total	**$1,000**

FISCAL YEAR 2017/2018		
CODE 672	CLASSIFICATION	Park O&M
	2016/2017 Budget	$69,300
	Cumulative as of	$57,158
	2/28/2017	
ITEM		
Operations/Maintenance Park Property		
Maintenance Contract	(O&M Funding)	$27,000
Park Maintence Repairs	(O&M Funding)	$10,000
Utilities	Water	$5,000
Drain Clearing		$1,000
Incidental Expenses		$2,000
	Shared Expense Total	$45,000
Old Park Allocated Exp	40% of Shared Expenses	$18,000
Old Park Tree Pruning		$2,000
	Old Park Total	$20,000
New Park Allocated Exp	60% of Shared Expenses	$27,000
Levy Fees	(County)	$2,200
Engineer's Annual Report/Admin Services		$5,000
Park Restroom Custodian		$5,100
New Park Tree Pruning/Removal		$10,000
	New Park Total	$49,300
$0	Total	**$69,300**

FISCAL YEAR 2017/2018			
CODE 674	CLASSIFICATION	Park Construction	Expense
	2016/2017 Budget	$5,000	
	Cumulative as of	$0	
	2/28/2017		
ITEM			
Misc. Expenses		$5,000	
NOTE:	Minor repairs of play		
	equipment, tennis courts, etc		
$0	Total	**$5,000**	

FISCAL YEAR 2017/2018		
CODE 678	CLASSIFICATION:	Misc. Park/Rec Expense
	2016/2017 Budget	$1,000
	Cumulative as of	$1,275
	2/28/2017	
ITEM		AMOUNT
Miscellaneous Projects / Eagle Scout		$1,000
Troop 100 Ammunition		$200
$200	Total	**$1,200**

FISCAL YEAR 2017/2018

CODE 808 CLASSIFICATION: District Salaries

		2016/2017 Budget	$0
		Cumulative as of 2/28/2017	$0
ITEM			**AMOUNT**
General Manager			$100,000
		$46.40	
		$69.60	
15 hr/wk - Wolter	780 hours		$36,192
2.5 hr/mo Overtime - Wolter	30 hours		$2,088

$138,280 TOTAL **$138,280**

FISCAL YEAR 2017/2018

CODE 623 CLASSIFICATION: Social Security (7.65%) /District

2016/2017 Budget $0

Cumulative as of 2/28/2017 $0

ITEM		AMOUNT
District Salaries	$138,280 x 7.65%	$10,578

$10,578 TOTAL **$10,578**

FISCAL YEAR 2017/2018			
CODE 810	CLASSIFICATION:	Computer Maintenance	
	2016/2017 Budget	$25,118	
	Cumulative as of	$19,428	
	2/28/2017		
ITEM		AMOUNT	
Service Contract/Misc. Supp.	Rubicon	$13,068	
ARIES	CCC Office of Revenue	$8,770	
CLETS - Annual Fee		$550	
ACCJIN Shared Costs	CCC Office of Revenue	$2,600	
Critical Reach		$150	
Miscellaneous Software Upgrades		$600	
Miscellaneous Repair Materials		$750	
$1,370	Total	**$26,488**	

FISCAL YEAR 2017/2018		
CODE 820	CLASSIFICATION:	Canon Copier Contract
	2016/2017 Budget	$5,700
	Cumulative as of	$3,235
	2/28/2017	
ITEM		AMOUNT
Sharp MX-5141	Lease $195 x 12	$2,340
	Unsecured Property Taxes	$75
Overage Charges	$215 x 12 average	$2,580
	Toner	$50
Outside Reproduction		$0
($655)	TOTAL	**$5,045**

FISCAL YEAR 2017/2018		
CODE 830	CLASSIFICATION:	Legal
		(Dist./Personnel)
	2016/2017 Budget	$99,530
	Cumulative as of	$114,018
	2/28/2017	
ITEM		AMOUNT
Ann Danforth-General Counsel	2017 Monthly Retainer for	
	14 hours of service at	
	$2520/mo. 2018 $2660/mo.	$31,080
Ann Danforth-Monthly Meeting Attendance		
2017 1st 4 hrs $ $135/hr	2018 1st 4 hrs $ $143/hr	$6,672
2017 Add'l mtgs $180/hr x 6	2018 Add'l mtgs $190/hr x 2	$8,760
Ann Danforth-Additional Work	2017=$180/hr 2018=$190/hr	
2017 Add'l Hrs @ 6 per mo.	2018 Add'l Hrs @ 0 per mo.	$6,480
	Ann Danforth Total	$52,992
Public Management Group-Adam Benson 2 x $205/hr per mo.		$4,920
Public Mgmt Grp-Bob Deis 6 x $250/hr GM/Brd workshop		$1,500
	Public Management Grp Total	$6,420
Public Law Group-Propp-Contract mgmt 24 x $305		$7,320
Public Law Group-Sloan-Disciplinary matters 16 x $325		$5,200
Public Law Group-Holtzman-Contract negotiation 40 x $325		$13,000
	Public Law Group Total	$25,520
($14,598)	Total	**$84,932**

FISCAL YEAR 2017/2018		
CODE 835	CLASSIFICATION:	Consultant
	2016/2017 Budget	$46,500
	Cumulative as of 2/28/2017	$24,287
ITEM		AMOUNT
Actuarial Report		$0
MOU Analysis		$15,000
Additional Consultant work per Board		$20,000
($11,500)	Total	**$35,000**

FISCAL YEAR 2017/2018		
CODE 840	CLASSIFICATION:	Accounting
	2016/2017 Budget	$45,500
	Cumulative as of	$31,983
	2/28/2017	
ITEM		AMOUNT
Deborah Russell Accountant	$70 X 450 HOURS	$31,500
2016/2017 Year End Audit		$14,000
$0	TOTAL	**$45,500**

FISCAL YEAR 2017/2018		
CODE 850	CLASSIFICATION:	Insurance
	2016/2017 Budget	$30,000
	Cumulative as of	$27,607
	2/28/2017	
ITEM		AMOUNT
Special District Risk Management/$5,000,000		
(District General Liability, Auto Liability		
Property, Floater, Employee Blanket Bond,		
Error & Omissions, Flood Protection, Personal		
liability Board Members)		
Kensington Park/Property		
Police Liability Included		$30,000
$0	TOTAL	$30,000

FISCAL YEAR 2017/2018		
CODE 860	CLASSIFICATION:	Election
	2016/2017 Budget	$4,500
	Cumulative as of	$3,562
	2/28/2017	
ITEM		AMOUNT
Directors (0), etc.		$0
($4,500)	TOTAL	**$0**

FISCAL YEAR 2017/2018		
CODE 865	CLASSIFICATION:	Police Bldg Lease
	2016/2017 Budget	$1
	Cumulative as of	$1
	2/28/2017	
ITEM		AMOUNT
Lease to be renegotiated		$30,000
$29,999	Total	**$30,000**

FISCAL YEAR 2017/2018		
Code 870	CLASSIFICATION:	County Expenditures
	2016/2017 Budget	$22,300
	Cumulative as of	$8,273
	2/28/2017	
ITEM		AMOUNT
Property Tax Administration costs		
Senate Bill 2557 (Chapter 466 of 1990)		
$1,300,000 x 1.5%		$20,000
Miscellaneous		
Fees, Assessments, Interest,		
etc		$1,800
($500)	Total	**$21,800**

FISCAL YEAR 2017/2018			
		Franchise Fees	
CODE 890	CLASSIFICATION:	Waste/Recycle Expenses	
	2016/2017 Budget	$20,000	
	Cumulative as of 2/28/2017	$0	
ITEM		AMOUNT	
Garbage Related Expenses	Public Education, etc.	$0	
Legal Fees - Other		$0	
	Current Contract Expires 08/31/2023		
($20,000)	TOTAL	**$0**	

FISCAL YEAR 2017/2018		
CODE 898	CLASSIFICATION:	Miscellaneous Expenses - Board
	2016/2017 Budget	$17,200
	Cumulative as of 2/28/2017	$11,822
ITEM		AMOUNT
LAFCO		$1,550
Service Pins		$500
Seminars/Directors		$4,000
CSDA/CCSDA Membership		$6,200
Miscellaneous		$1,000
Annual Conference		$5,000
Governance Days		$500
$1,550	TOTAL	$18,750

FISCAL YEAR 2017/2018			
CODE 961	CLASSIFICATION:	Police Bldg. Improvements	
	2016/2017 Budget	$0	
	Cumulative as of	$0	
	2/28/2017		
ITEM		AMOUNT	
Final Year of Renovation Fees was 08/09		$0	
$0	TOTAL	$0	

CODE 962	CLASSIFICATION:	Patrol Cars
Former 506		
	2016/2017 Budget	$0
	Cumulative as of	$0
PATROL CAR PURCHASE/OUTFITTINC	2/28/2017	
$0	TOTAL	**$0**

FISCAL YEAR 2017/2018			
CODE 963	CLASSIFICATION:	Patrol Car Accessories	
	2016/2017 Budget	$0	
	Cumulative as of 2/28/2017	$0	
ITEM		AMOUNT	
Five Mobile Data Computers (used)		$1,000	
$1,000	TOTAL	**$1,000**	

FISCAL YEAR 2017/2018		
CODE 965	CLASSIFICATION:	Personal Police
		Equipment-Asset
	2016/2017 Budget	$0
	Cumulative as of	
	2/28/2017	$13,547
ITEM		AMOUNT
$0	TOTAL	$0

FISCAL YEAR 2017/2018			
CODE 966	CLASSIFICATION:	Police Traffic Equipment	
	2016/2017 Budget	$0	
	Cumulative as of 2/28/2017	$8,550	
ITEM		AMOUNT	
$0	TOTAL	$0	

FISCAL YEAR 2017/2018		
CODE 967	CLASSIFICATION:	Station Equipment
Former 504		
	2016/2017 Budget	$6,100
	Cumulative as of	$6,005
	2/28/2017	
ITEM		AMOUNT
($6,100)	TOTAL	$0

FISCAL YEAR 2017/2018			
CODE 968	CLASSIFICATION:	Office Furn. & Equip.	
Former 504			
	2016/2017 Budget	$0	
	Cumulative as of	$0	
	2/28/2017		
ITEM		AMOUNT	
$0	TOTAL	$0	

FISCAL YEAR 2017/2018		
CODE 969	CLASSIFICATION:	Computer Equipment
Former 800		
	2016/2017 Budget	$3,650
	Cumulative as of	$2,170
	2/28/2017	
ITEM		AMOUNT
Chief of Police Computer Replacement		$1,500
@ RISK Modeling Software		$1,500
($650)	TOTAL	**$3,000**

FISCAL YEAR 2017/2018		
CODE 971	CLASSIFICATION:	Park Land
	2016/2017 Budget	$0
	Cumulative as of	$0
	2/28/2017	
ITEM		AMOUNT
$0	TOTAL	$0

FISCAL YEAR 2017/2018			
CODE 972	CLASSIFICATION:	Park Bldgs. Improvements	
	2016/2017 Budget	$100,000	
	Cumulative as of	$0	
	2/28/2017		
ITEM		AMOUNT	
Community Center ADA & Seismic Upgrades Start Up Costs		$250,000	
	Assuming $50,000 expected		
	to be spent FY 16/17,		
	committed funds balance		
	available here is $168,045		
$150,000	TOTAL	**$250,000**	

FISCAL YEAR 2017/2018			
CODE 973	CLASSIFICATION	Park Construct Grant Exp	
	2016/2017 Budget	$0	
	Cumulative as of	$0	
	2/28/2017		
ITEM			
$0	Total	**$0**	

FISCAL YEAR 2017/2018			
CODE 974	CLASSIFICATION	Other Park Improvements	
	2016/2017 Budget	$7,500	
	Cumulative as of 2/28/2017	$0	
ITEM			
Replace/Add Play Equipment		$4,500	
($3,000)	Total	**$4,500**	

FISCAL YEAR 2017/2018		
CODE 978	CLASSIFICATION:	Park/Rec. Furniture & Equipment
Former 609		
	2016/2017 Budget	$21,000
	Cumulative as of	$34,450
	2/28/2017	
ITEM		AMOUNT
Garbage Can		$1,000
($20,000)	TOTAL	**$1,000**

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KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Financial Statements and Independent Auditor's Report for the Year ended June 30, 2016

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Basic Financial Statements
and Required Supplementary Information
for the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kensington Police Protection and Community Services District
Kensington, California

I have audited the accompanying financial statements of the governmental activities and each major fund of the Kensington Police Protection and Community Services District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Kensington Police Protection and Community Services District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment benefits and budgetary comparison information on page 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the Kensington Police Protection District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year ended June 30, 2016.

Certified Public Accountant
San Francisco, California
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KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

This discussion and analysis of the Kensington Police Protection and Community Services District's (the District) fiscal performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

From the Statement of Net Position

- Total net position for the years ended June 30, 2016 and 2015 are $3,097,405 and $2,590,442, respectively.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for fiscal years ended June 30, 2016 and 2015 are $(927,983) and $(1,258,418), respectively.
- GASB 68 Information—As of June 30, 2016, long-term pension liability is $2,878,245 (measurement date June 30, 2015). Deferred outflow of resources is now $728,847 (net increase of $347,073) and deferred inflow of resources is $412,768 (net decrease of $245,342), all derived from the PERS Actuarial Report (valuation date June 30, 2014).
- Long term net pension liability for the years ended June 30, 2016 and 2015 are $2,878,245 and $2,559,571, respectively.

From the Governmental Fund Financial Statements

- Our General Fund balance increased by $247,283, which is compared to an $114,641 increase in 2015.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2016 and 2015 were $2,757,396 and $2,666,312, respectively. This is a 3.4% increase.

OVERVIEW OF FINANCIAL STATEMENTS

The District's basic financial statements are composed of three components: government-wide financial statements, governmental funds financial statements, and notes to the financial statements. Required supplementary information in addition to the basic financial statements is also presented.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. There are two government-wide financial statements—the Statement of Net Positon and the Statement of Activities and Changes in Net Position.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Government-Wide Financial Statements (Continued)

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. Accrual of revenue and expenses is taken into account regardless of when cash is received or paid.

As in a private-sector business, capital assets are depreciated, debt service is not a source of revenue, and compensated absences are expensed in the period earned.

Governmental Funds Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The major differences between fund financial statements and government-wide financial statements are in the way debt proceeds, capital outlay, and compensated absences are recorded. Reconciliations between the two types of financial statements are found on page 8 using the adjustment column.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules and a PERS schedule of funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $3,097,405 as of June 30, 2016 and $2,590,442 as of June 30, 2015. This number is composed of three components:

	June 30, 2016	June 30, 2015
Investment in capital assets, net of debt	$ 3,858,056	$ 3,872,547
Restricted	167,332	(23,687)
Unrestricted net position	(927,983)	(1,258,418)
Total net position	$ 3,097,405	$ 2,590,442

Investment in capital assets consists of fixed assets less any related debt.

Unrestricted assets are used to finance day-to-day operations, including debt service.

GOVERNMENTAL FUNDS ANALYSIS

The District's largest source of revenue is from property tax allocations. In 1978 the voters passed Proposition 13 and removed the ability of local agencies to set their own property taxes. The 1% maximum property tax rate is fixed by Article XIII A, § 1(a) of the California Constitution. The Legislature adopted statutes ("AB 8") that tell county auditor-controller's how to allocate the resulting revenues. This is unrestricted revenue and can be used for all District business.

The District's collection of Special Tax Revenue, another large source of revenue, is restricted to police activities. The current rate as of June 30, 2016 was established in 1997 after receiving voter approval in 1994.

The District also collects a special assessment called the Kensington Park Landscape and Lighting District Assessment. The funds are restricted for maintenance of that part of the park purchased with the proceeds of the 1994 Limited Obligation Improvement Bonds.

In fiscal year ended June 30, 2016, the District was the beneficiary of the COPS Grant minimum allocation of $100,000. The funds must be used for law enforcement only and all expenditures have been approved by the District's Board of Directors. In fiscal year 2015/2016, this grant money was used to fund the tenth officer position.

The largest expenditure of the District is salary and benefits, including PERS contributions. These are governed by current Memorandum of Understanding agreements negotiated between the District and represented and non-represented employees.

The other area of expenditures of significance are for services, supplies and legal. That would include items such as communications and vehicle operations. This is the support structure for the police department.

Other reserved funds:

Reserved for compensated absences payable—$79,565.

COMMENTS ON BUDGET COMPARISONS

Actual revenues and actual expenditures versus budget amounts equals a positive variance of $183,458.

Actual revenues exceeded budgeted revenues by $221,824. The largest difference is that the District received $100,000 more than budgeted in Grant Revenue. It is important to note that the COPS grant revenue is not budgeted for because at the time of adopting our budget each year, the State of California has not yet determined whether it will be issuing those grants. All property tax revenue together was $35,470 over budget. The District also received $18,526 from assets seizure/forfeitures.

Actual expenditures were more than final budgeted expenditures by $38,366. The largest difference was $170,697 in District expenses, mostly made up of $163,952 in legal expense. Police expenses were under budget $74,569. The three largest factors were $36,581 less spent in communication, $24,990 less spent in vehicle operation and $19,570 less spent in radio maintenance. It is important to note that the officer in charge of vehicle maintenance was out due to injury so there is a portion attributable to deferred maintenance. KPPCSD had paid off the Motorola lease for radios in FY 14/15. Another $36,581 was saved in Communications.

HISTORY AND ECONOMIC FACTORS

The Kensington Police Protection and Community Services District was formed as a Police Protection District in 1946 for the purpose of providing police services to the community of Kensington. In 1953, the District was changed to a Community Services District, per Government Code 61600, which enabled the District to provide park and recreation services, oversight to the solid waste contract, in addition to the provision of police protection services.

In 1978, Proposition 13 was passed by California voters resulting in the implementation of AB 8 which set the formula used in property tax allocation for local government. The formula was based on prior years' budgets and the Kensington Police Protection and Community Services District had a history of very lean budgets.

In 1980, the Board of Directors for the District approved Resolutions 80-01 and 80-02, setting into motion a proposal for a special tax and a special election for the special tax. The original amount of the tax was $45 per year for single family residential unit, $90 per year for multiple unit residential property, $135 per year for commercial and institutional property and $45 per year for miscellaneous improved property. These funds are restricted to be used for police related services only.

In 1984, the Board of Directors for the District approved Resolution 84-01 requesting the electorate approve an increase in the special tax to $90 per year for single family residential, $135 per year for multiple unit residential property, $180 per year for commercial and institutional property and $90 per year for miscellaneous improved property. These funds are restricted to be used for police related services only.

In 1993, the Board of Directors for the District approved Resolution 93-04 requesting the electorate approve an increase in the special tax to $210 per year for single family residential, $315 per year for multiple units residential property, $315 per year for commercial and institutional property, $210 per year for miscellaneous improved property and $63 per year for unimproved property. These funds are restricted to be used for police-related services only.

In 1994, the Board of Directors for the District approved Resolution 94-13 requesting the electorate approve an increase in the special tax to $300 per year for single family residential property, $450 per year for multiple units residential property, $450 per year for commercial and institutional property, $300 per year for miscellaneous improved property and $90 per year for unimproved property. An increase of tax was voted and passed. These funds are restricted to be used for police-related services only.

In 1997, the Board of Directors for the District approved Ordinance 97-01 setting the rates at the maximum allowed based on Resolution 94-13.

In 2010, the District passed a ballot measure (Measure G) to add a supplemental tax revenue stream to be used effectively July 01, 2010. These funds are a maximum of $200 per parcel and are restricted to be used for police-related services only.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to General Manager/Chief of Police.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Project	Total	Adjustment See Note (3, 8 &12)	Statement of Net Position
Assets					
Cash and investments (Note 2)	$ 1,750,137	$ 128,129	$ 1,878,266	$ -	$ 1,878,266
Investment (Restricted)-See Note 4	93,430	-	93,430	-	93,430
Receivables					
Supplemental taxes					
and Community Services District	50,064	-	50,064	-	50,064
Interest receivable	1,728	139	1,867	-	1,867
Reimbursements and other	40,290	-	40,290	-	40,290
Prepaid	38,803	-	38,803	-	38,803
Deferred Outflows of Resources-Deferred pensions (Note 12)	-	-	-	728,847	728,847
Capital Assets (Note 3)					
Land	-	-	-	2,808,347	2,808,347
Vehicle and equipment	-	-	-	507,756	507,756
Building and improvement	-	-	-	1,618,818	1,618,818
Furniture & fixtures	-	-	-	28,412	28,412
Construction in progress	-	-	-	34,618	34,618
Accumulated depreciation	-	-	-	(1,139,895)	(1,139,895)
Total Capital Asset	-	-	-	3,858,056	(3,858,056)
Total Assets	$ 1,974,452	$ 128,268	$ 2,102,720	$ 4,586,903	$ 6,689,623
Liabilities					
Accounts payable	$ 202,554	$ -	$ 202,554	$ -	$ 202,554
GASB 45 Accrual	4,078		4,078	-	4,078
Compensated absence	79,565	-	79,565	-	79,565
Accrued payable	15,008	-	15,008	-	15,008
Long term net pension liability	-	-	-	2,878,245	2,878,245
Total Liabilities	301,205	-	301,205	2,878,245	3,179,450
Deferred Inflows of Resources-Deferred pensions (Note 12)	-	-	-	412,768	412,768
Fund Balances/Net Position					
Fund balances					
Non-spendable	38,803	-	38,803	(38,803)	-
Restricted	167,332	-	167,332	(167,332)	-
Committed	-	128,268	128,268	(128,268)	-
Assigned	218,045		218,045	(218,045)	-
Unassigned	1,249,067	-	1,249,067	(1,249,067)	-
Total Fund Balances	1,673,247	128,268	1,801,515	(1,801,515)	-
Total Liabilities and Fund Balances	$ 1,974,452	$ 128,268	$ 2,102,720		
Net Position					
Capital assets				3,858,056	3,858,056
Restricted				167,332	167,332
Unrestricted				(927,983)	(927,983)
Total Net Position				$ 3,097,405	$ 3,097,405

The accompanying notes are an integral part of the financial statements.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	General	Capital Project	Total	Adjustment Note 3, 8	Statement of Activities
EXPENDITURES/EXPENSES					
Current expenditures/expenses					
Police Salary and Benefits					
Salary-officers	$ 945,959	$ -	$ 945,959	$ -	$ 945,959
Compensated absence	13,689	-	13,689	-	13,689
Overtime	98,724	-	98,724	-	98,724
Salary-non sworn	102,532	-	102,532	-	102,532
Uniform allowance	7,678	-	7,678	-	7,678
Safety equipment	791	-	791	-	791
Medical insurance - Active	163,436	-	163,436	-	163,436
Medical insurance - Retired	163,594	-	163,594	-	163,594
Medical insurance - Retired trust	35,541	-	35,541	-	35,541
Disability & life insurance	4,428	-	4,428	-	4,428
Social security/medicare	23,030	-	23,030	-	23,030
PERS district	368,679	-	368,679	(205,292)	163,387
PERS officers	71,488	-	71,488	-	71,488
Workers compensation	44,837	-	44,837	-	44,837
Police Expenses					
Expendable police supplies	5,836	-	5,836	-	5,836
Range/ammunition supplies	2,886	-	2,886	-	2,886
Crossing guard	10,890	-	10,890	-	10,890
Vehicle operation	25,010	-	25,010	-	25,010
Communications (RPD)	119,489	-	119,489	-	119,489
Radio maintenance	2,180	-	2,180	-	2,180
Prisioner/case expense/booking	16,866	-	16,866	-	16,866
Training	9,391	-	9,391	-	9,391
Recruiting	4,291	-	4,291	-	4,291
Reserve officers	191	-	191	-	191
Misc, dues, meals and travel	2,379	-	2,379	-	2,379
Utilities	11,032	-	11,032	-	11,032
Building repair	4,942	-	4,942	-	4,942
Office supplies	6,711	-	6,711	-	6,711
Telephone	6,429	-	6,429	-	6,429
Housekeeping	4,945	-	4,945	-	4,945
Publications	2,580	-	2,580	-	2,580
CAL ID	5,508	-	5,508	-	5,508
Community policing	5,655	-	5,655	-	5,655
Measure G administration	3,489	-	3,489	-	3,489
Recreation Salary and Benefits		-			
Park and recreation administration	7,945	-	7,945	-	7,945
Custodian	21,000	-	21,000	-	21,000
Social security/medicare	420	-	420	-	420
Recreation Expenses					
Community center utilities	5,743	-	5,743	-	5,743
Janitorial supplies	1,241	-	1,241	-	1,241
Community center repairs	5,964	-	5,964	-	5,964
Park O&M	54,401	-	54,401	-	54,401
Misc. park/rec expense	4,293	-	4,293	-	4,293
District Expenses					
Computer maintenance	25,226	-	25,226	-	25,226
Copier contract	4,742	-	4,742	-	4,742
Legal	263,482	-	263,482	-	263,482
Consulting	34,756	-	34,756	-	34,756
Accounting	46,618	-	46,618	-	46,618
Insurance	27,572	-	27,572	-	27,572
Police building lease	1	-	1	-	1
County expense	21,743	-	21,743	-	21,743
Waste/recycle	260	-	260	-	260
Miscellaneous	17,416	-	17,416	-	17,416
Depreciation	-	-	-	73,846	73,846
Total current expenditures/expenses	2,837,929	-	2,837,929	(131,446)	2,706,483
Capital outlay					
Equipment and furniture	45,427	-	45,427	(45,427)	-
Buildings and improvements	-	-	-	-	-
Construction in progress	13,931	-	13,931	(13,931)	-
Total capital outlay	59,358	-	59,358	(59,358)	-
Total Expenditures/Expenses	2,897,287	-	2,897,287	(190,804)	2,706,483

The accompanying notes are an integral part of the financial statements.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016
(Continued)

	General	Capital Project	Total	Adjustment Note 3, 8	Statement of Activities
GENERAL REVENUES:					
Property taxes	1,561,530	-	1,561,530	-	1,561,530
Special assessments	681,690	-	681,690	-	681,690
Measure G supplemental tax revenue	514,176	-	514,176	-	514,176
Assets seizure forfeit/WEST NET	18,526	-	18,526	-	18,526
Grants-COPS & other	100,000	-	100,000	-	100,000
Charges for services	3,370	-	3,370	-	3,370
Kensington Hilltop services reimb.	28,475	-	28,475	-	28,475
Special assignment revenue	12,237	-	12,237	-	12,237
West county crossing guard reimb.	10,515	-	10,515	-	10,515
POST reimbursement	5,762	-	5,762	-	5,762
Rents and fees	37,520	-	37,520	-	37,520
Investment income	4,056	430	4,486	-	4,486
Franchise fees	59,559	-	59,559	-	59,559
Other tax income	47,227	-	47,227	-	47,227
Supplemental workers' comp reimb.	29,354	-	29,354	-	29,354
Other income	14,299	-	14,299	-	14,299
Gain (loss) on asset sale	5,779	-	5,779	-	5,779
Total Revenues	3,134,075	430	3,134,505	-	3,134,505
Excess (deficiency) of Revenues Over Other (under) Expenditures	236,788	430	237,218	190,804	428,022
Other Financing Sources (Uses)					
Transfers in	21,076	-	21,076	-	21,076
Transfers out	(10,581)	-	(10,581)	-	(10,581)
Total Other Financing Sources (Uses)	10,495	-	10,495	-	10,495
Change in Net Position	247,283	430	247,713	190,804	438,517
Fund Balances/Net Position, Beginning of Year	1,425,964	127,838	1,553,802	1,036,640	2,590,442
Prior Period Adjustment	-	-	-	68,446	68,446
Fund Balances/Net Position, Beginning of Year, Restated	1,425,964	127,838	1,553,802	1,105,086	2,658,888
Fund Balances/Net Position, End of Year	$ 1,673,247	$ 128,268	$ 1,801,515	$ 1,295,890	$ 3,097,405

The accompanying notes are an integral part of the financial statements.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Emergency Preparedness Fund	Kensington Park Reassessment District 2004-1 Fund	Total
Assets			
Cash and investments (Note 2)	$ -	$ 288,926	$ 288,926
Interest receivable	-	127	127
Special assessments receivable	-	604,459	604,459
Total Assets	$ -	$ 893,512	$ 893,512
Liabilities			
Accounts payable	$ -	$ 1	$ 1
2004 Limited Obligation Improvement Bonds (Note 4)	-	720,967	720,967
Bond interest payable	-	10,214	10,214
Total Liabilities	$ -	$ 731,182	$ 731,182
Net Position			
Reserved for Emergency Preparedness Council	$ -	$ -	$ -
Reserved for Reassessment District 2004-1	-	162,330	162,330
Total Net Position	$ -	$ 162,330	$ 162,330

The accompanying notes are an integral part of the financial statements.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN NET POSITION-FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Emergency Preparedness Fund	Kensington Park Reassessment District 2004-1 Fund	Total
ADDITIONS:			
Special assessments	$ -	$ 177,747	$ 177,747
Interest income	-	397	397
Total Additions	-	178,144	178,144
DEDUCTIONS:			
Bond administration charges	-	12,273	12,273
Bond expenses	-	31,532	31,532
Bond principal	-	125,718	125,718
Contract services	-	-	-
Total Deductions	-	169,523	169,523
Net increase (decrease) in fiduciary net position	-	8,621	8,621
Transfer in	-	(21,076)	(21,076)
Transfer out	69	10,512	10,581
Net Position, Beginning of Year	(69)	164,273	164,204
Net Assets, End of Year	$ -	$ 162,330	$ 162,330

The accompanying notes are an integral part of the financial statements.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes	$ 1,527,750	$ 1,561,530	$ 33,780
Special assessments	680,000	681,690	1,690
Measure G supplemental tax revenue	514,177	514,176	(1)
Assets seizure forfeit/WEST NET	-	18,526	18,526
Grants-COPS & other	-	100,000	100,000
Charges for services	1,500	3,370	1,870
Kensington Hilltop services reimb.	18,900	28,475	9,575
Special assignment revenue	-	12,237	12,237
West county crossing guard reimb.	10,830	10,515	(315)
POST reimbursement	-	5,762	5,762
Rents and fees	33,000	37,520	4,520
Investment income	1,600	4,056	2,456
Franchise fees	48,800	59,559	10,759
Other tax income	33,000	47,227	14,227
Supplemental workers' comp reimb.	17,194	29,354	12,160
Other income	25,500	14,299	(11,201)
Gain (loss) on asset sale	-	5,779	5,779
Total Revenues	2,912,251	3,134,075	221,824
Expenses:			
Police Salary and Benefits	2,053,670	2,044,406	9,264
Police Other Expenses	325,269	250,700	74,569
Recreation Salary and Benefits	31,147	29,365	1,782
Recreation Expenses	96,716	71,642	25,074
District Expenses	271,119	441,816	(170,697)
Capital Outlay	81,000	59,358	21,642
Total Expenditures	2,858,921	2,897,287	(38,366)
Excess of Revenues over (under) Expenditures	$ 53,330	$ 236,788	$ 183,458

The accompanying notes are an integral part of the financial statements.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Kensington Police Protection and Community Services District (the District) is presented to assist in understanding the District's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Description of Funds

The District was formed to provide police protection services and parks and recreation services. The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Currently, the District has two of these funds, a General Fund and Capital Project Fund. The District also maintains two fiduciary funds: (1) Emergency Preparedness Fund (used for expenses in conjunction with the emergency radio network) and (2) Kensington Park Reassessment District 2004-1 Fund (used to account for special assessment funds, see Note 4).

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the District accompanied by a total column.

These statements are presented on an economic resources measurement focus and the *accrual basis* of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenditures identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

Separate financial statements are provided for governmental funds. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds are reported as separate columns in the governmental fund financial statements. No major funds are aggregated and presented in a single column. The District's general funds was its only major fund.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the *modified accrual basis* of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are intergovernmental revenues, investment earnings and charges for services. Expenditures are generally recognized when incurred under the modified accrual basis of accounting.

The District has only four funds in fiscal year 2016, the General Fund, Capital Project Fund, and two fiduciary funds which are the Emergency Preparedness and the Kensington Park Reassessment District. A longer description is below.

1. General Fund - the General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
3. Emergency Preparedness Fund – This fiduciary fund is used to account for radios and batteries in the community to be used in case of earthquake or similar major emergency. The fund is supported by matching contributions from both the District and Kensington Fire Protection District.
4. Kensington Park Reassessment District 2004-1 - This debt service fund is used to account for financial resources to be used for the retirement of debt. The Kensington Park Reassessment Bond 2004-1, issued in June 2004 in defeasance of the 1994 special assessment bonds, has been determined to be an Agency Fund since the District is not obligated to repay the debt. The balance in the debt service fund has therefore been transferred to the Kensington Park Reassessment District 2004-1 Fund (see Note 4).

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The operating budget includes proposed expenditures and the means of financing them.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Capital Projects Fund.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

3020.1 A preliminary annual budget proposal shall be prepared by the General Manager on later than May 1.

3020.2 Prior to review by the Board of Directors, the Board's Finance Committee shall meet with the General Manager and review his preliminary annual budget proposal.

3020.3 The proposed preliminary annual budget, as reviewed and amended by the Finance Committee, shall be reviewed by the Board at its regular meeting in May.

3020.4 The proposed preliminary annual budget, as amended by the Board during its review, shall be adopted at its regular meeting in June. Any exceptions to this date must be approved by Board action, but in no event shall the preliminary annual budget be adopt later than July 1.

3020.5 The final annual budget shall be adopted no later than September 1. The General Manager shall publish the public notice required by Government Code section 61110(c).

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and the Capital Projects Fund. All appropriations lapse at fiscal year-end.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments. Investments are carried at market value. All investment is invested through the County of Contra Costa.

Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment

Fund Equity Reservations and Designations

Reservations and designations of the ending fund balance indicate portions of fund balance not appropriable for expenditures or amounts legally segregated for a specific future use.

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Implementation of New Accounting Principles

The following Governmental Accounting Standards Board (GASB) Statements were implemented during the 2016 fiscal year:

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 – The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014. The primary objective of this statement is to improve transparency of accounting and financial reporting for state and local governments pensions liability.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 27. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68.

NOTE 2— CASH AND INVESTMENTS

The District maintains most of its cash in the County of Contra Costa treasury. Balances are stated at cost, which is approximately market value.

The District maintains cash investment accounts that are available for use by all funds. Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified below according to credit risk:

Category 1—Investments that are insured or registered, or for which securities are held by the District or its agent in the District's name.

Category 2—Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Category 3—Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

NOTE 2— CASH AND INVESTMENTS (Continued)

A summary of the District's cash and investments at June 30, 2016 is as follows:

	Carrying Value	Market Value
Governmental Funds		
Category 1:		
Cash in checking accounts	$ 2,823	$ 2,823
Petty cash	100	100
	2,923	2,923
Uncategorized:		
County Treasury	1,968,773	1,968,773
Total Governmental Funds	1,971,696	1,971,696
Fiduciary Funds		
Category 1:		
Cash in checking accounts	-	-
Uncategorized:		
County Treasury	288,926	288,926
Total Fiduciary Funds	288,926	288,926
Total Governmental Funds	$ 2,260,622	$ 2,260,622

The cash and investments by fund is as follows:

General Fund	$ 1,843,567
Capital Project Fund	128,129
	$ 1,971,696
Emergency Preparedness Fund	$ -
2004-1 Park Reassessment Bond Fund	$ 288,926

The District's cash fund in the County Treasury is not categorized by risk category because the District's share is not evidenced by specifically identifiable securities.

NOTE 2— CASH AND INVESTMENTS (Continued)

Deposits

The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 100% of the agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits. The agency may waive collateral requirements for deposits, which are fully insured up to $250,000 by federal deposit insurance.

NOTE 3—CAPITAL ASSETS

The District's capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is charged to governmental activities by function.

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets.

Depreciation of capital assets in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

Vehicles	5 years
Furniture and fixtures	5 years
Building and improvements	20-40 years
Machinery and equipment	5-10 years

NOTE 3— CAPITAL ASSETS (Continued)

A summary of changes in general fixed assets follows:

	Balance 6/30/15	Additions	Retirements	Balance 6/30/16
Non-Depreciable Assets				
Land	$ 2,808,347	$ -	$ -	$ 2,808,347
Depreciable Assets				
Building & improvements	1,638,902	14,534	-	1,653,436
Vehicles & equipment	514,821	44,821	51,886	507,756
Furniture & fixtures	30,392	-	1,980	28,412
Total Depreciable Asset:	4,992,462	59,355	53,866	4,997,951
Accumulated Depreciation				
Building & improvements	588,832	43,382	-	632,214
Vehicles & equipment	502,122	29,727	51,886	479,963
Furniture/fixtures/improvements	28,961	737	1,980	27,718
Total Accumulated Depreciation	1,119,915	73,846	53,866	1,139,895
Capital Assets Net of Depreciation:	$ 3,872,547	$ (14,491)	$ -	$ 3,858,056

The current depreciation expense of $73,846 was charged to police services.

NOTE 4— SPECIAL ASSESSMENT DEBT

Kensington Park Reassessment District 2004-1 Refunding Bonds

	June 30, 2015	Adjustment	Payments	June 30, 2016
2004 Limited Obligation Improvement Bonds	$ 846,685	$ -	$ 125,718	$ 720,967
	$ 846,685	$ -	$ 125,718	$ 720,967

NOTE 4— SPECIAL ASSESSMENT DEBT (Continued)

Kensington Park Reassessment District 2004-1 Refunding Bonds (Continued)

The original 1994 Limited Obligation Improvement Bonds were issued pursuant to the provisions of the Improvement Bond Act of 1915 to finance costs of acquisition of land to be used as a park and installation of certain recreational improvements. The bonds are limited obligations of the District and are equally and ratably secured by unpaid assessments on certain parcels of property located within the Kensington Park Assessment District. The Kensington Park Assessment District was created by the District pursuant to the Landscaping and Lighting Act of 1972 specifically to finance the park landscaping and lighting project. The unpaid assessments represent fixed liens on each assessed parcel. Annual installments of the unpaid assessments together with interest thereon, sufficient to meet the scheduled debt service, are included in the tax bills for the assessed properties and the receipts are deposited into a redemption fund used to pay interest and principal on the bonds as they come due. The District is in no way liable for the repayment of the improvement bonds. The District is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings.

On June 17, 2004, the District issued $1,868,600 of 2004 Limited Obligation Improvement Bonds for the purpose of refunding the $2,050,000 of outstanding 1994 Limited Obligation Improvement Bonds. The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. The net proceeds of $1,868,600 from these bonds were transferred to a trustee and placed in an irrevocable trust to redeem the 1994 Limited Obligation Improvement Bonds. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. The 2004 bond bears annual interest at a fixed rate of 4.25%. The bond was issued as a fully registered note in a single denomination of $1,868,600. Interest on the bond becomes payable commencing March 2, 2005, and semiannually thereafter on each September 2 and March 2 until maturity. The bond maturity date is September 2, 2020.

The following funds have been created: (1) Reserve Fund established in the initial amount of $93,430 (with separated county investment account) from the bond proceeds; (2) Redemption Fund, established to collect all payments of principal and interest installments on the assessments; (3) cost of issuance fund, established to pay issuance costs and (4) administrative expense fund, established to reimburse payment of administrative expenses. The District's liability to advance funds to the Redemption Fund in the event of delinquent installments shall not exceed the balance in the Reserve Fund.

As of June 30, 2016, future debt service payments were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2017	$ 133,201	$ 27,811	$ 161,012
2018	140,485	21,995	162,480
2019	147,469	15,876	163,345
2020	149,165	9,573	158,738
2021	150,662	3,202	153,864
	$ 720,982	$ 78,457	$ 799,439

NOTE 5— DEFINED BENEFIT PENSION PLAN

PERS plan description

The District has a defined benefit pension plan (the "Plan") which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public District portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board action. CalPERS issues a separate comprehensive annual financial report. Copies of the report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

Funding policy

Effective January 1, 2013, the California Public Employees' Pension Reform Act (PEPRA) went into effect. Any new CalPERS hires will be covered by this mandate. The District currently participates in a two-tiered retirement funding system.

A Tier 1 (Classic) CalPERS employee is required to contribute 9% of his/her annual covered salaries. The District has historically paid this tax deferred contribution required of Classic employees on their behalf and for their accounts. Effective March 01, 2016, determined by the current MOU, each Classic employee began contributing 2% individually and The District paid the remaining 7% of the Classic employee's required contribution. Effective March 01, 2017, that same 9% will be paid for as follow: 4% by the Classic employee and The District will contribute 5%.

In addition, for Tier 1 (Classic) CalPERS employees, The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The contribution requirements for the plan members are established by State statute. For the fiscal year ending June 30, 2016, that contribution was 18.524% plus a flat contribution for CalPERS' Unfunded Actuarial Liability (UAL) of $204,472. The District took advantage of paying the UAL in one lump sum for a discounted amount of $197,471, saving the District $7,001. For the fiscal year ending June 30, 2017, the District's contribution rate will be 19.536% and a flat UAL of $229,209.

Although PEPRA has been effective of hires as of January 01, 2013, The District's first Tier 2 (PEPRA) CalPERS employee was hired in October 2015. A PEPRA employee is required to pay his/her own officer's portion contribution. The District will not pick up any of that portion. For the fiscal year ending June 30, 2016, the PEPRA employee's contribution was 11.5%. The District's own contribution rate was 11.153%. There is no UAL contribution for PEPRA employees. For the year ending June 30, 2017, the PEPRA employee's contribution will remain at 11.5%, but The District's contribution rate will be 12.082%. As before, there will be no UAL contribution.

A Classic employee's defined benefit is calculated using 3% at 50 years of age formula. A PEPRA employee's defined benefit is calculated using a 2.7% at 57 years of age formula.

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.5%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS' Membership Data for all Funds
- The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013.

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47.0%	5.71%
Global Fixed Income	19.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	12.0%	6.95%
Real Estate	11.0%	5.13%
Infrastructure and Forestland	3.0%	5.09%
Liquidity	2.0%	(1.05)%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contribution from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investment, and was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension plan liability	$ 4,539,494	$ 2,878,245	$ 1,516,052

Detailed information about the pension fund's fiduciary net position is available in the separately issued CALPERS comprehensive annual financial report which may be obtained by contacting PERS.

NOTE 6— LEASE COMMITMENT

The District entered into an agreement as a lessee to occupy office space from Kensington Fire Protection District for a three-year period through June 30, 2017. This space is leased for $1 per year. In addition, the District leases equipment through two separate operating leases. Rent expense including operating leases for fiscal year ended June 2016 was $2,126.

The minimum future lease commitments are as follows:

Fiscal Year Ended June 30,	Amount
2017	$ 2,126
2018	2,125
2019	2,125
Total	$ 6,376

NOTE 7— INSURANCE POOLS

Special District Risk Management Association

The District is a member of the Special District Risk Management Association (SDRMA). SDRMA was organized to provide certain levels of liability insurance coverage, property insurance coverage, claims management, risk management services and legal defense to its participating members. The financial results of SDRMA are not included in the accompanying basic financial statements because the District does not have oversight responsibility.

SDRMA provides the District with property and general liability coverage to the limits as set forth in the agreement. The annual member contribution was $27,572 for fiscal year 2016 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2016 SDRMA could not confirm the status of any incurred but not reported claims.

The Special Districts Workers' Compensation District (SDWCD) was formed by an agreement between certain public agencies to provide workers' compensation coverage. SDWCD is governed by a Board of Directors, which is comprised of officials appointed by member agencies. The annual premium paid for fiscal year 2016 coverage was $41,083.

The District currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

The District maintains a workers' compensation fund, which is self-insured for the first $100,000 of loss per accident. Excess coverage is purchased from an outside insurance carrier up to statutory limits.

NOTE 8— EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Total fund balance of the District's governmental funds differs from the net position of governmental activities reported in the statement of net position primarily as a result of the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. When capital assets (land, building, and equipment) that are used in governmental activities are purchased or constructed, the costs of those assets are reported as capital outlay expenditures in the governmental fund. However, the statement of net position includes the capital assets, net of accumulated depreciation, among the assets of the District. Also, the adjustments related to the new accounting pronouncement GASB 68 are in the statement of net position and not the fund financial statements.

NOTE 8— EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (Continued)

Differences	Balance June 30, 2016
Net capital assets	$ 3,858,056
Deferred outflows of resources	728,847
Deferred inflows of resources	(412,768)
Net pension liability	(2,878,245)
Net difference	$ 1,295,890

The net change in fund balance for the governmental funds differs from the "change in net position" as a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the general fund. When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as capital outlay expenditures in the general fund. Also, when capital assets are sold, the resources received are reported as proceeds from sale of capital assets in the respective fund. However, in the statement of activities, the cost of those assets purchased or constructed is allocated over their estimated useful lives and reported as depreciation expense. The resources received from the sale of capital assets offset against the net carrying value of the assets sold and reported as a gain or loss in the statement of activities. As a result, the fund balance decreased by the amount of financial resources expended and increased by the amount of financial resources received, whereas net position decreased by the amount of depreciation expense on equipment items during the year and increased or decreased by the amount of net gain or loss on any disposals of capital assets.

In addition, the adjustments required by GASB 68, netting ($2,562,166), are not included in the fund financial statements.

Differences	Balance June 30, 2016
Capital Outlay	$ (59,358)
Depreciation expense	73,846
Net difference	$ 14,488

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS

Governmental Accounting Standards Board (GASB) standard 45 directs how local governments account for and report other post-employment benefits (OPEB) that are separate from pension benefits. The District has calculated the medical benefit plan OPEB requirements and described the methodology and amounts from a third party consultant's report. These calculations cover the OPEB of all District eligible employees.

The District provides post-retirement health benefits (medical, dental, and vision) to all eligible employees who have retired from the District and to their spouses, surviving spouses and dependent children. During fiscal year 2010, the district adopted GASB 45.

Contributions Required and Contributions Made

The Plan's funding policy provides guidelines for District contributions at actuarially determined required amounts sufficient to accumulate the necessary assets to pay benefits when due as specified. The retirees and spouses, surviving spouses and dependent children's healthcare benefits plan requires the District to use the Baseline Cost Method. The actuarial study projected the plan population to estimate the cost of future benefits. The actuarial study accrued total OPEB liability comes to $2,439,023 on the valuation date of June 30, 2015 (with two manually calculated increases of 2.75% at the direction of the actuary).

Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

Valuation date:	June 30, 2013
Actuarial cost method:	Entry Age Normal Cost Method
Discount rate used in valuation:	7%
Actuarial assumptions:	The annual medical premium trend rate is 4% increases.

Schedule of Employer Annual Required Contributions

Fiscal Year Ended June 30	Annual Required Contribution
2015	$ 193,806
2016	199,136

NOTE 9— OTHER POSTRETIREMENT HEALTH BENEFITS (Continued)

Schedule of Employer Annual Required Contributions (Continued)

	June 30, 2016
Actuarial accrued liability (AAL)	$ 2,439,023
Less: Unamortized initial UAAL	2,679,856
Less: Actuarial value of assets	670,646
Residual actuarial accrued liability	$ (911,479)
Initial UAAL remaining amortization period	30 years
Remaining amortization period for balance of UAAL	24 years
Amortization factor based on 7% discount rate and 4% inflation rate of health premiums. Payroll increase of 2.75% per year.	
Initial Annual level amortization of unfunded AAL	$ 179,480
Residual unfunded AAL	(43,109)
Normal cost	62,765
Annual required contribution (ARC)	$ 199,136

	2015/2016
Annual required contribution	$ 199,136
Contribution made	(163,595)
Increase (decrease) in net OPEB obligation	35,541
Net OPEB obligation, beginning of year	(31,463)
Net OPEB obligation (asset), end of year	$ 4,078

NOTE 10 – COMPENSATED ABSENCES

Amounts due to employees for compensated absences as of June 30, 2016 were as follows:

Vacation	$ 79,565
Total compensated absences	$ 79,565

NOTE 11 – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was issued in February of 2009. This statement changes the presentation of the fund balance section of the balance sheet. The Statement No. 54 presentation will help to clarify the fund balance amounts of the governmental funds and will aid readers of the financial statements to better understand the different levels of constraints placed on fund balance. Fund Balances for all the major and non-major governmental funds as of June 30, 2016 were as follows:

	General Fund	Capital Project Fund	Total
Nonspendable:			
Prepaid expenses	$ 38,803	$ -	$ 38,803
Subtotal	38,803	-	38,803
Restricted for:			
Bay View	73,902	-	73,902
Bond reserve fund (Fiduciary)	93,430	-	93,430
Subtotal	167,332	-	167,332
Committed to:			
Capital projects	-	128,268	128,268
Subtotal	-	128,268	128,268
Assigned to:			
Park building	218,045	-	218,045
Subtotal	218,045	-	218,045
Unassigned	1,249,067	-	1,249,067
Total	$ 1,673,247	$ 128,268	$ 1,801,515

NOTE 11 – FUND BALANCES (Continued)

Under GASB 54 fund balances are now broken out in five categories:

- **Nonspendable Fund Balance** – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- **Restricted Fund Balance** – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation. It is the District's policy to first use restricted resources, where available.
- **Committed Fund Balance** – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- **Assigned Fund Balance** – this fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned Fund Balance** – this fund balance classification is the residual classification for the general fund.

NOTE 12 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognizes deferred outflows of resources as well as deferred inflows of resources. They represent the unamortized portions of changes to net pension liability to be recognized in future periods in a systematic and rational manner. They will be recorded on the Statement of Net Assets.

Deferred outflows of resources is a consumption of net assets. The District has one item that is reportable as deferred outflows of resources which is related to pensions. The total is $728,847. Any monies contributed to the pension plan made after the measurement date are classified as deferred outflows of resources. The $728,847 will be recognized as a reduction of the net pension liability in the fiscal year-end June 30, 2017.

Deferred inflows of resources is an acquisition of net assets. The District has one item that is reportable as deferred inflows of resources which is related to pensions. The total is $412,768. Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned, but are not available to finance expenditures in the current period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

NOTE 12 – DEFERRED OUTFLOWS AND (INFLOWS) OF RESOURCES (Continued)

Year Ending June 30,	Amount
2017	$ (195,044)
2018	(193,908)
2019	(169,061)
2020	145,245
Total	$ (412,768)

NOTE 13 – SUBSEQUENT EVENTS

At the time of the audit, Kensington Police Protection and Community Services District has evaluated all subsequent events through XXX, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
FOR THE YEAR ENDED JUNE 30, 2016

Kensington Police Protection and Community Services District – Schedule of the District's proportionate share of the Net Pension Liability:

Last 10 Fiscal Years*:

	FY 2015-16
District's proportion of the net pension liability	0.04193%
District's proportionate share of the net pension liability	$ 2,878,245
District's covered-employee payroll (measurement year as of FY 2014-15)	986,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	291.64%
Plan Fiduciary net position as a percentage of the total pension liability	78.40%

CALPERS – Schedule of District contributions

Last 10 Fiscal Years*:

	FY 2015-16
Actuarially determined contribution	$ 368,679
Total actual contributions	(368,679)
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 943,891
Contribution as a percentage of covered-employee payroll	39.06%

**Amounts presented above were determined as of 6/30/2015. Additional years will be presented as they become available.*

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Kensington Police Protection and Community Services District
Kensington, California

I have audited the financial statements of the Kensington Police Protection and Community Services District (the District), as of and for the fiscal year ended June 30, 2016, and have issued my report thereon dated XXX. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results or my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and others within the District. This is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
San Francisco, California
XXX

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2016

Findings	Present Status	Explanation if not fully implemented
None	N/A	N/A

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

<u>2016 Finding</u>

None

POLICE DISPATCH AND RECORDS SERVICES AGREEMENT

This Police Dispatch and Records Services Agreement (hereinafter "Agreement") is made and entered into by and between the City of Albany, a municipal corporation (hereinafter "Albany"), and the Kensington Police Protection and Community Services District, a California public services special district (hereinafter "KPPCSD"). Albany and KPPCSD may be collectively referred to herein as the "parties."

RECITALS

A. The Albany Police Public Safety Dispatch Center is a primary Public Safety Answering Point (PSAP) as defined by the Federal Communications Commission (FCC PSAP Registry Identification #525).

B. The Albany Police Public Safety Dispatch Center provides essential public safety dispatch communications and performs a variety of routine records functions related to the use of computerized dispatch and police information systems and databases.

C. KPPCSD wishes to contract with Albany for the provision of emergency PSAP telephone, police dispatch and records management services.

D. Contracting for the provision of said services will result in cost savings and increased public safety efficiencies for both parties.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS IDENTIFIED HEREIN, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. SCOPE OF POLICE DISPATCH AND RECORDS SERVICES

After the technology and infrastructure is in place, which the parties estimate to occur on or about July 1, 2017, Albany shall provide to KPPCSD the services ("Police Dispatch and Records Services") described in Exhibit "A," attached hereto and incorporated herein by reference, in accordance with the terms and conditions contained in this Agreement.

2. TERM

This Agreement shall become effective on the date the Agreement is fully executed. Upon execution of this Agreement, Albany will begin implementation of acquiring and building the technology and infrastructure to provide Police Dispatch and Records Services to KPPCSD. The Police Dispatch and Records Services provided by this Agreement shall be for a period of three (3) years commencing once Albany has the technology and infrastructure in place and begins providing the Police Dispatch and Records Services, which the parties estimate will be July 1, 2017, and, thus, ending on June 30, 2020 ("Termination Date").

3. TERMINATION

A. **Termination without Cause.** Neither party may terminate this Agreement without cause within the first two (2) years of this Agreement. If either party wishes to terminate this Agreement without cause after two (2) years and before the Termination Date, said party shall deliver a one-hundred twenty (120) day written notice to the other party of its intent to terminate.

B. **Termination for Cause.** If either party fails to cure any material breach, following notice and opportunity to cure, either party, upon written notice to the other, may terminate this Agreement for cause. The termination shall be effective not less than ninety (90) days from the date of the notice or such longer time as determined by both parties.

C. **Licenses.** Upon termination of this Agreement, licenses to systems and application software shall be distributed as listed in Exhibit "B." All costs and responsibility for data conversion associated with KPPCSD's data shall be KPPCSD's responsibility.

4. AGREEMENT COSTS

In consideration of Albany's performance of the services described in Paragraph 1 and Exhibit A, KPPCSD shall pay annually, pursuant to items 4A through 4F below, for the services rendered under this Agreement.

A. **PSAP and Police Radio Dispatch Services:** $80,000

B. **Records Management Services**: $5,000

C. **Technology Services:** $12,000

D. **Total Annual Cost for Agreement:** $97,000

E. **Annual Adjustment.** The Total Annual Cost for Agreement is subject to annual adjustments at the beginning of the fiscal year (July 1) based upon the Consumer Price Index, Consolidated Metropolitan Statistical Area covering San Francisco-Oakland-San Jose, for the twelve (12) month period ending April 30 of the preceding year, or five percent (5%), whichever is lower. This annual calculation will be based upon the Total Annual Cost for Agreement shown in Item 4D above irrespective of Item 4F below.

F. During the first year of the Agreement, the PSAP and Police Radio Dispatch Services cost will be prorated to $53,333, resulting in a first-year/one-time Total Annual Cost for Agreement of $70,333.

G. Upon completion of twelve (12) months of continuous service under the terms of this agreement, parties agree to meet and discuss the Technology Services fee and adjust it if necessary to reflect actual costs for providing the services described in Exhibit "A".

5. PAYMENT

Once Albany begins providing services under the Agreement, Albany shall send an annual invoice (July 1) to KPPCSD which shall include the fee for PSAP and Police Radio Dispatch Services, Records Management Services, and Technology Services. KPPCSD shall pay annual invoices within thirty (30) calendar days of the date of the invoice. After thirty (30) calendar days, payment shall be considered late and a material breach under Paragraph 16 of this Agreement.

6. COMPUTER AIDED DISPATCHING AND RECORDS MANAGEMENT (CAD & RMS) SYSTEMS

KPPCSD will purchase and/or license all Sun Ridge Systems CAD and RMS software necessary to implement this Agreement, including licensed ancillary modules, to the multi-agency versions of the software and pay all implementation costs related to the software system upgrade, including hardware, to enable the software and Albany staff to provide Dispatch and Records Services to both parties.

Upon completion of the purchase and installation of CAD software, including licensed ancillary modules and necessary hardware, KPPCSD data and software will be migrated over to Albany's CAD system and shall be supported as part of Albany's system, at which point KPPCSD will be deemed an add-on agency to Albany.

7. AUTHORIZED REPRESENTATIVES; QUARTERLY MEETINGS

The Albany City Manager and the KPPCSD General Manager are the authorized representatives of Albany and KPPCSD respectively for purposes of administration of this Agreement. These Managers, or their designees, shall meet quarterly or as needed to discuss issues pertaining to:

- Operational issues, including changes to service delivery
- Technical issues related to information technology and system components
- Dispatch operational issues related to field unit reporting and system status management

Additionally, these Managers, or their designees, may from time to time agree in writing to modify the services described in Exhibit A as deemed necessary to further the purposes of this Agreement.

8. ADDITIONAL USERS OF THE DISPATCH CENTER

Both parties acknowledge and agree that Albany may provide dispatch services to other agencies, including the Albany Fire Department, without the consent of KPPCSD.

9. NONDISCRIMINATION

The parties shall comply with all applicable federal, state, and local laws regarding nondiscriminatory employment practices, whether or not said laws are expressly stated in this Agreement. The parties shall not discriminate against any employee or applicant because of race, color, religious creed, national origin, physical disability, mental disability, medical condition, marital status, sexual orientation, or sex.

10. COMPLIANCE WITH LAWS

The parties shall comply with all applicable legal requirements including all federal, state, and local laws (including ordinances and resolutions), whether or not said laws are expressly stated in this Agreement.

11. CONFIDENTIAL INFORMATION

A. **Defined.** The term "Confidential Information" shall mean any and all information which is disclosed by either party ("Owner") to the other ("Recipient") verbally, electronically, visually, or in a written or other tangible form which is either identified or should be reasonably understood to be confidential or proprietary. Confidential Information includes, but is not limited to, trade secrets, computer programs, software, documentation, formulas, data, inventions, techniques, marketing plans, strategies, forecasts, customer lists, employee information, financial information, confidential information concerning Owner's business, as Owner has conducted it or as it may conduct itself in the future, confidential information concerning any of Owner's past, current, or possible future products or manufacturing or operational methods, including information about Owner's research, development, engineering, purchasing, manufacturing, accounting, marketing, selling or leasing, and any software (including third party software) provided by Owner. Owner's Confidential Information shall be treated as strictly confidential by Recipient and shall not be disclosed by Recipient except to those third parties with a need to know and that are operating under a confidentiality agreement with non-disclosure provisions no less restrictive than those set forth herein. This Agreement imposes no obligation upon the parties with respect to Confidential Information which either party can establish by legally sufficient evidence: (a) was in the possession of, or was rightfully known by the Recipient without an obligation to maintain its confidentiality prior to receipt from Owner; (b) is or becomes generally known to the public without violation of this Agreement; (c) is obtained by Recipient in good faith from a third party having the right to disclose it without an obligation on confidentiality; (d) is independently developed by Recipient without the participation of individuals who have had access to the Confidential Information or (e) is required to be disclosed by court order or applicable law, provided prior notice is given to the Owner. The Recipient shall not obtain, by virtue of this Agreement, any rights title or interest in any Confidential Information of the Owner. Within fifteen (15) days after termination of this Agreement, each Recipient shall certify in writing to Owner that all copies of Owner's Confidential Information in any form, including partial copies, have been destroyed or returned to Owner.

Both parties acknowledge that either party may be required to release information under requests made under the provisions of the California Public Records Act or the laws governing discovery in civil or criminal litigation.

B. **Standard of Care.** Recipient shall protect the deliverables resulting from Services with at least the same degree of care and confidentiality, but not less than a reasonable standard of care, which Recipient utilizes for Recipient's Confidential Information.

C. **Survival.** The terms of this Paragraph 11 shall survive termination of this Agreement.

12. INDEMNIFICATION.

A. **Indemnification and Hold Harmless.** Each party shall indemnify, hold harmless, and defend the other party (including its elected officials, officers, agents and employees) from and against any and all claims (including all litigation, demands, damages, liabilities, costs, and expenses, and including court costs and attorney's fees) resulting or arising from that party's performance, or failure to perform, under this Agreement.

B. **Copyright and Patent Indemnification.** Claims which trigger Albany's responsibility under Paragraph 12A shall include any claims that the software resulting from the provision of Services pursuant to the attached Exhibit A infringe any patent, copyright, or accidental or intentional violation of a trade secret or other intellectual property of a third party not included in this Agreement. Albany shall, in its reasonable judgment and at its option and expense: (i) obtain for the parties the right to continue using the Software; or (ii) replace or modify the Software so that it becomes non-infringing while giving equivalent performance. Albany shall not have any liability for a claim alleging that any Software infringes a patent or copyright if the alleged infringement was developed based on information furnished by KPPCSD or if the alleged infringement is the result of a modification made by KPPCSD.

13. FORCE MAJEURE

If by reason of force majeure Albany is unable in whole or in part to perform the services under this Agreement, Albany shall not be in default during the continuance of such inability. The term "force majeure" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots, landslides, earthquakes, fires, storms, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Albany.

14. RELATIONSHIP OF THE PARTIES

It is expressly understood that this is an agreement between two independent contractors and that no agency, employee, partnership, joint venture or other relationship is established by the Agreement. Nothing contained in this Agreement is intended to, nor shall it be construed in any way, to be a joint powers agreement of any kind. The employees of Albany and KPPCSD shall remain employees of each respective party and shall not by virtue of this Agreement become employees of the other party or become entitled to receive compensation or benefits from the other party.

15. ADDITIONAL DOCUMENTS AND AGREEMENTS

The parties agree to cooperate in the execution of any additional policies and procedures, which may be required to carry out the terms of this Agreement.

16. MATERIAL BREACH; NOTICE OF DEFAULT

If either party ("demanding party") has a reasonable, good faith belief that the other party ("defaulting party") has committed a material breach of the terms of this Agreement, the demanding party shall give written notice of the default (with reasonable specificity) to the defaulting party, and demand the default to be cured within ten days of the notice. If: (a) the defaulting party fails to cure the default within ten days of the notice, or, (b) if more than ten days are reasonably required to cure the default and the defaulting party fails to give adequate written assurance of due performance within ten days of the notice, then (c) the demanding party may terminate this Agreement upon written notice to the defaulting party. As used in this Agreement, the term "material breach" shall refer to a failure of either party to comply with its obligations under this Agreement in a manner which substantially affects the rights of the other party.

17. CONTINUOUS SERVICE DELIVERY

Albany agrees that there is a public health and safety obligation to assist KPPCSD in every effort to ensure uninterrupted and continuous service delivery in the event of a material breach, even if Albany disagrees with the alleged determination of material breach. Accordingly, Albany will continue to provide services under this Agreement during any dispute resolution process. Additionally, in the event the Agreement is terminated for any reason, Albany shall cooperate with KPPCSD in its transition to a new service provider.

18. WARRANTY

Albany provides the hardware, software, and ancillary systems without any warranty or condition, expressed or implied. Albany specifically disclaims any implied warranties of title, merchantability, fitness for a purpose, and non-infringement. KPPCSD acknowledges that the systems may not operate totally without interruption. Albany makes no representations, warranties, or guarantees regarding uptime for the systems. Albany agrees to pursue remedies through the vendor for the systems to all software problems arising from software provided by the vendor. Remedies for problems arising that are caused by circumstances outside of the vendor' s control (network connection issues, user errors, hardware failures, etc.) shall be pursued by Albany until a resolution is achieved. If a total or partial failure should occur, Albany Police dispatch shall continue to dispatch for KPPCSD using whatever manual methods may be necessary and provide the same level of service they would for the Albany Police Department.

19. DISPUTE RESOLUTION

A. In the event that either party disputes any provision or interpretation of or performance under this Agreement, including cost of service or billing, or contends there has been a material breach of the Agreement, the parties shall meet to attempt to resolve the dispute. Disputes not resolved at the City/General Manager and Police Chief (or his/her designee) level may be escalated by giving written notice to the other party of the need to proceed with mediation. It is the Parties' intention to avoid the cost of litigation and to resolve any issues that may arise amicably if possible.

B. Within ten (10) business days from the effective date, pursuant to Paragraph 20, of written notice from one party to the other indicating that a dispute is to be mediated, the parties shall mutually select one person who shall mediate the dispute. The parties should select a qualified professional with expertise in the subject matter of the dispute. If the parties are unable to mutually agree upon a mediator within fourteen (14) business days following the notice, the parties shall each designate one person as a mediator within twenty (20) business days following the notice.

C. These two designated mediators shall mutually select a third mediator (also a qualified professional with expertise in the subject of the dispute) within twenty (20) business days of the notice. The one selected mediator shall mediate the dispute. The mediation shall be completed within thirty (30) business days of the appointment of the mediator. The mediation shall be conducted in accordance with the discretion of the mediator. However, if the mediator is unable to resolve the dispute within thirty (30) business days and the parties do not agree to an extension of time, the mediator shall submit specific and written recommendations for full resolution of the dispute within ten (10) business days thereafter. The parties shall consider the written recommendations of the mediator.

D. The fees and expenses of the one selected mediator shall be divided equally between the Parties. The above deadlines shall be enforced unless extensions are mutually agreed upon or granted to either party by the mediator for good cause shown.

20. NOTICES

All notices required or contemplated by this Agreement shall be in writing and shall be delivered to the respective party as set forth in this section. Communications shall be deemed to be effective upon the first to occur of: (a) actual receipt by a party's Authorized Representative, or (b) actual receipt at the address designated below, or (c) three (3) working days following deposit in the United States Mail of registered or certified mail sent to the address designated below. The Authorized Representative of either party may modify their respective contact information identified in this section by providing notice to the other party.

To: City of Albany
Attn: City Manager
1000 San Pablo Ave.
Albany, CA 94706

To: KPPCSD
Attn: General Manager
217 Arlington Ave,
Kensington, CA 94707

With a Copy To:
City Attorney
1000 San Pablo Ave.
Albany, CA 94706

With a Copy To:
General Counsel
217 Arlington Ave,
Kensington, CA 94707

21. HEADINGS

The heading titles for each paragraph of this Agreement are included only as a guide to the contents and are not to be considered as controlling, enlarging, or restricting the interpretation of the Agreement.

22. SEVERABILITY

If any term of this Agreement (including any phrase, provision, covenant, or condition) is held by a court of competent jurisdiction to be invalid or unenforceable, the Agreement shall be construed as not containing that term, and the remainder of this Agreement shall remain in full force and effect; provided, however, this paragraph shall not be applied to the extent that it would result in a frustration of the parties' intent under this Agreement.

23. GOVERNING LAW, JURISDICTION AND VENUE

The interpretation, validity, and enforcement of this Agreement shall be governed by and interpreted in accordance with the laws of the State of California. Any suit, claim, or legal proceeding of any kind related to this Agreement shall be filed and heard in a court of competent jurisdiction in the County of Alameda.

24. ASSIGNMENT AND DELEGATION

This Agreement, and any portion thereof, shall not be assigned or transferred, nor shall any of the parties' duties be delegated, without the written consent of the other party. Any attempt to assign or delegate this Agreement without the written consent of the other party shall be void and of no force or effect. Consent by a party to one assignment shall not be deemed to be consent to any subsequent assignment.

25. SUCCESSORS

This Agreement shall bind and inure to the benefit of all successors and assigns of the parties and any associates in interest, and their respective directors, officers, agents, servants, and employees, and the successors and assigns of each of them, separately and collectively.

26. MODIFICATIONS

This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the Authorized Representatives of both parties.

27. WAIVERS

Waiver of a breach or default under this Agreement shall not constitute a continuing waiver or a waiver of a subsequent breach of the same or any other provision of this Agreement.

28. CONFLICTS

If any conflicts arise between the terms and conditions of this Agreement and the terms and conditions of the attached exhibits or any documents expressly incorporated, the terms and conditions of this Agreement shall control.

29. ENTIRE AGREEMENT

This Agreement, including all documents incorporated herein by reference, comprises the entire integrated understanding between the parties concerning the services described herein. This Agreement supersedes all prior negotiations, agreements, and understandings regarding this matter, whether written or oral. The documents incorporated by reference into this Agreement are complementary; what is called for in one is binding as if called for in all.

30. SIGNATURES

The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity, and authority to enter and to execute this Agreement on behalf of the respective legal entities of The City of Albany and the Kensington Police Protection and Community Services District. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, Albany and KPPCSD do hereby agree to the full performance of the terms set forth herein.

CITY OF ALBANY	**KPPCSD**
By:	By:
Title: City Manager	Title: General Manager
Date:	Date:
Attest:	Attest:
Title: City Clerk	Title: District Administrator
Approved as to Form:	Approved as to Form:
Title: City Attorney	Title: General Counsel

EXHIBIT "A"
<u>Scope of Services</u>

I. During the term of this Agreement, Albany shall provide to KPPCSD and be responsible for the services described in this Exhibit "A".

A. <u>Police General Dispatch Service</u>

1. Provide all dispatch services identified in this Exhibit "A" to all KPPCSD police officers.
2. Receive and respond to all 911 calls for police services for KPPCSD twenty-four (24) hours a day, seven (7) days a week. 911 telephone lines will be answered using a generic greeting such as, "Emergency Services" or "9-1-1 Emergency."
3. Receive and respond to all non-emergency calls for police services for KPPCSD twenty-four (24) hours a day, seven (7) days a week utilizing a dedicated non-emergency police services telephone line which will be answered using a greeting such as, "Kensington Police" or "Police Services."
4. Transfer all emergency fire and medical calls to a secondary PSAP for dispatch.
5. Transfer all 911 telephone calls to a secondary public safety answering point when determined to be appropriate.
6. Monitor and reply to all emergency radio traffic from KPPCSD twenty-four (24) hours a day, seven (7) days a week.
7. Monitor and reply to all non-emergency radio traffic from KPPCSD twenty-four (24) hours a day, seven (7) days a week.
8. Provide call-out notifications as directed by KPPCSD for incidents requiring

response from KPPCSD's off-duty police department personnel or mutual aid resources.

9. Utilize appropriate radio and computer-aided dispatch (CAD) systems for police dispatching services.
10. Make telephone calls for police officers to request tow trucks, taxi cabs, and other resources.
11. Use KPPCSD unit requirements for dispatching calls for service to KPPCSD officers.
12. Prioritize response per Albany Lexipol Policy.
13. Use tone alerts, and Code 33 activations per Albany emergency protocols.

B. Police Dispatch Technology Criteria and Guidelines

1. Operate and maintain a computer-aided dispatch (CAD) system that is capable of:
   a. Tracking the status of KPPCSD's on-duty police units' activity and availability.
   b. Assigning report numbers for incidents.
   c. Ensuring that Albany systems and electronic interfaces are maintained and working.
2. Utilize the East Bay Regional Communications System Authority (EBRCSA) radio system for dispatch communications.
3. Operate KPPCSD police dispatch on a mutually shared radio channel: both KPPCSD and Albany, will communicate on Albany's main radio channel.

C. Computer-Aided Dispatch (CAD) and Records Management System (RMS)

1. Host and maintain the CAD and RMS applications, database, and backups and provide twenty-four (24) hours, seven (7) days a week of operational support of the servers and applications.
2. The Albany Administrative Sergeant will be the main contact for any issues related to the applications and will contact Albany Information Technology Support/Help Desk personnel following Albany's current normal business hour (0800 hours to 1700 hours) and after-hour (1700 hours to 0800 hours) procedures.
3. Host and maintain the servers, CAD and RMS along with ancillary applications, databases, system administration, and necessary local interfaces for the systems.
4. Maintain and support the servers and the hardware necessary for the operation of the systems.
5. Monitor new technology to maintain technologically current systems.
6. Be solely responsible for determining the hardware and software that will maximize benefits to both Albany and KPPCSD.
7. Provide the ability for designated KPPCSD workstations (including MDCs) to perform CLETS queries.
8. Assist KPPCSD to resolve any issues with the operation of the mobile software as a result of issues with the CAD application.
9. Create accounts necessary for KPPCSD to access the CAD and RMS applications within five (5) days of the date that request is received from KPPCSD.

10. Be responsible for all CAD file maintenance including user accounts, CAD terminals, and periodic software updates.
11. Report and track issues with the CAD/ RMS vendor.
12. Respond to Public Records Act requests or similar requests and subpoenas for incidents and/or addresses located in Albany.

D. <u>Network Connectivity</u>

1. Provide a dedicated connection at Albany's dispatch center to establish communications with KPPCSD's network to allow for connectivity with CAD and RMS.

E. <u>Ancillary Services</u>

1. Conduct inquiries for officers into federal, state, and local databases through the California Law Enforcement Telecommunications System (CLETS).
2. Complete mandated entries into federal and state databases (e.g., MUPS, DVROS, AFS, SVS).
3. Be the Custodian of Record of all PSAP telephone audio recordings.
4. Process audio recording requests for criminal, civil, and internal cases that are recorded by Albany and provide copies of records to KPPCSD following Albany's request procedure.
5. Albany Administrative Sergeant will be responsible for CJIS audits, yearly training and sign-offs for Albany only.
6. Maintain and manage the ORI (Originating Agency Identifier) and mnemonics for both Albany and KPPCSD with the DOJ, if the DOJ approves the consolidated CAD network and system to be one system. If DOJ considers the consolidated CAD network and system to be two separate systems, Albany will maintain and manage the ORI and mnemonics for Albany only.

F. <u>Mobile Data Computer (MDC) System</u>

1. Maintain a NetMotion license to provide the connectivity of up to seven (7) KPPCSD MDCs to the Albany CAD system.
2. Assist KPPCSD as necessary to resolve any issues in support for the mobile data computers or issues related to networking or connectivity between the two agencies involving the CAD system.

II. During the term of this Agreement, KPPCSD shall provide to Albany and be responsible for the following actions:

G. <u>Police General Dispatch Service</u>

1. Provide updated rosters for all personnel to Albany when KPPCSD staffing changes occur.
2. Notify Albany prior to conducting any special operations with an "OPS" plan, including personnel involved and location(s).
3. Conform to Albany incident call types and call disposition codes.
4. Follow established complaint procedures to address personnel and dispatching issues.
   a. Orders received from the Albany Public Safety Communications Center are

official KPPCSD/Kensington Police Department orders and will be treated as such. Personnel receiving such orders shall comply.

b. In the event of a dispute between an Albany dispatcher and KPPCSD field personnel, the dispute shall be referred to the employee's direct supervisor. That supervisor shall, in turn, contact the involved employee's direct supervisor in the other agency for resolution.

c. Issues unrelated to personnel complaints should be addressed at the line supervisor level initially. If resolution isn't achieved for any type of issue, it shall be forwarded to the appointed agency liaison for resolution.

d. Proposed operational or procedural changes should be directed to the Albany Administrative Sergeant and KPPCSD liaison.

H. Computer-Aided Dispatch and Records Management System

1. Establish and maintain its own telephone line(s) services required of this Agreement.
2. Process all paperwork related to the records function including, but not limited to, records data entry, citation entry, or miscellaneous paperwork not related to the basic dispatch function and respond to Public Records Act requests or similar requests and subpoenas for incidents and/or addresses located in KPPCSD.
3. Submit a request to create a network account and accounts for CAD and/or RMS applications for a new hire to Albany.
4. Notify Albany immediately of any separated KPPCSD employee so that the respective network and CAD/RMS accounts can be deactivated.
5. Manage RMS user accounts, all agency specific code table maintenance, UCR, and ad hoc reporting.
6. Purchase and install RMS on KPPCSD's workstations.
7. Support KPPCSD's records workstations. Albany will assist KPPCSD as necessary to resolve any issues; however, KPPCSD is responsible for any costs associated with the resolution of an issue if it is not related to the RMS application.
8. Provide all ad hoc reporting (using RiMS Reports or other tools) from the CAD data warehouse and RMS database. KPPCSD will be provided access to the databases to create the necessary reports.

I. Network Connectivity

1. Provide and maintain a dedicated connection to Albany's core network including the installation and maintenance of network connections.

J. Ancillary Services

1. KPPCSD will be responsible for CJIS audits, yearly training and sign-offs for KPPCSD.
2. KPPCSD will be responsible for lawful operation and use, and security of, CAD, RMS, MDC systems and their associated data, including but not limited to CLETS, Criminal Offender Record information (CORI), and Personally Identifiable Information (PII), and
3. Maintain and manage the ORI (Originating Agency Identifier) and mnemonics for KPPCSD, if the DOJ does not approve the consolidated CAD network and

system to be one system. If the DOJ approves the consolidated CAD network and system to be one system, Albany will be responsible for the ORI and mnemonics for KPPCSD.

K. Mobile Data Computer (MDC) System
1. Provide CAD and RMS compatible MDC hardware and software.
2. Provide hardware support for the mobile data computers or issues related to networking or connectivity between the two agencies. Albany will assist KPPCSD as necessary to resolve any issues; however, KPPCSD is responsible for any costs associated with the resolution of an issue if it is not related to the CAD application.

EXHIBIT "B"
Software Licenses

Upon termination of this Agreement, licenses to systems and application software shall be retained by the license holder as provided below. All costs and responsibility for any data conversion associated with KPPCSD's data shall be KPPCSD's responsibility.

SOFTWARE	VENDOR	LICENSE HOLDER
RiMS CAD	Sun Ridge Systems	Albany
RiMS Albany Records Management System Modules	Sun Ridge Systems	Albany
RiMS KPPCSD Records Management System Modules	Sun Ridge Systems	KPPCSD
Mobile VPN	NetMotion	Albany
Telephone Communications Recording	Digital Loggers Inc.	Albany
Windows 7 Operating System (found on MDC's)	Microsoft	KPPCSD
Any MDC Windows Operating System Upgrades	Microsoft	Albany