

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

A G E N D A

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

Roll Call

Public Comments

Board Member/Staff Comments

APPROVAL OF CONSENT CALENDAR

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

COMMITTEE - NEW BUSINESS

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

Adjournment

General Information

Accessible Public Meetings

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

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

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

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

Meeting Minutes for 11/20/14

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

ATTENDEES

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

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

PUBLIC COMMENTS

None

COMMITTEE MEMBER COMMENTS

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

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

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

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

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

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

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

APPROVAL OF MINUTES

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

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

NEW BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The meeting was adjourned at 9:12 PM.

Memorandum

Kensington Police Department



To: Finance Committee

APPROVED

NO

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

Date: January 23, 2015

FORWARDED TO:

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

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

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

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

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

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

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

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

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

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

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

F/N # Footnotes

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

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

F/N

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

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

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

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

F/N

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

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

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

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

F/N

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

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

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

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

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

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

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

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

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

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

F/N # Footnotes

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

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

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

F/N

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

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

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

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

F/N

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

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

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

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

F/N

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



Board Members: Gail Feldman Paula Black
Kristine Hafner John Sullivan

Dear Kensington Property Owner,

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

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

Background on Police MOU

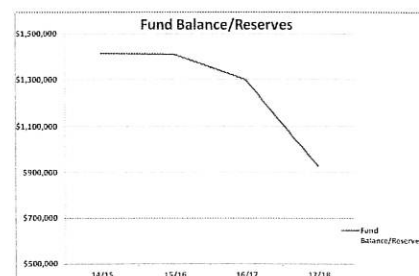
The proposed MOU, which was given its first public review at the November KPPCSD Board meeting, requires police officers to pick up 12% of their pension costs over the four-year agreement. This is a change from the current contract in which the District pays all pension costs, and will reduce the District's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

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

KPOA Submits Financial Analysis to KPPCSD

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

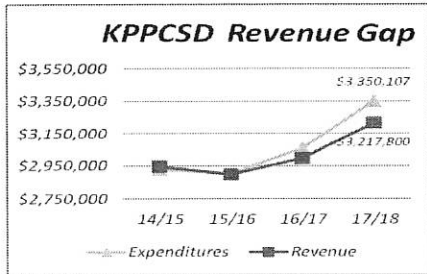
KPOA urged the board to develop a plan to *address the deficit spending and impact to reserves before* approving the new MOU. We also suggested incorporating a provision in the MOU requiring that the agreement be renegotiated if shortfalls continue to chip away at reserves.¹



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

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

Following a meeting with the District General Manager/Police Chief to discuss new property tax information from the County, KPOA updated our financial forecast (attached), and it continues to show that if the MOU is approved, spending may exceed revenue as early as FY 2015/16. By the end of the MOU in FY 2017/18, we project an annual operating deficit of over \$132,000.



Call for Action

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

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

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

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

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

Sincerely,

Gail Feldman, President KPOA

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

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

**KPPCSD Financial Forecast
Salary and Benefits Expenditure (Est)**

Code	Budget Year	14/15	15/16	16/17	17/18	18/19	19/20
502	Salary	\$1,017,770	\$1,055,936	\$1,100,814	\$1,147,598	\$1,182,026	\$1,217,487
504	Vacation/Comp	\$8,800	\$9,130	\$9,518	\$9,923	\$10,221	\$10,528
506	Overtime	\$45,000	\$46,688	\$48,672	\$50,741	\$52,263	\$53,831
508	Salary/Non-Sworn	\$81,900	\$84,971	\$88,582	\$92,347	\$95,117	\$97,971
	Subtotal	\$1,153,470	\$1,196,725	\$1,247,586	\$1,300,609	\$1,339,627	\$1,379,817
524	Social Security (6.2%/Non-Sworn)	\$5,078	\$6,500	\$6,777	\$7,065	\$7,276	\$7,495
516	Uniform Allowance	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
518	Safety Equipment	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
521A	Medical Insurance - Active	\$190,306	\$199,821	\$209,812	\$220,303	\$231,318	\$242,884
521R	Medical Insurance - Retired	\$135,748	\$142,535	\$149,662	\$157,145	\$165,003	\$173,253
521T	Medical Insurance - Trust	\$58,058	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
	Subtotal	\$399,690	\$409,357	\$426,752	\$445,013	\$464,097	\$484,132
527	P.E.R.S.(Pension)- District	\$393,093	\$400,344	\$445,238	\$480,448	\$406,747	\$439,270
528	P.E.R.S.(Pension)- Officers Portion	\$61,066	\$31,678	\$0	(\$4,428)	(35,461)	(36,525)
523	Medicare 1.45% (District)	\$16,308	\$17,469	\$18,206	\$18,975	\$19,541	\$20,123
522	Disab. & Life Insurance	\$5,240	\$5,502	\$5,777	\$6,066	\$6,369	\$6,688
530	Workers Compensation	\$50,000	\$51,250	\$52,531	\$53,845	\$55,191	\$56,570
	Subtotal	\$525,707	\$506,243	\$521,752	\$524,906	\$452,387	\$486,126
601	Park & Recreation	\$7,800	\$8,093	\$8,437	\$8,796	\$9,060	\$9,332
602	Custodian	\$22,750	\$23,603	\$24,606	\$25,652	\$26,422	\$27,215
623	Social Security / 7.65% (District Match)	\$597	\$619	\$645	\$673	\$693	\$714
	Subtotal	\$31,147	\$32,315	\$33,688	\$35,121	\$36,175	\$37,261
	Total Salary & Benefits	\$2,110,014	\$2,144,640	\$2,229,777	\$2,305,650	\$2,292,286	\$2,387,336
Estimated Operating Expenditures							
	Budget Year	14/15	15/16	16/17	17/18	18/19	19/20
Growth	Salary & Benefits	\$2,110,014	\$2,144,640	\$2,229,777	\$2,305,650	\$2,292,286	\$2,387,336
	Police	\$332,213	\$340,519	\$349,032	\$357,758	\$366,702	\$375,870
	Recreation	\$88,940	\$91,164	\$93,443	\$95,779	\$98,173	\$100,627
	District Admin	\$337,439	\$327,000	\$340,898	\$349,420	\$358,156	\$367,110
	Total Operating Expenditures	\$2,868,606	\$2,903,323	\$3,013,150	\$3,108,607	\$3,115,317	\$3,230,943
***	Expenditures from Capital Reserve	\$62,250	\$0	\$46,000	\$287,500	\$46,000	\$46,000
	Less saving from fewer vehicle purchases				(\$46,000)		(\$46,000)
	Total Expenditures	\$2,930,856	\$2,903,323	\$3,059,150	\$3,350,107	\$3,161,317	\$3,230,943

Assumes District increase all staff salaries by MOU COLAs

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

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

FY 17/18 includes Community Center repair expense

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KPPCSD Financial Forecast						
Operating						
REVENUES (Estimated)	14/15	15/16	16/17	17/18	18/19	19/20
Property Taxes	\$1,441,723	\$1,477,766	\$1,514,710	\$1,552,578	\$1,591,392	\$1,631,177
Homeowners Tax	\$12,500	\$13,000	\$13,000	\$13,000	\$13,000	\$13,000
Special Tax	\$681,690	\$681,690	\$681,690	\$681,690	\$681,690	\$681,690
Measure G Supplemental Tax	\$501,949	\$514,498	\$527,360	\$540,544	\$554,058	\$567,909
COPS Grant Revenue	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Other Police Revenue	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Park O&M Assessment	\$33,000	\$33,825	\$34,671	\$35,537	\$36,426	\$37,336
Community Center Revenue	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Other Park / Rec Revenue	\$600	\$600	\$600	\$600	\$600	\$600
Other District Revenue	\$350	\$350	\$350	\$350	\$350	\$350
Officer Reimbursement	\$36,000					
WCCUSD contribution	\$25,000	\$25,000	\$25,000			
Total Revenues	\$2,884,812	\$2,898,729	\$2,949,381	\$2,976,300	\$3,029,516	\$3,084,063
Beg Cash Carryover	\$1,461,059	\$1,415,015	\$1,410,421	\$1,300,652	\$926,845	\$795,043
Total Operating Funds Available	\$4,345,871	\$4,313,744	\$4,359,802	\$4,276,951	\$3,956,361	\$3,879,106
Revenue / Expenditure Summary						
Budget Year	14/15	15/16	16/17	17/18	18/19	19/20
Planned Use of Reserves (+)	\$62,250		\$46,000	\$241,500	\$46,000	
Total Revenues (+)	\$2,884,812	\$2,898,729	\$2,949,381	\$2,976,300	\$3,029,516	\$3,084,063
Total Revenues & Reserves	\$2,947,062	\$2,898,729	\$2,995,381	\$3,217,800	\$3,075,516	\$3,084,063
Total Expenditures (-)	\$2,930,856	\$2,903,323	\$3,059,150	\$3,350,107	\$3,161,317	\$3,230,943
Budgeted Operations Surplus / (Deficit)	\$16,206	(\$4,594)	(\$63,769)	(\$132,307)	(\$85,801)	(\$146,880)
Total Expenditures						
Total Expenditures	\$2,930,856	\$2,903,323	\$3,059,150	\$3,350,107	\$3,161,317	\$3,230,943
Total Operating Funds Available	\$4,345,871	\$4,313,744	\$4,359,802	\$4,276,951	\$3,956,361	\$3,879,106
Total Fund Balance Available for carryover	\$1,415,015	\$1,410,421	\$1,300,652	\$926,845	\$795,043	\$648,163
Less Reserve for Payouts	\$80,000	\$83,000	\$86,528	\$90,205	\$92,911	\$95,698
Less Reserve for Contingency	\$293,086	\$290,332	\$305,915	\$335,011	\$316,132	\$323,094
Ending Funds Available after Contingency/Payo	\$1,041,929	\$1,037,088	\$908,209	\$501,629	\$386,001	\$229,371
Restricted Funds						
Solid Waste Franchise Fees	\$21,000	\$42,000	\$43,050	\$44,126	\$45,229	\$46,360
Assumptions						
Property Tax increase	9%	2.50%	2.50%	2.50%	2.50%	2.50%
CPI increase		2.50%	2.50%	2.50%	2.50%	2.50%
Medical costs increase		5.00%	5.00%	5.00%	5.00%	5.00%
Salary increase	3.75%	3.75%	4.25%	4.25%	3.00%	3.00%
Franchise Fees are restricted funds; moved from available operating funds						
Includes Planned Use of Reserves for Capital Improvements & Vehicle purchases						
FY 17/18 assumes using reserves for Community Center repair expense						
Unaudited beginning cash; FY 14/15 number from District						
For Officer Hui training and work in Sacramento						
This is projected amount; may be less depending on charges by District						
Escalates at CPI 2.5%						
Escalates at CPI 2.5%						
Must be used for specific police purposes						
Per the County Auditor						
Increases at property tax rate from County						

January 21, 2015

Kensington Finance Committee
Attn: Len Welsh

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

Purpose of a Reserves Policy and Recommended Amounts

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

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

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

Component of General Fund Revenues/Expenditures

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

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

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

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

Recommendation

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

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

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

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

Jim Watt

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

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

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



Sample Policy Language

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



GASB 54

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

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