



Date: October 13, 2022
To: Board of Directors
From: Tony Constantouros, Interim General Manager
Subject: Fiscal Year 2022-2023 Budget Amendment #1

Recommendation

Staff recommends that the Board of Directors adopt Resolution 2022-25 amending the Fiscal Year (FY) 2022-23 budget.

Background

Resolution 2022-16, approved by the Board of Directors on June 30, 2022, established the FY 2022-23 operating and capital budget for the Kensington Police Protection and Community Services District (KPPCSD). The budget provided breakdowns for the Police Department, Parks & Recreation, District Administration, and Waste Removal Administration. A separate section summarized Capital Projects.

Resolution 2022-14, adopted at the June 9, 2022, authorized the adoption of the budget at a Regular or Special Meeting of the Board of Directors.

Discussion and Analysis

The key items in this budget amendment are summarized below and detailed in Exhibit 1 attached to the Resolution. The Fiscal Year (FY 2022-23) Budget Amendments result in total operating revenues of \$4,135,500 and operating expenditures of \$4,291,600, excluding capital. This budget, as proposed, assumes the use of approximately \$156,000 from fund balance to cover the operating deficit.

- The sworn salary budget (account 502) is increased by approximately \$84,300 relative to the Adopted Budget. This proposed amendment captures the wages, including incentives, uniform allowance, and longevity for nine (9) sworn officers, including the Chief of Police and two (2) vacant Police Officer positions. Importantly, these wages include pending negotiated wage increases. To the extent that these positions are not filled, the salary savings will help reduce the District's reliance on fund balance to cover the operating deficit.
- Account 506 (overtime) is reduced from \$200,000 to \$100,000. Salary savings from unfilled vacant positions are sufficient to cover any additional overtime due to backfill. As the vacant positions are filled, there will be less need for overtime.

- Account 521 (medical-active) is increased by approximately \$59,200, reflecting the estimated cost of 2-party medical coverage for vacant positions. To the extent that these positions are not filled, there should be savings in this budget line item.
- Accounts 521R (medical – retiree) and 521T (OPEB Trust) have been adjusted to reflect the results of the District’s most recent Other Post-Employment Benefit (OPEB) actuarial report. These document reflects a total Actuarial Determined Contribution (ADC) of which \$160,400 is pay-go premium payment (521R) and \$151,500 (521T) is a direct contribution to the District’s OPEB Trust.
- Account 527 (PERS – District Portion) was increased by approximately \$69,750 to capture the full Employer Normal Cost for Classic and PEPRAs employees plus the amortization of the Unfunded Actuarial Liability (UAL). The Employer Normal Cost for Classic employees is 23.75% of pensionable pay in FY 2022-23 and the Classic UAL with pre-pay discount is a fixed dollar amount of \$22,394. The Employer Normal Cost for PEPRAs employees is 12.78% in FY 2022-23 and the PEPRAs UAL with pre-pay discount is \$2,110.
- Account 529 was increased by approximately \$117,450 to reflect the full Fiscal Year 2022-23 (through June 30, 2023) debt service for the Pension Obligation Bonds.
- Accounts 545, 546, 547, 548 (GASB 68/75) were removed from the operating budget. These standards only impact the accounting and financial reporting of pension obligations in the District’s audit. Contribution rates and funding requirements are not impacted by this standard. Elimination of these four (4) accounts results in an expenditure reduction (savings) of \$396,800.

A complete list of the FY 2022-23 amendments are attached as an Exhibit to the Resolution authorizing these amendments.

While the FY 2022-23 budget amendment does not adjust the proposed capital budget, it is presented differently to help contextualize the available fund balance. As shown in the table below, the estimated available fund balance at June 30, 2023 (end of the current fiscal year) is approximately \$340,000 after accounting for obligations against fund balance including capital expenditures, projected use of fund balance, and reserve requirements. Importantly, District reserves at the end of FY 2022-23 are projected to be approximately \$1,500,000 or 35% of total operating expenditures.

General Fund Ending Fund Balance as of June 30, 2021 (Actual)	1,991,129
FY 2021-22 Results	
FY 2021-22 Operating Surplus / (Deficit) (Unaudited Actual)	584,589
FY 2021-22 Capital Expenditures	(103,402)
General Fund Ending Fund Balance as of June 30, 2022 (Estimate)	2,472,316
Adjustments	
FY 2022-23 Operating Surplus / (Deficit)	(156,100)
FY 2022-23 Capital Expenditures	(475,000)
General Fund Ending Fund Balance as of June 30, 2023 (Estimate)	1,841,216
Obligations Against Fund Balance	
<i>Reserve (951 - Reserve 5%)</i>	(214,200)
<i>Contingency (952 - Contingency 5%)</i>	(214,200)
<i>25% Reserve (982 - General Fund Reserve)</i>	(1,072,900)
<i>Sub-Total Obligations Against Fund Balance</i>	<i>(1,501,300)</i>
Total Projected Available Unassigned Fund Balance June 30, 2023	339,916

Adam Benson, who has assisted the KPPCSD with financial analysis in past years, participated in the formulation of the budget amendment and will be available by zoom to answer questions.

Fiscal Impact

The Fiscal Year (FY 2022-23) Budget Amendments result in total operating revenues of \$4,135,500 and operating expenditures of \$4,291,600, excluding capital. This budget, as proposed, assumes the use of approximately \$156,000 from fund balance to cover the operating deficit. The FY 2022-23 amendments result in approximately \$340,000 in available fund balance at the end of the fiscal year after accounting for use of fund balance (\$156,100), capital expenditures (\$475,000), and reserves (\$1,501,300). Total reserves are projected to be approximately 35% of operating expenditures. The budget will be regularly monitored and will include financial reporting to the Board of Directors.

Exhibit (s)

- Recommended Fiscal Year 2022/2023 Budget Amendments (Comprehensive)
- Resolution No. 2022 25 – Adopting Amended Budget for Fiscal Year 2022-23
- Adopted Budget June 30. 2022
- Resolution No. 2022 14 – Authorizing Adoption of the Budget for Fiscal Year 2022-23
- Resolution No. 2022 16 – Adopting the Budget for Fiscal Year 2022-23