

# 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 **Wednesday, March 22, 2017, at 7:00 P.M.** at the Kensington Community Center, 59 Arlington Avenue, Kensington, California.

Note: All proceedings of the Open Session will be audiotaped.

- 1. Call to Order/Roll Call - 7 P.M.**
- 2. Public Comments**
- 3. Approval of the Finance Committee Minutes**
  - September 21, 2016 Pg. 3
  - February 22, 2017 Pg. 7
4. The Committee will hear details of the ongoing discussions for retention of dispatch, RMS and records management services via contract with outside agencies. The Interim GM/COP will explain options, facilitate discussion and answer questions. The committee may suggest a course of action for the Board based on fiscal impact. Action Item. Pg. 13
5. The Committee will receive and consider recommending approval to the Board of Directors the June 30, 2016 Financial Statements and Independent Auditor's Report prepared by Lamorena Chang. Pg. 32
6. The Committee will review and discuss details of the proposed contract between the KPPCSD and possible District Legal Counsel Ann Danforth. The Committee may make a recommendation to the Board of Directors based on long-term fiscal impact. Action Item.

## 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 Administrator Lynn Wolter, 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](http://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.

## KPPCSD Finance Committee Meeting Minutes for 9/21/16

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Wednesday, September 21, 2016, at 6:00 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

### ATTENDEES

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Len Welsh, President	David Spath
Chuck Toombs, Director	
Karl Kruger	
Derek Suring	
Paul Dorroh	
Paula Black	
Simon Brafman	
Rob Firmin	
<u>Staff Members</u>	
Kevin Hart, Interim General Manager/Chief of Police (IGM/COP)	
<u>Press</u>	

President Len Welsh called the meeting to order at 6:05 PM and took roll call. President Len Welsh, Director Chuck Toombs, Derek Suring, Paul Dorroh, Simon Brafman, Rob Firmin, Karl Kruger, Paula Black, and IGM/COP Hart were present. Paul Haxo, Jim Watt, Pat McLaughlin, Linda Lipscomb, Elena Caruthers, and Gloria Morrison were absent.

IGM/COP Hart noted that District Administrator Wolter was away on vacation and reported that he had an update on the actuarial report.

### COMMITTEE MEMBER COMMENTS

President Welsh said he had wanted to make a public comment at the prior evening's Board meeting but hadn't done so because the item hadn't been on the agenda. He reported that there was a little issue in the Kensington Park: The discolored rock area, surrounded by an orange fence, is serpentine rock – identified as such by Charli Danielsen and Peter Liddell. He noted that serpentine rock tended to contain asbestos. He said he had asked Mr. Liddell to obtain some samples so that President Welsh could have an analysis performed by a laboratory in Emeryville. He reported that one of the samples contained 3% asbestos, and the other sample contained 2% asbestos. He said that Cal OSHA regulated this substance at 1% and that California regulates it a 0.1%. He said there was a concern that children could be digging in that dirt. He

said that he was trying to identify an expert to provide guidance on how to handle the issue and that, for the present, the District had fenced off the area to keep people out and was working to keep the area wet in order to help contain the substance. He said the District would be doing more sampling of the surrounding soil, as a precautionary measure, to determine where the concentration meets or exceeds the 0.1% concentration. IGM/COP Hart noted that the KCC Director had been made aware of the issue. Paula Black suggested notifying the Hilltop School of the issue. Director Toombs asked if other rock outcroppings had been sampled. President Welsh responded that serpentine is found throughout Contra Costa County and Marin County but that it's problematic when concentrated, as is the case in this part of the park. He added that the East Bay Regional Park District had dealt with serpentine outcroppings in its park area, so he wanted to find out how that District had handled it. He noted that one method of dealing with the issue was encapsulation.

Paul Dorroh reported that Stanford University has a project that tracks data about California agencies, including the KPPCSD. He noted that some of the data pertained to actuarial unfunded liability pension debt, which was relevant, especially if an agency wanted to withdraw from CalPERS. He said this amount was calculated on an actuarial basis and was the lump sum amount that would be due if an agency were to withdraw from CalPERS. He said that the discount rate used by CalPERS for determining the terminal liability was 3.7%, whereas CalPERS used 7.5% for its actuarial discount rate. He noted that this was a large difference. President Welsh asked what the terminal liability would be, if the KPPCSD were to "cash out" as a result of a decision to contract out. Mr. Dorroh responded that it would be based on the lower discount rate and would, therefore, be a higher dollar amount. Mr. Dorroh added that, what had been most interesting, was the difference between the two amounts: For the KPPCSD, the terminal liability amount would be about \$1,900 per household. President Welsh asked over what time period the amount could be amortized. Mr. Dorroh responded that the amount would be due "right now." Director Toombs said there would be two ways to pay the amount: The District could pay a cash amount now – about \$9.5 million, with interest accrued at the treasury rate over the rest of the lives of the pension participants. If, however, the District wanted to stay in CalPERS and pay off the amount over time, he said that amount was about \$2.5 million, assuming a 7.5% earning rate. Thus, he said, the District could pay off the remaining unfunded liability amount over the next 30 years. President Welsh said he wanted to be clear: If there were a decision to contract out police services, the District would need to pay off the terminal liability right now, or pay off the liability over a period of 30 years. Director Toombs confirmed this and added that, with the second option, the District would be paying off the interest over time. IGM/COP Hart noted that the \$9.5 million liability was on the low end: The high amount that could be due was \$14 million. President Welsh asked if this issue would come up during the October 1<sup>st</sup> Ad Hoc Committee presentation. Dr. Spath responded in the affirmative. Mr. Dorroh said that the Stanford project allowed one to compare KPPCSD's liability to those of all other agencies throughout California. Director Toombs noted that all of these agencies faced the same pension liability problem. Mr. Dorroh responded that some agencies had fully funded their liabilities. IGM/COP Hart said he'd read an article about a small District in Southern California that had wanted to pay off its CalPERS debt and transition to a 401(k) type of retirement plan. When that District had notified CalPERS that it wanted to end its relationship, CalPERS informed the agency that it would need to pay off a large sum of money – the termination liability: This large amount was a sum that District hadn't known it would need to pay.

#### **APPROVAL OF FINANCE COMMITTEE MINUTES**

Karl Kruger noted that the ninth line in the last paragraph on page four didn't make sense to him. IGM/COP Hart responded that the minutes were correct, he had said there would be two officers out on 4850-time, and he explained that 4850 pertained to the labor code about officers injured while on duty. He said that this code enabled the District to be reimbursed for the wages paid to officers out with on-the-job injuries. IGM/COP Hart said that the two officers out on 4850-time had been on light duty for a year preceding their going out on 4850-time and that he hoped they would return to work, having recovered from their injuries, within a year. He explained that, if the officers on 4850-time were unable to return after one year and to meet the essential duties of a police officer, they would need to retire.

**MOTION: Karl Kruger moved, and Simon Brafman seconded, to approve the minutes of August 31, 2016.**

**Motion passed unanimously.**

IGM/COP Hart reported that he'd been working with the District's new actuarial company, which had requested a lot of data to get "up to speed." He said he was confident the company would be quick to compile the report. Director Toombs noted that the actuary was not compiling a brand-new study: It was going to be an update based on the prior report and that this was why the price had been relatively low. He said a brand-new study would have cost closer to the amount that Bartels had indicated it was going to charge.

### OLD BUSINESS

The Committee reviewed and further discussed a proposal, presented by Committee member Rob Firmin, to include forecasting of scenarios and uncertainties, using leading software and other methods, as an integral part of District budgeting and financial analysis. The Committee considered taking action to recommend that the Board of Directors form a subcommittee to evaluate the use of this model in the future.

Rob Firmin reported that, according to IGM/COP Hart and District CPA Deborah Russell, October was a good time to begin working with new data to assist with compiling the upcoming year's budget. In particular, he said he wanted to incorporate information from the County and CalPERS. Mr. Firmin said he had already spoken with the head economist for California. He said that Paula Black had recommended forming a subcommittee to assist with data collection to be used for assumptions, in particular actual estimated numbers and estimated degree of uncertainty. He said he wanted there to be a discussion of qualifications to serve on the subcommittee and noted that it would be helpful if the members were quantitatively comfortable, were experienced in doing research, and were able to distinguish data from information (data with validity and substance).

Simon Brafman asked how many people Mr. Firmin envisioned for the subcommittee. He responded he thought about four. Paula Black added that she thought about four or five would work well, with a lot of work being done by email instead of in person. President Welsh asked who would be interested in participating on the subcommittee. Derek Suring, Karl Kruger, Paula Black and President Welsh expressed interest. Paula Black noted that Jim Watt was interested in serving on the subcommittee and that he was good at getting information. Director Toombs said he, too, was interested. President Welsh noted that Director Toombs was very good with numbers. Mr. Firmin said that most of the work that would be needed was doing Internet research. Simon Brafman said he would be interested in serving, too. It was suggested that President Welsh ask if Bharat Trehan would be interested in assisting. President Welsh said he would do so and added that Mr. Trehan had left the Committee because he thought it hadn't been making enough progress. President Welsh said he had let Mr. Trehan know the Committee had been making progress and had told him about Mr. Firmin's project. President Welsh noted that Mr. Trehan had expressed interest in this. President Welsh and Rob Firmin noted that it would be important to include IGM/COP Hart and District CPA Deborah Russell. President Welsh asked if it would make sense to include Adam Benson in the process. Director Toombs responded that this might be an expense the District couldn't afford. President Welsh said that, perhaps, there might be specific questions to which Mr. Benson would know the answer. President Welsh noted that several Committee members weren't present, and so he suggested that the subcommittee appointments be made at the next Committee meeting.

**MOTION: Rob Firmin moved, and Paula Black seconded, to form a subcommittee to assist in the further development of the Kensington budget risk-modeling project.**

**Motion passed unanimously.**

Simon Brafman commented that this information should be shared with the Community because there might be residents with this particular expertise who might be interesting in participating on the subcommittee. President Welsh responded that there could be a notice provided on the District website.

Rob Firmin asked when the Committee's next meeting would be. Consensus was that November 2<sup>nd</sup> would work.

President Welsh said the challenge moving forward would be obtaining quality data in order to obtain meaningful conclusions. Mr. Firmin reported that he and Linda Lipscomb had made progress on data related to CalPERS and property tax assessment data. He reported that, in October, he and Ms. Lipscomb would be traveling to the Assessor's office. He added that, with respect to CalPERS, he hadn't really started to research that and said that Jim Watt had a contact at CalPERS. President Welsh responded that he District knew about that. Mr. Firmin said he wanted to get to someone at CalPERS who was a "quant jock." Director Toombs said the District had had contact with one of the actuaries at CalPERS.

Director Toombs asked what kind of presentation Mr. Firmin thought he would need to make to the Board. President Welsh responded that he thought some kind of presentation, about the process and input, should be made at the Board's next meeting. President Welsh said that he liked the fact that people would be speaking with the County Assessor and with CalPERS.

President Welsh said that the Board would need to consider a preliminary budget in May. IGM/COP Hart said he would start working on the budget in February. As such, President Welsh suggested that there be a report on the project's progress at the end of January or the beginning of May. IGM/COP Hart said time was of the essence if the information was to be used in developing the 2017-18 Budget. President Welsh said that this would mean a four-month timeframe.

President Welsh said he would work with Mr. Firmin to develop a presentation for the Board.

Consensus was that this project would prove useful.

**MOTION: Director Toombs moved, and Rob Firmin seconded, to adjourn the meeting.  
Motion passed unanimously.**

The meeting was adjourned at 6:52 P.M.

---

Lynn Wolter

**KPPCSD Finance Committee Meeting Minutes for 2/22/17**

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

**ATTENDEES**

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Rachelle Sherris-Watt, President	Eileen Nottoli, Director
Rob Firmin	
Karl Kruger	
Jim Watt	
Paul Haxo	
<u>Staff Members</u>	
Rickey Hull, Interim General Manager/Chief of Police (IGM/COP)	
Lynn Wolter, District Administrator	
<u>Press</u>	

President Sherris-Watt called the meeting to order at 7:01 PM and took roll call. President Sherris-Watt, Rob Firmin, Karl Kruger, Jim Watt, Paul Haxo, IGM/COP Hull, and District Administrator Wolter were present. Director Welsh, Lori Trevino, and Jacqueline Berman were absent.

**COMMITTEE MEMBER COMMENTS**

Jim Watt asked about the status of the 2017-18 Budget and asked if there were supposed to be two readings of it. President Sherris-Watt responded in the affirmative. Mr. Watt said he hoped that there would be a first draft at the Committee's next meeting and that he wanted the CalPERS Valuation Report posted online.

Paul Haxo welcomed IGM/COP Hull.

**OLD BUSINESS**

1. The Committee received an update on the financial modeling system being prepared by Committee member, Rob Firmin.

Rob Firmin reported this was an involved model meant to help inform budgets, with a special emphasis on strategies that would help inform policy decisions. He explained that this was entirely quantitative, based

on actual numbers, and would help project the future. He added that it was based on external information for which historical data was available and that it would highlight areas to which the District might not be paying attention. He noted that, in those areas of unknowns, this modeling would provide a probability spread and that this was a process used by many other government agencies and businesses. He said that quantifying information would help the Board to make the best possible decisions.

Mr. Firmin reported that the District's CPA had met with him and had provided information through the third quarter and that he'd like to meet with her again in order to obtain information from the first quarter of 2017. He said he'd also met with former Committee member, Linda Lipscomb, to obtain information from the County Auditor and Assessor and learn how the County derived its numbers. He said he would be working on statistical models about how this might happen in the future. He reported that he'd also spoken with California's Chief Economist about her forecasts and that he'd spoken with the man who had developed the new software he'd started using – a man he'd known for about 30 years. He said that he was learning new ways to convert data into a new spreadsheet and that he needed to incorporate important parts of the Valuation Report. He also reported that he wanted to meet with CalPERS to gain better insight into its calculations and wanted to work with IGM/COP Hull on strategic imperatives. He said the purpose of the modeling work was figure out how to pay for large strategic challenges down the road.

President Sherris-Watt said it would be alright for Mr. Firmin to work with Ms. Russell, and Mr. Firmin responded that he would contact her.

Karl Kruger asked if the financial modeling work would be used for this year's budget. Mr. Firmin responded in the affirmative. Mr. Kruger asked if any of the 5-year plan from 2015 would be used. Mr. Firmin responded that this would be one of the pieces referenced and then could be used for comparison – it would help to determine how realistic some of the comparisons were.

Paul Haxo asked when a demonstration might be available. Mr. Firmin responded that this would be dependent upon his being able to meet with Ms. Russell and his being able to input the time-series equations. He added that the earliest would be the next Finance Committee meeting. Mr. Haxo asked how many "seats" the District would have. Mr. Firmin responded that he'd bought the one "seat" for himself and that, if more "seats" were to be bought, and then the District would need to look into a municipality license. Mr. Haxo asked about how many people were working with Mr. Firmin on the project. Mr. Firmin responded that there'd been a subcommittee but that most of the members were no longer on the Finance Committee; only Jim Watt still was. President Sherris-Watt said she and Mr. Firmin could meet and discuss what he might need and thanked Mr. Firmin and Linda Lipscomb for their work.

### NEW BUSINESS

1. The Committee received the Actuarial Valuation of Post-employment Medical Benefits and the GASB 45 Valuation concerning Retiree Medical/OPEB Plans prepared by Nicolay Consulting Group. The Committee reviewed and considered whether to:
  - a. Accept the report and recommend its approval by the KPPCSD.
  - b. Suggest implementation of any of its findings to the KPPCSD.

President Sherris-Watt asked Jim Watt what his impressions were of the report and whether it met the District's needs. Mr. Watt reported that there were two valuation reports: the CalPERS Valuation Report, which related to pensions, and the OPEB report, which related to other post-employment benefits. Mr. Watt explained that the District used to account for its medical obligations on a pay-as-you-go basis, but a few years ago the Government Accounting Standards Board (GASB) had determined that it was no longer permissible to do this on a pay-as-you-go basis alone; agencies had to set up reserves to account for medical benefits. Paul Haxo amended this comment: He said agencies didn't have to set up reserves; rather, they had to account for the amounts in their financial statements. Mr. Haxo explained that an agency could still pay-as-it-went, but it also would have to do an actuarial report. Mr. Watt concurred with Mr. Haxo, noted that these were recommended standards, and said that it was not necessary to set aside





these amounts of money. However, Mr. Watt said it would be in agencies' best interests to set aside money.

Mr. Watt reported that, about five or six years earlier, the Finance Committee had decided to switch from having Nicolay Consulting perform the District's actuarial work to having Total Compensation Systems (TCS) do so: This had resulted in a significant reduction in the amount of money the District had been setting aside to meet its actuarial obligations. Mr. Watt said that, about a year ago, he'd brought to the Committee's attention that TCS had some errors in its calculation process and that the Committee should have another company review the report to get a better idea of what the District should be setting aside: The Committee selected Nicolay Consulting, and this had resulted in a significant change in the amount of money the District should be setting aside.

Overall, Mr. Watt reported that Nicolay Consulting had completed a thorough and accurate report, consistent with GASB's requirements. He referred the Committee to page 1 of the report for the summary of the valuation's results. He noted that there were significant differences between the amounts that had been reported by TCS, as of 7/1/15 and those reported by Nicolay, as of 7/1/16. Mr. Haxo interjected that there had been significant changes in assumptions and that these had driven most of the changes shown on the summary sheet. Mr. Watt said that it had been decided by the Finance Committee and by the Board that TCS had omitted some things and that the Nicolay Report included them: The most important of these were the implicit subsidy, the new mortality rates, and the new medical trend rates.

Mr. Watt asked the Committee to focus on the difference between the prior and current reports' Annual Required Contribution amounts, which were \$173,677 and \$404,477 respectively. Mr. Watt said that the District currently had about \$800,000 in its OPEB Trust Fund and had an unfunded liability of about \$3,000,000; thus, the District was about 25% funded – an amount not too large, except for the fact that funding began not too long ago. He noted that this liability now had to appear on the District's balance sheet because of a recent GASB rule.

Mr. Watt noted that, in addition to the OPEB liability the District had a CalPERS pension liability of about \$3,100,000, which meant that the District would be showing a total liability of about a \$6,000,000 on its balance sheet. Mr. Firmin said that this could affect the District's ability to borrow and that there could be another problem with this liability: If the District ever were to outsource, it might have to pay off this amount. Mr. Watt responded that it was unknown exactly how that would work but that it was a possibility.

Mr. Haxo said that, when one used the term "actuarial liability," it wasn't a real number: It was someone's "crystal ball" estimate of a liability. Rob Firmin noted that a certified actuary had prepared the report and so the amount hadn't been totally "made up." Mr. Haxo responded that an actuarial liability wasn't a real liability and wouldn't become one until it actually came due – there was a lot of "guesstimating" that went into it.

Given that the District's liabilities could affect its ability to borrow, District Administrator Wolter asked, if the District were to consider outsourcing, shouldn't it look at these same liabilities for other agencies with which it might consider for outsourcing: Specifically, what would such liabilities say about the financial state of that agency, and what portion of those liabilities might be built into a contract price. Mr. Firmin responded that this would have to be considered in a set of options. President Sherris-Watt added that the District wouldn't assume another agency's liability, but this would speak to another agency's long-term fiscal health. Mr. Haxo added that, when outsourcing had been looked at in the past, it had been determined that doing so would mean that the District would have little control over cost.

Mr. Watt noted that another important line item was the Annual Required Contribution (ARC): It had increased considerably and was dated for 7/1/16. He said that he'd spoken with people with Nicolay to ask what the amount should be for 7/1/17 for the District's budget purposes and that Nicolay had responded that the 7/1/16 amount should be increased by about 4%. President Sherris-Watt noted that Nicolay had made some incorrect assumptions, such as ten active employees, when the District currently had only eight, and she noted that the total number of retirees and surviving spouses also had declined between 2015 and

2016. Mr. Watt said the ARC was the amount the District needed to be thinking about in terms of what would be shown in the budget's line items 521R and 521T: The ARC would be the total of those two line items. He said the increase of ARC, from the prior year to the current year was an increase from about \$225,000 to about \$400,000. Mr. Watt said the District was not absolutely required to put the full \$400,000 into the Trust – it could put in a portion of it. He explained that the District would be paying the current medical costs for both its current and retired employees on a pay-as-you-go basis, but anything above that would be optional. He also explained that the District could eliminate the implicit subsidy from the calculation, which represented \$118,000. He explained that, if the District funded the Trust up to the full amount, once that amount went into the Trust Fund the District would not be able to touch it: It would no longer be available, should the District need it in the future. Mr. Watt said this was not the meeting at which to discuss the contribution amount – that should wait until the Committee saw the budget. Mr. Watt recommended that the Committee approve the Nicolay Consulting Actuarial Report, that the Committee recommend that the Board also approve it, and that the Committee defer to a later time the discussion about the amount of money that District should contribute to the ARC.

Paul Haxo explained that the implicit rate subsidy meant that younger officers provided a subsidy for older officers.

President Sherris-Watt expanded on this, saying that retirees cost more – even though the premiums for both age groups were the same. It was noted that the younger officers would eventually become older officers, so it would all even out.

Mr. Haxo said the accounting for this actuarial information was complicated and could impact the audit. President Sherris-Watt said she wanted two things: To accept the report and to recommend that the Board accept it. She added that she wanted to know what the Committee's recommendations would be regarding amounts to be set-aside in the budget.

Karl Kruger said he'd like the Committee to think about paying down at least some of the amount – more than just the minimum – because there was a "big number out there." Mr. Watt responded that the TCS report had had the District under-funding the Trust Fund. Mr. Haxo noted that the cash value of the Trust was \$670,464 and that actuarial values were different from cash values. Mr. Watt said that the issue was that the District had a relatively small amount in the Trust and that he agreed with Mr. Kruger: The District needed to start funding this.

Mr. Watt noted that, with respect to Mr. Firmin's earlier point, this could become part of the cost of any outsourcing: The more that could be paid down now, the less it would cost if the District were to outsource. Mr. Haxo responded that it shouldn't be paid down too quickly because once the money was contributed, the District couldn't get it out and that this would be a liability that would be spread out over twenty years: It was not a liability that would be due tomorrow. It was noted that some part of this could be due sooner, if the District were to contract out. Mr. Haxo noted that the Fire District was still paying off its old liabilities, even though it had contracted out for fire service 20 years earlier. President Sherris-Watt said this would need to be part of a discussion about outsourcing – to see what CalPERS would actually demand. Mr. Haxo said there were communities in the state that had tried to exit CalPERS and had tried to pay off PERS, only to learn that there were different types of discount rate scenarios: One that PERS used for its "open" books and a second one that was significantly higher – almost twice as much. President Sherris-Watt noted that contracting out could be cost-prohibitive and that an agency would have to be pretty "cash-rich" to buy its way out of CalPERS.

Mr. Watt recommended staying with this number for now. He said IGM/COP Hull would begin working on the draft budget and then the actuarial amount could be considered in the context of the budget. Mr. Watt said that he'd spoken with Gary Cline, of Nicolay, about this, that Mr. Cline would be happy to come to a Finance Committee meeting to speak about the report, and that this would cost about \$600. Mr. Watt added that Mr. Cline could talk about ways in which the District might handle the ARC obligation. Mr. Firmin said that, if Mr. Cline were to come, the Committee should discuss questions to be posed ahead of time. Mr. Kruger said he'd rather spend the \$600 on paying down the obligation. Mr. Watt suggested an alternate, which was that people submit questions to him, and then he would contact Mr. Cline directly.

Mr. Haxo said he had a question about the health care trend: Was the trend rate good for Bay Area Kaiser – its increases had been significantly less than those of other entities, such as Blue Cross and United Health. Thus, he said he thought this trend rate might be high. Mr. Watt responded that he thought Mr. Haxo had raised a good point and said he'd call Gary Cline to ask if the report's medical trend rate was good for Kaiser. President Sherris-Watt noted that TCS had used a trend rate of 4% and that some had objected to that.

The Committee discussed the report's notion that healthcare costs couldn't continue to increase at prior years' rates without having an adverse impact on the overall economy. Mr. Kruger responded that there was nothing to indicate that this would happen because people were expecting more and more service – things people didn't even think about 20 years ago.

Mr. Watt pointed out that Nicolay had used a 7.28% discount rate, which was higher than TCS's 7% rate. Mr. Haxo asked where this rate had come from. Mr. Watt responded that he thought that a discount rate of 7.0% to 7.25% was unrealistic.

**MOTION: Jim Watt moved, and Paul Haxo seconded, to approve the Actuarial Valuation OPEB Report prepared by Nicolay Consulting, dated July 1, 2016, with the understanding that he would verify the medical trend rate with Nicolay and provide information to the Committee members at the next meeting.**  
**Motion passed 5 - 0.**

President Sherris-Watt said the Committee would see this item again next month.

2. The Committee was to review the audit prepared by Lamorena Chang. The Committee was to consider voting to approve the audited financial statement and to communicate this to the KPPCSD and to Muni Finance.

President Sherris-Watt reported that the audited financial statement was not yet available and that this would be tabled until next month. She also noted that Municipal Finance would need to receive this report.

3. The Committee received and discussed documents that would have bearing on the 2017-18 fiscal year budget. The documents included:
  - SDRMA 2017-18 Property/Liability Program Rate Information
  - SDRMA Important News for Your 2017-18 Fiscal Year Budget
  - Analysis of Interim GM/COP wages

President Sherris-Watt reported that, in the prior week, the District had received unpleasant news from SDRMA: The District's insurance premiums would be increasing by 35% for workers' compensation (increasing from \$67,000 to \$90,000) and by 18% for property and liability insurance premiums. District Administrator Wolter noted that the offset to the workers' compensation increase was that the District had been receiving workers' compensation reimbursements during the current fiscal year. President Sherris-Watt added that, because officers were out on workers' compensation time, the District had been paying more in overtime.

Paul Haxo asked about the wage analysis – was the Board splitting the compensation for GM and COP parts of the combined position because of some PERS issues. President Sherris-Watt responded in the affirmative. She explained that Adam Benson had prepared the document. She added that the District had had the CalPERS audit, that the District had submitted an appeal to the audit, and that CalPERS had wanted an accounting of time for the position. She said that, going forward, the Board anticipated having two

positions and that the GM portion of the salary would not be “Persable.” Vice President Nottoli explained that the GM portion would not be “Persable” because the District didn’t have a “Miscellaneous” employee agreement with PERS.

**MOTION: Karl Kruger moved, and President Sherris-Watt seconded, to adjourn the meeting.  
Motion passed: 5 – 0.**

The meeting was adjourned at 8:17 P.M.

---

Lynn Wolter  
District Administrator

RLH  
3-9-17

**Kensington Police Protection and Community Service District  
Interim General Manager and Chief of Police Report**

**Subject: Report on Dispatch**

**Summary**

After contacting seven nearby law enforcement agencies for providing dispatch and related services as described below, the two most viable options are contracting with Albany or a combination of the Contra Costa Sheriff and Albany. In addition, for officer safety, Kensington police must be on the same radio channel as an adjacent jurisdiction. This allows the police in each agency to listen to each other's calls and provide back up support. For the reasons presented below, Albany is the preferred option although it will be more expensive initially because of the purchase of software.

The attached table details the cost estimates that we have received to date.

**Background**

At present, the City of Richmond provides Kensington with three essential services: dispatch, record management system and Record Department Services on a 24/7 basis. Each of these services are described below. Richmond will end its contract with Kensington and several other cities as of June 30, 2017. While Kensington could continue under a modified contract with Richmond, Kensington police would not be on the same radio channel as an adjacent jurisdiction.

**Dispatch**

Dispatch refers to the Computer Assisted Dispatch (CAD) service for emergency and non-emergency calls to 911 and dispatch for emergency medical, fire and police service as well as calls to dispatch by police. The dispatcher takes the call and then transfers the call to the appropriate agency.

**Record Management System**

All conversations with dispatch as well as updated added by police are recorded in a computer data base. The hosting and maintenance of servers is the Record Management System.

**Records Department Services**

Record Department Services refers to the ability on a 24/7 basis to enter and access data into the California Law Enforcement Telecommunications System (CLETS). CLETS contains data on missing persons, stolen vehicles, DMV records, and relevant law enforcement data. Importantly, by law, officers must enter certain data (e.g., warrants, missing child or person at risk) into the Records Department within specified times from a call from dispatch. This must be done at a secured computer with reliable access to the Internet.

**Options**

**1. Richmond.**

Richmond is willing to provide CAD/RMS but only limited Record Department Services as of July 1, with an increase cost of approximately \$128,000 from the previous cost of \$119,000. There have been some

complaints, however, with Richmond dispatch. Because of new limitations by Richmond on Record Department Services, Kensington will need to install a full access terminal and have its officers trained and approved for full access to CLETS. In addition, Richmond may switch to RIMS software for its RMS instead of its current New World/Tyler Tech software. As discussed below with Albany, there will be a cost associated with this switch.

However, because Kensington would not be on the same radio traffic with Albany or El Cerrito. Consequently, Richmond is not a viable option for KPPCSD.

## **2. New Consortium.**

Hercules, Pinole, and San Pablo have recently formed a consortium for dispatch, RMS, and Record Department Services. However, because it is just starting up and there have been recent changes in management at these agencies, there is some concern on the reliability and long term feasibility of the consortium. An early estimate, if El Cerrito would be joining, Kensington's cost would be about \$96,000 without taking into consideration costs to transfer of data and implementation. Significantly, because El Cerrito will not be joining, the cost is likely to go up and Kensington police would not be on the same radio channel as an adjacent jurisdiction.

## **3. UC Berkeley**

We have not had a response from UC Berkeley as of yet.

## **4. Berkeley**

Interim Chief Andrew Greenwood advised that at the present time, Berkeley is unable to provide dispatch to Kensington.

## **5. Sheriff.**

The Contra Costa County Sheriff (Sheriff) is willing to provide dispatch services for 911 and police dispatch but will only offer Record Department Services under exigent or emergency services. The Sheriff will not offer RMS services. If KPPCSD were to contract with CCC Sheriff for CAD, Kensington would need to contract with another agency or vendor for RMS and Records Services.

The Sheriff would put Kensington on the same radio channel as El Cerrito, El Sobrante, Rodeo, and Crockett.

Because the Sheriff uses different CAD software, Kensington would incur start up costs for licensing as well as implementation and project management costs.

## **6. El Cerrito**

El Cerrito plans to contract with the Sheriff for dispatch. It has an IT department and will house its dispatch RMS data on its servers. El Cerrito has also has a Records Department that can perform Record Department Services during day time hours. For off hours, it will contract with a vendor to provide a software interface and train its officers to enter any time sensitive data for Record Services. El Cerrito is willing to provide servicers for RMS and limited Record Department Services (only during normal business hours). This would mean that Kensington will need to find a way to fulfill its obligations to timely enter or remove time sensitive CLETS entries.

El Cerrito also mentioned that it would like to change its RMS software in the near future to RIMS because RIMS is user friendly, can create needed reports more efficiently, and can provide useful analyses.

**7. Albany.**

Albany had done dispatch previously for KPPCSD until the Richmond consortium was established. During that time, Albany dispatch has had consistent good reviews. Albany is willing to provide Kensington with dispatch, CAD/RMS and Records Department services on a 24/7/365 basis. Because Albany is on RIMS software, we would need to purchase RIMS software. Albany is willing to provide Kensington with its existing mobile equipment for police cars at a nominal cost.

**Estimated Cost for Dispatch**  
(Estimated Cost)

Service/License	First Year			Next Year		
	Sheriff	El Cerrito	Albany	Sheriff	El Cerrito	Albany
Dispatch/CAD	\$59,801	N/A	(\$77,673)	\$59,801	N/A	\$77,673
License for software	\$33,630	N/A	\$85,000	\$5,130	N/A	\$7,578
Implementation Fee & Training	\$7,700			N/A	N/A	N/A
Project Management Fee	\$8,925	N/A		N/A	N/A	N/A
Data Interface between Sheriff CAD and RMS (New World)	(\$49,550) (Note 1)	(Note 1)	N/A	N/A	N/A	N/A
Data Migration from Richmond	N/A	(Note 2)	\$40,000-45,000	N/A	N/A	N/A
RMS and Record Service	N/A	\$8,000	Included in Dispatch	N/A	\$8,000	Included in Dispatch
License for 4 Mobile and 4 Department Computers	\$12,400	N/A	Included in software cost	\$8,928	N/A	Included in CAD license
New World Contract	N/A	\$9,000	\$9,000	N/A	\$9,000	N/A
Single Agency Total	\$122,456 (\$147,231) (Note 4)	\$17,000	(\$202,673-207,673) (Note 5)	\$73,859	\$17,000	\$85,251
Total for Needed System	(\$164,231) (Note 4)		(\$211,673-216,673) (Note 5)	\$90,859 (Note 3)		\$85,251 (Note 5)

Notes

1. This is a combined cost with ECPD unknown what our shared cost would be
2. El Cerrito will have all data from Richmond migrated over. It is unclear if we will need to share in the cost
3. We may need to switch to RIMS at a cost of \$125,000-139,000 and spend \$16,000 for MDCs in four vehicles
4. Assuming ECPD charges 50% of the Interface fee
5. Does not take into account the savings of officer and staff time in preparing monthly Uniform Code Reports of approximately \$8,000



CONTRA COSTA COUNTY OFFICE OF THE SHERIFF

TECHNICAL SERVICES DIVISION  
CONTRACTING KENSINGTON POLICE AS A  
DISPATCH CONTRACT



JASON VORHAUER, CAPTAIN *JV*  
GERARD HEIDKAMP, SUPERVISING SHERIFF'S DISPATCHER  
FEBRUARY 1, 2017

It is difficult to determine the total number of telephone calls that the Richmond Police communications center handled specifically for Kensington. The data is intermingled and not easily separated. Kensington provided a report from the Richmond Police Department indicating that they received 377 911 calls in calendar year 2016, an average of approximately 1 per day. This report only includes landline 911 calls, and does not include cellular or business line phone calls.

There will be a limited impact on the patrol deputies working on the west end of the county on CCSOWEST. The amount of radio traffic generated by Kensington is minimal, but will allow the west end units to have a better situational awareness of what is happening in a nearby jurisdiction.

## **IMPACT – KENSINGTON POLICE DEPARTMENT**

The Kensington Police Department can expect to receive high quality dispatch services from the Office of the Sheriff. There are startup costs to be considered both operationally and fiscally. The Office of the Sheriff communications center operates at a high level and expects their contracts to adhere to procedures that are standard for all of our contracts. The Kensington Police Department will need to familiarize themselves with, and use, approved 10-, 11-, and 17- codes, radio protocols, abide by standardized methods used to notify street supervisors of incident and officer statuses, as well as other general communications methods. The communications center will also work with Kensington to accommodate procedures important to their department.

### **Systems**

**CAD/RMS** - The Office of the Sheriff uses Tiburon CAD and RMS. Tiburon provides other modules within the RMS product that may be taken advantage of, such as property and report writing. The Kensington Police Department will need to decide what they will want to utilize.

The Kensington Police Department will need to purchase CAD MobileCom MDC licensing at a cost of \$1,550 per seat (based on a quote from September 2016). This is necessary for units in the field to be able to communicate with the communications center and each other.

There are many additional tasks that will need to be completed by the Office of the Sheriff to enable the communications center to provide dispatch service to the Kensington Police Department. All officers will need to be added to CAD (and RMS if they decide to use RMS). A dispatch agency will need to be created to assign report numbers. Reporting districts and beats will need to be created, and beat levels (levels that determine the beat based on number of officers on the street) built. A list of locations with premise warnings will need to be provided to add to the Premise Warning file, if desired.

Kensington has multiple options regarding RMS.

Option #1 - Continue using their own system and not use the Tiburon system. There would be no cost for this option.

is grouped together under one WESN with all agencies dispatched by the Richmond Police Department. The 911 coordinator and CHP will need to evaluate each cell sector that covers the city of Kensington and determine routing. After this process is complete, the cell provider will need to reprogram their cell tower and do a drive test to confirm that calls route correctly. This process can begin before cutover, but calls may still route to Richmond, who will then need to transfer to the Office of the Sheriff.

The Richmond Police provides text to 911 service. The Office of the Sheriff does not currently provide this service. The Kensington Police Department should be aware and properly notify their citizens that this service will not be available to them.

**Voice Recorder** - The Office of the Sheriff has purchased and is awaiting delivery of a new telephonic voice recorder from Voice Print Industries (VPI). The Kensington Police Department is responsible for the cost of any additional equipment and labor costs to record all of their telephone lines

## CONCLUSION

---

The Office of the Sheriff communications center will be able to accommodate the workload associated with adding the Kensington Police Department as a dispatch contract. Kensington will need to be made aware of all of the potential startup costs. An avenue of communication should be set up to discuss the transition, provide accurate information regarding needs, and request quotes from vendors based on this information. It is important to note the need to begin as soon as possible, based on the July 1, 2017 deadline.



# EL CERRITO POLICE DEPARTMENT

10900 SAN PABLO AVENUE • EL CERRITO, CA 94530-2391  
TEL (510) 215-4400 • FAX (510) 235-6618

RLH  
3-1-17

February 27, 2017

Rickey Hull, Chief of Police  
Kensington Police Department  
217 Arlington Ave.  
Kensington, CA 94707

Dear Chief Hull,

In January and February 2017, we met to discuss the possibility of the El Cerrito Police Department hosting Kensington Police records on our Records Management System server. We also talked about whether or not Kensington could utilize the services of El Cerrito Police Records Specialists to enter and remove data from the California Law Enforcement Telecommunications System (CLETS), during normal business hours. You asked me to consider these issues and give you an estimate of the cost involved in providing these services.

The El Cerrito Police Department is willing to host Kensington Police Data on our New World Systems / Tyler Tech Records Management System server. We are also willing to provide services related to the entry and removal of data from CLETS. We will only provide CLETS support between the hours of 8:00 am and 6:00 pm, Monday through Friday. The Kensington Police Department will be responsible for any other CLETS transactions outside of the hours listed above or during holidays.

The El Cerrito Police Department will provide these services for \$8,000 annually. If you are interested in pursuing a formal agreement, please contact me at your convenience.

Regards,

Paul Keith  
Chief of Police





Proposal/Sales Quotation	
Quotation QUO-50867-4NRY4	Quotation Date: 3/8/2017

General & Client Information	
Agency Name: Kensington Police Department System Description: Kensington PD - Add on to Contra Costa Co S/O Client Contact: Chief Randy Hull Contact Phone: (510) 526-4143 Contact Email: rhull@kensingtoncalifornia.org Expiration Date: 8/31/2017 Presented By: Nicholas Dunigan	<b>Bill To:</b> 95 Amesbury Rd Kensington CA USA 3833  <b>Ship To:</b> 95 Amesbury Rd Kensington CA USA 3833

### Project Products & Services

#### Tiburon Software License Fee(s)

CAD Software License Fee(s)	Unit Price	Qty	Total Price
TC CAD Additional Agency License	\$28,500.00	1	\$28,500.00
TC CAD UDS - Additional site interface(s)	\$7,500.00	1	\$7,500.00
TC CAD UDS (XML) includes Zoll, ESO and PulsePoint - 1 site install	\$25,000.00	1	\$25,000.00
<i>CAD Software License Fee(s) Subtotal:</i>			\$61,000.00

Mobile Software License Fee(s)	Unit Price	Qty	Total Price
Maverick Mobile Mapping Client License, per Seat	\$0.00	4	\$0.00
MobileCOM Production Client License, per Seat	\$1,550.00	4	\$6,200.00
<i>Mobile Software License Fee(s) Subtotal:</i>			\$6,200.00

**Tiburon Software License Fee(s) Total: \$67,200.00**

#### Tiburon Implementation Service Fee(s)

CAD Implementation Service Fee(s)	Unit Price	Qty	Total Price
TC CAD Additional Agency Deployment Services	\$4,900.00	1	\$4,900.00
TC CAD UDS - Additional Site Interface Services	\$3,500.00	1	\$3,500.00
TC CAD UDS (XML) includes Zoll, ESO and PulsePoint - 1 site install Services	\$7,700.00	1	\$7,700.00
<i>CAD Implementation Service Fee(s) Subtotal:</i>			\$16,100.00

21



Mobile Implementation Service Fee(s)	Unit Price	Qty	Total Price
Mobile Administration Training	\$1,925.00	1	\$1,925.00
MobileCOM Train-The-Trainer	\$875.00	1	\$875.00

Mobile Implementation Service Fee(s) Subtotal: \$2,800.00

Tiburon Implementation Service Fee(s) Total: \$18,900.00

**Project Related Fee(s)**

Product Name	Unit Price	Qty	Total Price
Project Management	\$7,350.00	1	\$7,350.00
Estimated Travel Expenses (To be billed as incurred)	\$1,575.00	1	\$1,575.00

Project Related Fee(s) Total: \$8,925.00

**Annual Maintenance Fee(s) (Year 1)**

Product Name	Support Level	Total Price
MobileCOM Production Client License, per Seat	24 X 7 Tib	\$1,116.00
TC CAD Additional Agency License	24 X 7 Tib	\$5,130.00
TC CAD UDS - Additional site interface(s)	24 X 7 Tib	\$1,350.00
TC CAD UDS (XML) includes Zoll, ESO and PulsePoint - 1 site install	24 X 7 Tib	\$4,500.00

Annual Maintenance Fee(s) (Year 1) Total: \$12,096.00

**Project Total: \$107,121.00**

Estimated Sales Tax: (State: at %)	Taxable sales: \$0.00	Subtotal: \$107,121.00
		Sales Tax Amount: \$0.00

**Quote Total: \$107,121.00**

22

## *Terms and Conditions*

### Payment terms are as follows

50% of all Software, Services, Support and fixed travel fees are due at time of order -and- 50% of all Software, Services, Support and fixed travel fees are due upon installation or completion of services (whichever comes later).

### Software License Terms:

The Software is licensed for use by Client in accordance with the software licensing terms of the Software License Agreement currently in effect between Tiburon and Client. Acceptance, if applicable, for the Software will be defined in the applicable Statement of Work ('SOW'); otherwise, the Software licenses shall be deemed accepted on delivery.

Acceptance, if applicable, for the Tiburon Software licenses included in the Quotation will be defined in the Statement of Work. Any changes to scope of testing may result in a price increase for services.

The annual Software Support Services for the Tiburon Software licenses are provided for a period of twelve-months from the Installation date and shall be governed by the existing agreement for support and maintenance currently in effect between Tiburon and Client. Support fees will be prorated at renewal of the existing support term to adjust to the term to be co-terminous with the existing support agreement term.

### Training Terms:

In the event Client cancels a training course scheduled to be conducted on-site at Client's premises, Tiburon shall be entitled to reimbursement of any fees Tiburon may incur associated with cancellation of travel and lodging for such training course.

Tiburon reserves the right to assess \$1,000 cancellation fee for the training classes that are cancelled any later than 5 business days prior to the first day of the class, plus any additional fees or charges associated with the cancellation and rebooking of the airline tickets and other travel arrangements.

Tiburon reserves the right to assess 25% of the services fee, up to \$1,000 as cancellation fee for any remote, or onsite installation services work that are cancelled by the Client at no fault of Tiburon any later than 5 business days prior to the date of performing the work. This may include the services that are cancelled or rescheduled due to the client's infrastructure not meeting the minimum requirements for the installation, lack of preparation of the site based on Tiburon's documentation, issues with remote connectivity, or other barriers that result in the work being cancelled.

### Sales Tax:

Any estimated sales and/or use tax has been calculated as of the date of quotation and is provided as a convenience for budgetary purposes. Tiburon reserves the right to adjust and collect sales and/or use tax at the actual date of invoicing, at the then current rates. Your organization must provide Tiburon with a copy of a current tax exemption certificate issued by your state's taxing authority for the given jurisdiction, when your

order is placed, if you are exempt from sales tax.

**General Terms:**

The items in this quotation are based upon meetings and communications with the Client and unless attached to a contract form the entirety of the deliverables from Tiburon.

The scope of Deliverables for this order will be limited to the Software, Services, and Support and Maintenance that is explicitly listed herein for the listed quantities.

This order provides Software licenses as well as required deployment services only for the environments that are explicitly listed herein (Production, Test, Training, Disaster Recovery, etc.). These software licenses do not apply to any other existing environments, or environments that may be implemented in the future.

Changes in the scope of certain components of the System may impact the cost and timelines for other areas of the Project.

All services will be performed during normal business hours, unless otherwise stated in this quotation for specific service deliverables.

Deployment and implementation of Tiburon Software and Services are based upon Client's provision and compliance with Tiburon's System Planning Document.

Tiburon reserves the right to adjust this Quotation as a result of changes including but not limited to project scope, deliverables (Tiburon Software, or third party software or hardware, including changes in the hardware manufacturer's specifications), services, interface requirements, and Client requested enhancements.

Standard Interfaces are developed and enhanced within Tiburon's version process for the Tiburon Software applications (such as CAD). Changes to standard Interfaces will require adherence to the development life cycle therein. Updates or upgrades to standard Interfaces that are delivered within this life cycle will require the Client's system to be on the current production release of the Tiburon Software application(s).



<p>Quotation Issued by: Nicholas Dunigan</p> <p>Email: <a href="mailto:nicholas.dunigan@tritech.com">nicholas.dunigan@tritech.com</a></p> <p>Phone: (858) 799-7813</p>	<p><u>Send Purchase Orders To:</u></p> <p>Tiburon Attn: Ann Conway 9477 Waples Street, Suite 100 San Diego, CA 92121</p> <p>Or Email: <a href="mailto:ann.conway@tritech.com">ann.conway@tritech.com</a> Or Fax: (858) 799-7015</p>
	<p><u>Remit Payments To:</u></p> <p>Tiburon 9477 Waples Street, Suite 100 San Diego, CA 92121</p>

*Accepted for Client*

By signing below, you are indicating that you are authorized to obligate funds for your organization. To activate your order, check the appropriate box below and, either, (i) attach a copy of this quotation to your purchase order when it is remitted to Tiburon, or, (ii) if no additional authorizing paperwork is required for your organization to accept and pay an invoice, sign below and fax this quotation to 1-858-799-7015 or email to [ann.conway@tritech.com](mailto:ann.conway@tritech.com) to indicate your acceptance.

- Purchase Order required and attached, reference PO# \_\_\_\_\_ on invoice.
- No Purchase Order required to invoice.

Please check one of the following:

- I agree to pay any applicable sales tax.
- I am tax exempt. Please contact me if Tiburon does not have my current exempt information on file.

\_\_\_\_\_  
Client Agency/Entity Name

\_\_\_\_\_  
Client Authorized Representative

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature Client Authorized Representative

\_\_\_\_\_  
Date



Quote

Document #:	268972-001
Expires On:	04/07/2017

Account Executive: Tiffany Howard

Email: THoward@carouselindustries.com

Phone: +14015834869

### Contra Costa County Sheriff

Requested By: Gerard Heidkamp

#### Bill To Information

Contra Costa County Sheriff  
 40 Glacier Dr  
 Martinez, CA 94553

#### Ship To Information

Contra Costa County Sheriff  
 40 Glacier Dr  
 Martinez, CA 94553

## Labor

### Application

	<u>Description</u>	<u>Qty</u>	<u>Unit Price</u>	<u>Ext. Price</u>
Contra Costa, CA	Cross Connect up to four Admin Lines into VESTA 9-1-1 System and update Call Flow. Customer must provide spare FXO ports on AudioCodes gateways	1	\$908.50	\$908.50
			<b>Application Total</b>	<b>\$908.50</b>

27



# EL CERRITO POLICE DEPARTMENT

10900 SAN PABLO AVENUE • EL CERRITO, CA 94530-2391  
TEL (510) 215-4400 • FAX (510) 235-6618

---

March 16, 2017

Rickey Hull, Chief of Police  
Kensington Police Department  
217 Arlington Ave.  
Kensington, CA 94707

Dear Chief Hull,

Thank you for meeting with me on March 15, 2017, to discuss the dispatch transition project. As we discussed, I would like to clear up some of the questions around costs associated with an agreement between our agencies on records transition, records management and CLETS access. As outlined in my letter to you dated February 27, 2017, the El Cerrito Police Department (ECPD) is willing to host Kensington Police records and provide CLETS assistance for \$8,000 annually, if both agencies contract with the Office of the Sheriff for dispatch.

The City Council of El Cerrito will make a decision on March 21, 2017, regarding whether or not the City of El Cerrito will enter into an agreement with the Office of the Sheriff for police dispatch. A significant component in a transition to dispatch with the Office of the Sheriff will be the need for the Computer Aided Dispatch Program (CAD) to transfer call information to our Records Management System (RMS). We have signed an agreement with Tyler Technologies to provide an interface between their RMS program and the CAD program used by the Office of the Sheriff. In addition, we are presenting an agreement to our council on Tuesday, March 21, to allow us to contract with Tiburon, Inc., the maker of the CAD program used by the Office of the Sheriff, to create the second half of the interface we will need to transfer data.

It will be my recommendation, to the City Council, that we proceed with both agreements to make certain that our project is on schedule and meets the needs of the El Cerrito community and ECPD. Because the City of El Cerrito needs these interfaces, if it contracts with the Office of the Sheriff and regardless of Kensington's decision, I did not intend to approach your Department to share costs.

Based on my review of the Proposal/Sales Quotation you sent to me on March 15, 2017, you may realize significant savings compared to the \$107,121 amount provided by Tiburon, Inc. If Kensington removes the items related to the creation of the CAD/RMS interface, the result is a savings of \$37,200. Kensington would still be obligated to pay for the additional site interface for a total first year interface related cost of \$12,350. In addition, Kensington might consider

20



# EL CERRITO POLICE DEPARTMENT

10900 SAN PABLO AVENUE • EL CERRITO, CA 94530-2391  
TEL (510) 215-4400 • FAX (510) 235-6618

---

the possibility of using training provided by the Office of the Sheriff, instead of training provided by Tiburon, Inc. If you remove training related items from the project, you could realize an additional savings of \$4,375.

On March 15, 2017, we discussed future plans for the records system used by the ECPD. Following the successful completion of the current RMS, CAD and Dispatch project, the ECPD will begin the process of researching our long term records solution. We have previously discussed the possibility of a records management software change at the termination of El Cerrito's contract with Tyler Technologies in June, 2019. It is much too early to assert that any decision has been made about future records management software purchases or changes. The police records industry is currently developing the next generation of police records systems and I intend for the ECPD to be well positioned to take advantage of modern systems when those systems are ready for use. If Kensington used the ECPD for RMS storage, we would engage in a collaborative process before any software transition or decision.

In your report, you include the costs of a switch to RIMS, with ECPD, as being between \$125,000 and \$139,000. I would like to make two observations, regarding any transition to RIMS, the product made by Sunridge Systems. In your project matrix, you estimate the costs of data migration to a RIMS server as \$40,000 to \$45,000. If we were involved in a joint project, I would expect Kensington to pay no more than half the cost of data migration, split with El Cerrito. In addition, I know from previous discussion with Sunridge Systems that the company provides financing options to spread the cost of RIMS over multiple years. Financing might be an option for your agency to pursue.

I appreciate your continued commitment to collaboration and I look forward to working together to handle the challenges our communities face.

Regards,

  
Paul Keith  
Chief of Police

**KENSINGTON POLICE PROTECTION AND  
COMMUNITY SERVICES DISTRICT**

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

Draft#7, March 16, 2017

**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*

	Page
<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis (Required Supplementary Information)</b> .....	3-7
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position and Governmental Funds Balance Sheet.....	8
Statement of Activities and Governmental Funds Statement of Revenues and Expenditures and Changes in Fund Balance .....	9-10
Statement of Fiduciary Net Position.....	11
Statement of Changes in Net Position—Fiduciary Funds .....	12
Statement of Revenue, Expenditure and Change in Fund Balances—Actual and Budget.....	13
Notes to the Basic Financial Statements.....	14-31
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Require Supplementary Information – Pensions.....	32
<b>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</b> .....	33-34
<b>Status of Prior Year Findings</b> .....	35
<b>Schedule of Current Year Findings and Questioned Costs</b> .....	36

## 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  
XXX

**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.

**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.
- 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).

**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 Position 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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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:

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

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 differences are District received \$100,000 more than budgeted in Grant Revenue and all property taxes together were \$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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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.

Draft#7, March 16, 2016

**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
<b>Assets</b>					
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
<b>Capital Assets (Note 3)</b>					
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)
<b>Total Capital Asset</b>	-	-	-	3,858,056	(3,858,056)
<b>Total Assets</b>	<u>\$ 1,974,452</u>	<u>\$ 128,268</u>	<u>\$ 2,102,720</u>	<u>\$ 4,586,903</u>	<u>\$ 6,689,623</u>
<b>Liabilities</b>					
Accounts payable	\$ 202,473	\$ -	\$ 202,473	\$ -	\$ 202,473
GASB 45 ACCL	4,078	-	4,078	-	4,078
Compensated absence	79,565	-	79,565	-	79,565
Accrued payable	15,008	-	15,008	-	15,008
LT net pension	-	-	-	2,878,245	2,878,245
TEMP	81	-	81	-	81
<b>Total Liabilities</b>	<u>301,205</u>	<u>-</u>	<u>301,205</u>	<u>2,878,245</u>	<u>3,179,450</u>
Deferred Inflows of Resources-Deferred pensions (Note 12)	-	-	-	412,768	412,768
<b>Fund Balances/Net Position</b>					
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)	-
<b>Total Fund Balances</b>	<u>1,673,247</u>	<u>128,268</u>	<u>1,801,515</u>	<u>(1,801,515)</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,974,452</u>	<u>\$ 128,268</u>	<u>\$ 2,102,720</u>		
<b>Net Position</b>					
Capital assets				3,858,056	3,858,056
Restricted				167,332	167,332
Unrestricted				(927,983)	(927,983)
<b>Total Net Position</b>				<u>\$ 3,097,405</u>	<u>\$ 3,097,405</u>

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

41

**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
<b>EXPENDITURES/EXPENSES</b>					
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	362,571	-	362,571	-	362,571
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
Prisoner/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
<b>Total current expenditures/expenses</b>	<b>2,837,929</b>	<b>-</b>	<b>2,837,929</b>	<b>(131,446)</b>	<b>2,706,483</b>
Capital outlay					
Equipment and furniture	45,427	-	45,427	(45,427)	-
Buildings and improvements	-	-	-	-	-
Construction in progress	13,931	-	13,931	(13,931)	-
<b>Total capital outlay</b>	<b>59,358</b>	<b>-</b>	<b>59,358</b>	<b>(59,358)</b>	<b>-</b>
<b>Total Expenditures/Expenses</b>	<b>2,897,287</b>	<b>-</b>	<b>2,897,287</b>	<b>(190,804)</b>	<b>2,706,483</b>

*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
<b>GENERAL REVENUES:</b>					
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
<b>Total Revenues</b>	<b>3,134,075</b>	<b>430</b>	<b>3,134,505</b>	<b>-</b>	<b>3,134,505</b>
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)
<b>Total Other Financing Sources (Uses)</b>	<b>10,495</b>	<b>-</b>	<b>10,495</b>	<b>-</b>	<b>10,495</b>
<b>Change in Net Position</b>	<b>247,283</b>	<b>430</b>	<b>247,713</b>	<b>190,804</b>	<b>438,517</b>
<b>Fund Balances/Net Position, Beginning of Year</b>	<b>1,425,964</b>	<b>127,838</b>	<b>1,553,802</b>	<b>1,036,640</b>	<b>2,590,442</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,446</b>	<b>68,446</b>
<b>Fund Balances/Net Position, Beginning of Year, Restated</b>	<b>1,425,964</b>	<b>127,838</b>	<b>1,553,802</b>	<b>1,105,086</b>	<b>2,658,888</b>
<b>Fund Balances/Net Position, End of Year</b>	<b>\$ 1,673,247</b>	<b>\$ 128,268</b>	<b>\$ 1,801,515</b>	<b>\$ 1,295,890</b>	<b>\$ 3,097,405</b>

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

*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
<b>ADDITIONS:</b>			
Special assessments	\$ -	\$ 177,747	\$ 177,747
Interest income	-	397	397
<b>Total Additions</b>	-	178,144	178,144
<b>DEDUCTIONS:</b>			
Bond administration charges	-	12,273	12,273
Bond expenses	-	31,532	31,532
Bond principal	-	125,718	125,718
Contract services	-	-	-
<b>Total Deductions</b>	-	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
<b>Net Position, Beginning of Year</b>	(69)	164,273	164,204
<b>Net Assets, End of Year</b>	<u>\$ -</u>	<u>\$ 162,330</u>	<u>\$ 162,330</u>

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

45

**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**

	<u>General Fund Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
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
<b>Total Revenues</b>	<u>2,912,251</u>	<u>3,134,075</u>	<u>221,824</u>
<b>Expenses:</b>			
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
<b>Total Expenditures</b>	<u>2,858,921</u>	<u>2,897,287</u>	<u>(38,366)</u>
Excess of Revenues over (under) Expenditures	<u>\$ 53,330</u>	<u>\$ 236,788</u>	<u>\$ 183,458</u>

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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. 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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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).

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 adopted 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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

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.

**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.



**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2— CASH AND INVESTMENTS (Continued)**

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

	<b>Carrying Value</b>	<b>Market Value</b>
<b><u>Governmental Funds</u></b>		
<u>Category 1:</u>		
Cash in checking accounts	\$ 2,823	\$ 2,823
Petty cash	100	100
	2,923	2,923
 <u>Uncategorized:</u>		
County Treasury	1,968,773	1,968,773
<b>Total Governmental Funds</b>	1,971,696	1,971,696
 <b><u>Fiduciary Funds</u></b>		
<u>Category 1:</u>		
Cash in checking accounts	-	-
 <u>Uncategorized:</u>		
County Treasury	288,926	288,926
<b>Total Fiduciary Funds</b>	288,926	288,926
<b>Total Governmental Funds</b>	\$ 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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3— CAPITAL ASSETS (Continued)**

A summary of changes in general fixed assets follows:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/16</u>
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
<b>Total Depreciable Asset:</b>	<u>4,992,462</u>	<u>59,355</u>	<u>53,866</u>	<u>4,997,951</u>
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
<b>Total Accumulated Depreciation</b>	<u>1,119,915</u>	<u>73,846</u>	<u>53,866</u>	<u>1,139,895</u>
<b>Capital Assets Net of Depreciation:</b>	<u>\$ 3,872,547</u>	<u>\$ (14,491)</u>	<u>\$ -</u>	<u>\$ 3,858,056</u>

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*

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

53

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$ 720,982</u>	<u>\$ 78,457</u>	<u>\$ 799,439</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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.

55

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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:

<b>Fiscal Year Ended June 30,</b>	<b>Amount</b>
2017	\$ 2,126
2018	2,125
2019	2,125
<b>Total</b>	<b>\$ 6,376</b>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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.



**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 change in pension liability	-
 Net difference	 \$ 14,488

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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**

<u>Fiscal Year Ended June 30</u>	<u>Annual Required Contribution</u>
2015	\$ 193,806
2016	199,136

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9— OTHER POSTRETIREMENT HEALTH BENEFITS (Continued)**

**Schedule of Employer Annual Required Contributions (Continued)**

	<b>June 30, 2016</b>
Actuarial accrued liability (AAL)	\$ 2,439,023
Unamortized initial UAAL	2,679,856
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
	<b>2015/2016</b>
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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 – FUNDBALANCES**

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:

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 – FUNDBALANCES(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:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

**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. Additional years will be presented as they become available.*

65

**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 of 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**

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

201

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

2016 Finding

None

Draft#7, March 16, 2017