

A G E N D A

A Meeting of the Finance Committee of the Kensington Police Protection and Community Services District will be held **Wednesday, June 28, 2017, at 7:00 P.M.**, at the Kensington Community Center, 59 Arlington Avenue, Kensington, California.

Notes:

- All proceedings of the Meeting will be audiotaped.
- Kensington Community Center has WiFi! The password, limitations and disclaimers are listed on page 2 of this packet.
- Those with hearing difficulties can contact the Committee Chair for access to assisted listening devices.

1. Call to Order/Roll Call 7 P.M.

2. Public Comments

3. Committee Chair and Member Comments – Introduction of General Manager Tony Constantouros.

4. Approval of Finance Committee Minutes

a. May 4, 2017, Page - 4

b. May 24, 2017, Page - 15

5. Update from Rob Firmin regarding the development of his financial model and future projections for the District.

6. Discussion of restrictions of equitably shared funds received by the KPPCSD, i.e., WestNET funds. Page - 26

7. Presentation of the "High Performing District Checklist" by the Committee Chair. The Committee will review financial best practices in light of the District's new website and examine ways it can support the KPPCSD Board, General Manager and Chief of Police (within its purview) to establish these standards. Page - 28

8. Discussion of CalPERS healthcare premium rates for 2017/18. Page - 30

9. Update regarding developments in capital improvement projects.

Note: The next meeting will be Wednesday, August 30, 2017, 7 pm at the Community Center. This is a change from previous schedules. The Committee will return to meeting the 4th Wednesday of the month in September.

ADJOURNMENT

General Information - Accessible Public Meetings

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

Kensington Police Protection & Community Services District, 217 Arlington Ave, Kensington, CA 94707

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

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Kensington Community Center WiFi Network Internet Policy

(Password: KensingtonCC)

The Kensington Police Protection and Community Services District (KPPCSD) provides access to the Internet at the Community Center through its WiFi network.

By using this free **wireless service**, you agree to abide by the **Community Center's Internet Policy** that prohibits abusive or illegal activity while using the **Community Center's Internet service and the Limitations and Disclaimers stated below.**

This service is free of charge and subject to the terms and conditions of use as follows:

Limitations & Disclaimers

- Wireless access is provided as a public service free of charge on an as-is basis with no guarantee and no warranty. The Community Center's Wireless network is subject to periodic maintenance and unforeseen downtime.
- Information passing through the Community Center's wireless access is not secured and could be monitored, captured, or altered by others. There are risks involved with connecting to a public wireless connection, such as possible viruses, malware, loss of data, possible hacking/snooping by others connected, possible hardware/software failure. It is your sole responsibility to protect your information from all risks associated with using the Internet, including any damage, loss, or theft that may occur as a result of your use of the Community Center's wireless access.
- Up-to-date antivirus software is recommended on wireless devices.
- The Community Center assumes no responsibility for the safety of equipment; users must keep their equipment with them at all times.
- You agree and hereby release, indemnify, and hold harmless, the KPPCSD, its officers and employees, from any damage that may result from your use of this wireless access.
- You acknowledge that you are subject to, and agree to abide by all laws, and all applicable rules and regulations of the KPPCSD, Contra Costa County, the State of California, and the federal government.
- At its sole discretion, the KPPCSD may terminate this public service at anytime without prior notice.
- Any attempt to circumvent Community Center procedures or any unauthorized attempt to access or manipulate Community Center equipment may result in permanent disconnection from the Community Center's Wi-Fi network.

If you do not agree to the above terms, please disable your wireless connection or turn off your wireless device.

KPPCSD Finance Committee Meeting Minutes for 5/4/17

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Wednesday, May 4, 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	A. Stevens Delk
Lori Trevino	David Spath
Rob Firmin	Eileen Nottoli
Karl Kruger	Sylvia Hacaj
Jim Watt	
Paul Haxo	
<u>Staff Members</u>	
Rickey Hull, Interim General Manager/Chief of Police (IGM/COP)	
<u>Press</u>	

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

PUBLIC COMMENTS

A. Stevens Delk read from the agenda: "Members of the public may address the Committee on any issues listed on the agenda that are within the purview of the Committee. Comments on matters that are listed on the agenda may be made at the time the Committee is considering each item." She asked if the word "not" was missing from the first sentence. President Sherris-Watt responded in the affirmative.

COMMITTEE MEMBER COMMENTS

Jim Watt said that, at the last meeting, the auditor, Mr. Chang, had come but that he'd forgotten to ask if the Committee could receive the final report for that audit. He said that the Committee had made some changes and that Mr. Chang was going to go back and make those changes. IGM/COP Hull responded that the final copy of the audit had come in that day. President Sherris-Watt said this document would be in the next week's agenda.

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Rob Firmin said that, at the last Finance Meeting, there had been general agreement that, at many future meetings, time would be reserved to discuss long-term indications of the District's finances for each of the budget line items. He said he would like the Committee to spend time at this evening's meeting doing this. President Sherris-Watt responded that this would be on the regular agenda for May 24th.

4. Unaudited Profit and Loss Budget Performance

Jim Watt said that, on the first and second pages, the notation had been cut off. But, he said that, although the notes for Account 448 had been cut off, he wanted to ask a question about that account. He said District Administrator Wolter was probably the best person to answer it. He said that, what he'd read was that \$9,129 had been taken out to pay the County for its portion of the franchise fee. He said this had been handled as a negative, as opposed to setting up a separate expense line item. He said he also saw that, from July 16th to April 1st, District had \$53,000, which had gone into the franchise fee account. Therefore he said he assumed that the \$53,000 was the 4% amount to which the District was entitled and which had been budgeted for the account. He said that this was important because the Committee would be looking at the Fiscal-year 2017-18 Budget and that, in that budget, about \$52,000 had been set for the franchise fee revenue. Mr. Watt noted that Vice President Nottoli was planning to visit Bay View and that, as soon as the District could find out what the company's annual revenues would be, it would be easy to calculate the franchise fee revenue. President Sherris-Watt responded that Vice President Nottoli was trying to set up this meeting as soon as possible and concurred that it would be important to calculate this amount as quickly as possible.

A. Stevens Delk commented that the District entered into a new contract with Bay View that had commenced in September 2015 and that there was a new payment schedule. She noted that, in the past, Bay View had sent the franchise fee to the District and to the County every three months, or so. But, with the new contract, she said there was a precise schedule that stipulated that, every month and based on the gross receipts Bay View received from the prior month, Bay View was to make a payment to the District, based on 7% of Bay View's gross receipts. She said she had a spreadsheet that showed that, beginning February 2016, the amount of franchise fee money that had come in was about \$21,000, then about \$4,000 had been received in March, about \$3,000 had been received in April, and about \$3,000 had been received in May. Thus, she said the item in the April 2017 Profit and Loss Report, in which there was a \$9,000 negative entry on that line... That line was combination of the amount the District paid to the County plus what the District received from Bay View. She said she'd like to see those two numbers separated. She reiterated that the footnote for 448 had been cut off, so it wasn't clear what it had said. She noted that, in September 2016, about \$35,000 had appeared as negative revenue, but it was not clear whether this had been the amount paid to the County or if it was net of the amount paid to the County. She said the Unaudited Profit and Loss document was "smoke and mirrors." One could not look at it and know what amounts had been received and what amounts had been expensed. She said she'd asked about this several times and would like to see it cleared up.

IGM/COP Hull said the total of \$9,129 was a combination of the month of January and February, as it had been brought to his attention that the District needed to make a payment. He said he'd had to go back and get these numbers and forward that portion to the County.

A. Stevens Delk asked how much money the District had received from Bay View during the month of April for the portion of the franchise fee and indicated that the District should have received about \$3,000 from Bay View for that month. She passed around copies of the spreadsheet she'd prepared.

Ms. Delk said customers received bills from Bay View at the beginning of a four-month service period: 70% of customers paid their invoices within the first month; another 15% paid during the second month; and 9% paid in the third month. She said that, in April, the District should have expected about \$3,000 from Bay View for the District plus the County, based on the amount of money Bay View had actually collected from ratepayers during that period of time. She reiterated that she would like this made clearer.

President Sherri-Watt responded that Account 448 Franchise Fees was not illustrative what was actually going on. But, she said that IGM/COP Hull had told her what had occurred with billing and that January and February had not been paid correctly. Thus, she said IGM/COP Hull was going back and clarifying that, which then would create difficulty: What would need to happen was that past Profit and Loss Statements... without reprinting them all, drawing one's attention... a document like this would be helpful, in terms of being illustrative in discussing the issue. But, she said she wasn't sure how that would be teased out so that the District would get into infinite category. She said that, what she would love was point-upon-point so the trail could be followed. She said this was a poor tool.

President Sherris-Watt thanked Ms. Delk and said the District would add some justification/illustration and make sure that all the footnotes were correctly written so they would be readable.

Paul Haxo said that the District did its finances through QuickBooks. He noted that QuickBooks had an online "Cloud" version, so it would be easy if someone present had a laptop that could print out the report and post it on the screen. Mr. Haxo asked for confirmation that the District was still using the two-computer version of QuickBooks. IGM/COP Hull responded in the affirmative. Mr. Haxo suggested that the "Cloud" version be explored in the future.

A. Stevens Delk asked where the 3% franchise fee paid to the County showed up on the ledger. She asked if it only showed up as a negative to Account 448. President Sherris-Watt responded that it showed as revenue under the franchise fees. Ms. Delk asked where. President Sherris-Watt responded that Deborah Russell had told the Committee at its last meeting that it came in as revenue and that the District saw it as revenue. Ms. Delk noted that it never showed as an expense: It only showed as negative revenue. President Sherris-Watt responded that it became an expense at some point. Ms. Delk asked where it showed as such. President Sherris-Watt responded that it showed as a negative, unfortunately.

Paul Haxo said the Committee had discussed this with Deborah Russell at the prior meeting: Sometimes the District showed revenue and expense within the same account. Thus, he said that Account 448 showed both the income and expense. Ms. Delk said that Account 448 was the net revenue and said that, rather than reporting her entire revenue to the IRS, she would deduct her expenses from her income because she'd had to pay for things like gas and food. Therefore, she said she didn't think this was proper accounting. President Sherriw-Watt responded that she would prefer this to be discussed with Deborah Russell and that this would not be so confusing if the District had been paying the County on a timely basis. Thus, she said the account would reflect the money the District had.

Lori Trevino asked if the negative \$36,000 in September had been money owed to the County. President Sherris-Watt responded in the affirmative. Ms. Trevino said that one wouldn't want to have to budget an expenditure of money that was really net income: One wouldn't want to treat it as an expense. But, she said, the District did need to do this in a timely fashion. President Sherris-Watt responded that, now that the contract was monthly, this should be easier to track.

A. Stevens Delk said that, with respect to the \$35,600 paid in September, there should have been some positive money coming in from Bay View during that month, as well as negative money going out to the County. She asked if the \$35,600 represented what had been paid to the County and not the net amount. She asked how much had come into the District during that time. Ms. Delk said this was the problem: One couldn't tell. She said that, if one added up the numbers for the first four months of 2016-17, those numbers did not add up.

David Spath asked what numbers Ms. Delk was talking about. Ms. Delk responded that she was talking about a spreadsheet she'd prepared – a spreadsheet in which she'd tried to start tracking the amounts. She said there were some "weird account things" with this account. Ms. Delk said the Unaudited Report for 15-16 said the District's income from the franchise fees was \$92,717.81. She said the audited report showed the amount was \$59,559, but she could not find anything in the auditor's report that said how these amounts could be approximately \$33,000 different: There was nothing to reconcile the unaudited and the audited amounts. President Sherris-Watt responded that this was something about which there needed to be a conversation with the Solid Waste Committee and with Steven Chang. And, she said the District needed

to look at its finances to discover why the amounts were different. She thanked Ms. Delk for alerting the District.

Paul Haxo asked if the Unaudited Profit and Loss was a QuickBooks report to which someone added footnote manually. IGM/COP Hull responded in the affirmative: District Administrator Wolter added the footnotes.

Karl Kruger said he'd seen the footnote for 521T and asked how the District had failed to pay \$31,000 for the prior fiscal year. IGM/COP Hull responded that, as District Administrator Wolter had explained it to him, this was a payment that was supposed to have been made but had been missed, but said he didn't have an explanation for this. Mr. Kruger said he was surprised that it had taken a year for this to have been discovered. President Sherris-Watt added that District Administrator Wolter had previously explained that, in May 2015, then GM/COP Harman was leaving and had failed to provide her with the proper documentation and that, it wasn't until the following year that she'd discovered this. Paul Haxo noted that this was the trust account, for which the District did not receive an invoice and so was paid based on the District's good memory. President Sherris-Watt noted that, since then, District Administrator Wolter had worked to actively build schedules. Lori Trevino asked if the \$31,000 had been part of the 2014-15 Budget but had not been paid. President Sherris-Watt responded in the affirmative.

Jim Watt made a request that, as the Committee began discussion of the 2017-18 Budget, it begin with the revenue side.

5. Discussion of the Draft Budget for Fiscal-Year 2017/18.

Jim Watt said that, with respect to Account 401 Levy Tax, it was showing pretty much the same thing as had been discussed previously: In the 2016-17 Budget, the estimated actual amount received from the County in levy taxes was \$1,662,000. He said the budget for the upcoming year showed that this would increase by about 3.5% to \$1,720,000. Mr. Watt noted that, in the year ending 2014, the District had experienced an 8.7% increase in its levy tax and that; in the year ending 2015, the increase had been 9.4%; and in the year ending 2016, the increase had been 5.8%; and for 2017 would be 6.1%, based on a conversation he'd just had with the County Auditor. He indicated that the Committee should consider the recent trend, which had been inching up, that home sales in Kensington had been robust, and that the Committee should consider this for the Fiscal-Year 2017-18. Thus, he suggested that the Committee estimate a 6% levy tax revenue, instead of a 3.5% increase. President Sherris-Watt responded that, at the last meeting, Rob Firmin had, respectfully, disagreed with Mr. Watt and had said that the 3.1% increase seemed accurate. Mr. Firmin said that he had re-read the forecasts and that Mr. Watt made a good point and that, although he had said that he'd thought the \$1,720,000 amount had been a good one, he thought the amount could be a bit higher. Lori Trevino said she would tend to be very conservative, because she wouldn't want to get out on a limb and spend money the District didn't have, and said 3.5% was pretty conservative. Mr. Firmin said it had become clear from the data that the tax revenue reflected in a pretty consistent way: There was a strong relationship to the housing market, but with about a two-year lag. Ms. Trevino added that there was always an 18-month delay. Mr. Firmin noted that the Committee needed to watch the housing prices. President Sherris-Watt asked if the Committee would be comfortable with a 5% increase. Mr. Watt suggested \$1,750,000. Karl Kruger said he preferred a more conservative number, when it came to income. President Sherris-Watt asked how many Committee members were comfortable with \$1,740,000. Committee consensus was that this \$20,000 increase would be good.

With respect to Account 415 Grants Police, Mr. Watt said that someone had said the amount needed to be revisited in June, when the District would know whether it would receive the grant. Mr. Watt said that Albany and El Cerrito had put the grant money into their budgets and that he didn't understand why the KPPCSD didn't do the same. He said that the District had a long history of consistently receiving this grant and that not including it created an erroneous impression on the bottom line. He said that, by including this amount in the budget, the bottom line would change from a \$300,000 loss to a \$200,000 loss. Rob Firmin asked when the District would know for certain that it would receive this money. IGM/COP Hull responded that his understanding was that the grant no longer came in as a lump sum: It was coming

in, piecemeal. He added that Debbie had told him she wouldn't know the exact amount until the end of the year. Lori Trevino asked if this was a COPS grant. IGM/COP Hull responded in the affirmative. Ms. Trevino asked if the amount was \$100,000. IGM/COP Hull responded that, in some years, it had been more than \$100,000. Ms. Trevino asked if \$100,000 was the minimum amount received each year. President Sherris-Watt said that, mentally, the Committee could count on \$100,000 and that, once the grant was known to be a certainty, the amount could be included in the final budget in September. Mr. Watt asked why the big cities of El Cerrito and Albany chose to show this amount and Kensington didn't. Rob Firmin suggested talking to those cities to learn what they know. President Sherris-Watt said she would be happy to follow up on this and report back at the next meeting. Ms. Trevino said she agreed with budgeting this, except for what was coming out of Washington. A. Stevens Delk said her recollection was that former GM/COP Harman had said that the District was not allowed to put this potential \$100,000 amount into the budget and indicated that this was where this practice had started. David Spath said that the 2016-17 budget showed \$140,000 and asked if this was for the current fiscal year. Mr. Watt responded that part of the amount was a carryover from the prior year. Paul Haxo provided some of the history about this matter. He said that some of the money came in after the books had been closed for Fiscal-year 2015-16. Mr. Spath asked if the \$140,000 included a \$40,000 carryover. With respect to the \$100,000 issue, Mr. Haxo said it dated back to the time he had been on the Board.

President Sherris-Watt said that, with respect to total revenue, she would get additional information and revisit it on May 24th.

President Sherris-Watt asked IGM/COP Hull if the Committee was ready to discuss Account 409 Asset Seizure Forfeiture/WestNet. IGM/COP Hull responded that there were still meetings to be conducted but that, unofficially, about 14% of \$1,000,000 belonged to Kensington. He added that, once the amount became certain, he would report on it to the Committee. David Spath asked if there would be limited use for this money. President Sherris-Watt responded in the affirmative. Mr. Firmin asked to what the money would be limited. President Sherris-Watt responded, "policing" but that this would free up money to use in other places.

President Sherris-Watt said she had a comment on Account 427 Community Center Revenue. She said she was concerned this was a little high. She said the committee should look at truncating the amount. She said that the most convenient time to renovate the Community Center would be the summer. Therefore, she said there would be a reduction in party rentals of about \$10,000 and noted that she would want this to be approved by Director Hacaj. Ms. Trevino said this seemed reasonable. Mr. Haxo asked for confirmation that construction would begin in the summer of 2018. President Sherris-Watt clarified that this would affect only July in the 2017-18 budget.

Mr. Watt said it would be nice if District Administrator Wolter could get a better handle on Account 448 Franchise Fees. President Sherris-Watt responded that District Administrator Wolter had been doing research and that the Committee would have better information the next time it met.

President Sherris-Watt announced that the Committee would move on to expenses.

Paul Haxo asked Rob Firmin if he wanted to bring up his two big concerns about future planning because it might inform the whole discussion. Mr. Firmin suggested increasing the set-asides for the two buildings. He said another concern was the salaries section. He questioned the second officer who would be replacing Officer Wilson and said that he and Mr. Watt had questioned whether that hire was necessary, especially in light of the heavy capital expenditures, for the Community Center and the Public Safety Building, that would come into play the following year. He asked if the second hire officer would be necessary for the safety of the community. IGM/COP Hull responded that the position was absolutely necessary. He noted that what should be avoided was a real-life scenario, in which officers were off (i.e. vacation or sick) the officer scheduled to work that shift was sick but came in and worked while sick. He said the District also didn't want to get into a situation in which an officer worked ten to fourteen hours per day, for five to seven days straight. He said personnel were needed to fill in and take shifts, as necessary. President Sherris-Watt noted the possibility that at the end of the current calendar year there would be three officers eligible to retire. She said they could choose not to retire, but there was a possibility they could leave at any time and

without warning. Thus, she said having a bit more depth, especially with the reserve officers, was something to which she was not resistant. Ms. Trevino asked if one of the positions listed was for a new officer. Paul Haxo responded that one was new and one was to take the place of the officer who had announced his retirement. President Sherris-Watt said that Officer Wilson had notified the District that he would be retiring in December. Mr. Haxo said that the lead-time for getting an officer online and working a shift was seven to nine months and that a good Field Training Officer needed to be on hand to ensure the officer got trained. IGM/COP Hull responded that there was an exception to this: When officers have had prior experience. IGM/COP Hull said he was currently in the process of putting people in the reserve positions in anticipation of the retirements. He said he had one candidate who had just completed his medical exam and that two more were going through background investigations. Mr. Watt said that he understood IGM/COP Hull's comment about being short-handed – especially so with three officers off and therein lay the problem: Many of the problems wouldn't exist if the three officers weren't out. Mr. Watt added that the Committee was looking at numbers and assuming that the three officers currently unavailable for duty would be back on duty within the next few months. Thus, he asked why the District would be bringing in somebody full-time. He agreed that there needed to be reserve officers who would be preparing themselves for vacancies. IGM/COP Hull responded that it was absolutely necessary to have officers here full-time so they could ensure shifts were being covered. He cited an example: He'd had the flu and had responded to the scene of a burglary. He said he'd done everything he could but was in no shape to complete the shift. He noted that the department was on a skeleton crew and that, once his relief had arrived, he (IGM/COP Hull) had to rest for three hours before he felt well enough to drive home. He said there were not available resources for him to be able to get someone to come in to work the shift during which he had been sick. He said that, if there had been another two or three people, this would not have been an issue. He reiterated that the manpower was needed. He also noted that, if people had to work too many hours, too many days in a row, their decision-making process might not be its best. Mr. Watt said IGM/COP Hull had not addressed his point, which was that most of this problem had been created by three officers not being available for duty. He reiterated that he assumed these officers would be returning to duty. He said he was very sympathetic to IGM/COP Hull's difficulties, but he needed to get reserve officers up and ready to bring in. President Sherris-Watt said the District needed to prepare for every scenario and noted that not every officer wanted to work a reserve position.

Mr. Watt said that he wanted to return to the point that Mr. Firmin had been making: IGM/COP Hull was bringing in another officer at a salary cost of \$75,000 annually plus at least \$25,000 in benefits for a total of at least \$100,000. He asked if there was a way to staff without putting on that full-time officer because he was concerned about the costs that would increase over time: There were all these other costs that were about to "hit." President Sherris-Watt said that attrition was a real problem and lots of agencies in neighboring communities were experiencing staffing shortages and so were competing for the few available officers. She said, therefore, the District needed to keep those funds in the budget – because it was in flux. She indicated that everyone wished things were more stable and more known, noted that she was always mindful, and said that there was no new car in the budget. IGM/COP Hull responded that her concerns were duly noted.

Jim Watt said that the recent hiring of Officer Foley and the budgeted new hires had been/would be made at a Step 2 Level and said he understood this rationale. He said that this appeared to obviate the need for the Step 1 Level and that it had something to do with the Board and the MOU that would be coming up for negotiations. He indicated that, if Step 1 no longer had validity, it should be eliminated and factored into a new MOU negotiation. IGM/COP Hull responded that Step 1 should remain due to the fact that the department would be getting new officers with no experience. President Sherris-Watt added that it would behoove the District financially... If the District hired officers at a Step 2 level, it meant they had prior policing experience, which meant they could be on their own more quickly. But, she said there was a cost balancing that could be discussed.

A. Stevens Delk noted that two officers had been on 4850 Time since August 2016 and asked what 4850 was. IGM/COP Hull responded that 4850 Time was a set of rules for emergency personnel, should they be injured on the job: The provision had to do with personnel pay and was of 12 months duration. He said it was his understanding that 12 months were allowed throughout an entire career. Thus, he said that, if an officer was injured on the job and it took three months to get back to work, there would be eight months of

4850 Time remaining for that officer. However, he said that, if an officer were to be injured early in his/her career and used the entire 4850 Time, there would be no more 4850 Time remaining for that officer. He also noted that an officer on 4850 Time had no taxes withheld from his/her paychecks. Ms. Delk asked if an officer could return to duty from 4850 Time. IGM/COP Hull responded in the affirmative, provided the injury healed: If it didn't the officer wouldn't return to duty.

Karl Kruger said his position hadn't changed from the last meeting. He said he didn't understand why the Committee was discussing a part-time GM and ten full-time officer positions. He said nothing had changed in the town and it had operated on ten positions for all the years he'd lived in Kensington. He asked for an explanation. Paul Haxo responded that the budget looked like it had eleven positions, but it didn't really have this many because officer Wilson would be retiring. Mr. Kruger responded that it was eleven positions and that it hadn't changed since the last meeting. President Sherris-Watt explained that ten positions were not a guaranty because there were so many moving parts. She added that the reason she'd sought to get a part-time GM was because the role of GM/COP position was more than one person could do: The COP was a full-time job. She said that, after there was a part-time GM, work would commence a police services assessment. Rob Firmin asked if, once the GM job was separated out, this would free the COP to act as a patrol officer. IGM/COP Hull responded that it would and that he kept himself available for that job duty now. He added that patrolling was a natural part of the day, unless there was something pressing that would pull the COP away from patrolling. He noted that the COP and the officers wore multiple hats, so this had to be managed and prioritized as the day progressed. He noted that the COP position was a dual role: Supervision and patrol.

President Sherris-Watt said Account 502/Longevity Pay seemed low to her, at \$5,400. IGM/COP Hull responded that Longevity Pay didn't commence until an officer had served 10 years.

Paul Haxo asked if the Committee was in agreement about Account 502 Police Salaries. Karl Kruger said he did not agree. President Sherris-Watt asked that the Committee leave the line item "as is" for now and said that any new information would come to the Committee.

Jim Watt suggested that medical costs in Account 521A (Medical-Actives) be increased from 1% to 5% and that vision and dental costs be increased from 0% to 1%. He said the same should apply to 521R Medical Retirees. Paul Haxo said he thought the group had agreed to hold off on making a decision about this until June because it was tied to Kaiser, which would make its rates known then. President Sherris-Watt asked if the group would agree to change the numbers based on the Kaiser numbers. Jim Watt responded that this would be similar to the way in which the group had agreed to handle the COPS grant. President Sherris-Watt said that the Account 521 costs should be known before the budget was adopted. Mr. Haxo noted that, in the prior fiscal year, the PERS Kaiser rate decreased.

With respect to Account 528 CalPERS, Lori Trevino asked what the officers' share of this cost was. IGM/COP Hull said he thought it was 5%. The Committee ascertained that the District did not pay anything for the PEPRAs officer's PERS officer portion. Ms. Trevino suggested budgeting for hiring a Classic employee because then, if the District were to hire a PEPRAs employee, there would be a cost savings in this account.

Jim Watt noted that the Committee had jumped over account 521T Medical Trust. Mr. Watt said he was pleased that the Committee had gotten an adjustment and that the District would be greatly increasing the money going into the Trust Account. He noted that the packet of information from Gary Cline and Deborah Russell indicated that the higher rate of payment would increase throughout the years: It wasn't a "one-off" situation. He said that, with these increasing contributions, the Committee should expect that the District's expenses would increase at a rapid rate. He said the amount being contributed to Account 521T was being increased significantly, and President Sherris-Watt concurred: It was an increase of almost \$200,000.

Jim Watt addressed Account 562 Vehicle Operation and noted that some of the automobiles were in need of some serious servicing but that \$20,000 for maintenance was a lot of money. IGM/COP Hull said that several of the vehicles had gone into the shop for costly things such as transmission repairs. He said that,

while the PD was not in need of a new car, some of the older cars were suffering from wear and tear and would be in and out of the shop. Mr. Watt responded by saying that he took his older car into the shop for it 5,000 mile servicing and it never cost anything of this magnitude. He said this was a lot of money and asked if the maintenance of the vehicles was being done on a proper schedule. Paul Haxo said that he'd listened to six or seven COPs defend vehicle maintenance costs for many years and that police officers weren't gentle with cars because of the nature of what the officers do while performing their jobs. IGM/COP Hull noted that one of the ongoing maintenance items is brake-pads because of the community's hills. Karl Kruger and Jim Watt noted that Vehicle Maintenance, year-to-date, was under budget by a significant amount. President Sherris-Watt responded that, having signed Transmittal Forms, she'd observed there has been consistent vehicle maintenance and that the District recovered little value from vehicles when they were sold.

With respect to Account 560 Crossing Guard, Lori Trevino asked if the District hired a crossing guard. IGM/COP Hull responded in the affirmative and added that the crossing guard, Agnes, was posted in front of the library.

With respect to Account 564 Communications, Paul Haxo asked if everything was moving ahead well. IGM/COP Hull responded in the affirmative and added that he was a bit concerned about the timing of the fiber-optic cable.

President Sherris-Watt said that, for Account 601 Recreation Salary, there might be a need to reduce this line's amount because of the work that might be undertaken at the Community Center, but she suggested leaving it as is. She said there could be a discussion about whether that much staffing would be needed but that this would be a management decision.

With respect to Annex Recreation Expenses, President Sherris-Watt said she wanted to see money budgeted for repairs to the Annex and said the \$1,000 budgeted was probably fine. Paul Haxo asked if there had been discussion at the Park Committee meetings about possible uses for the Annex. President Sherris-Watt responded that this was an issue that Committee would be considering.

Jim Watt asked to discuss Account 850 Insurance. He said he thought the \$30,000 amount budgeted should be increased by 18%, to \$35,400, based on a conversation he'd had with former IGM/COP Hart. President Sherris-Watt agreed that this was a change worth making.

Karl Kruger asked to go back to Account 830 Legal. He said the District was at about \$170,000 in legal expenses, year-to-date, and \$84,932 was budgeted for the upcoming fiscal year. He said that, if the Board and management were to be really disciplined, the amount might be able to come in at \$120,000, which would be better than the District had done in about ten years. He said that, although he liked the budget of \$84,000, it wasn't realistic. President Sherris-Watt said she'd calculated the amount based on estimates she'd made. Jim Watt responded that this was overly optimistic. Lori Trevino and Paul Haxo also thought the amount should be higher: \$100,000.

With respect to Account 865 Police Building Lease, Karl Kruger said he thought this amount should not be higher than one dollar. He said he knew that the Fire Board was looking a larger amount – similar to what had been paid a few years ago. Rob Firmin said this was an excellent point and was related to the bigger issue of the Public Safety Building and what would happen with it. He suggested that there be no change until the Fire Board showed what the overall plan was going to be. President Sherris-Watt said that, at its next meeting, the Board would appoint someone to negotiate with the Fire Board about the lease and that the Fire Board had let the KPPCSD know that the days of the dollar-a-year lease are over. She said that she didn't care if the KPPCSD conceded anything and that, prior to the dollar-a-year lease, the KPPCSD had been paying about \$35,000 per year, plus an annual CPI increase of around 3.5%. Rob Firmin responded that this was in the past, that Mr. Kruger was 100% right, and that nothing should be shown before negotiations had even started. Lori Trevino said the lease amount was going to be more than one dollar but didn't want to concede anything. She said there would need to be space in the budget for a higher amount. President Sherris-Watt noted that whomever did the negotiating would keep the KPPCSD's financial viability in mind and said that the Fire Board would say that the real cost of the building, amortized over

twenty years, would be \$52,000 per year. Mr. Kruger cited that the Public Safety Building belonged to the citizens of the community. Ms. Trevino mentioned the allocation of tax dollars between the two districts, and Mr. Kruger responded that this might be a way to open the lease discussions. Mr. Haxo said that, ultimately, how it began negotiations would be a Board decision. Committee consensus was that the amount be set at \$1. Mr. Watt said the real issue was not what the KPPCSD would be paying for the existing building, but the fact that the KPPCSD needed to become heavily involved in the design of the new building because the Fire District had grandiose plans for a new building and was going to expect the KPPCSD to pay its proportionate share.

Jim Watt said he wanted to go back to Account 527 CalPERS. He said that, at the prior meeting, there had been discussion about going from a 30-year amortization schedule to a 15-year schedule. He said that CPA Deborah Russell had changed the budget to reflect a 15-year amortization schedule and that this had increased the payment from \$263,000 to \$282,000. He said that, in future years, that number would continue to increase: In the following year, the amount would increase by \$100,000. He said that, at the prior month's meeting, Director Welsh and Ms. Russell had discussed staying on the 30-year schedule but paying on the 15-year schedule: That way, if it became unaffordable, the District would not be locked in. Mr. Watt explained that the District's unfunded liability would increase every year, and there would be new amortization schedules. Thus, he said the District would need to keep a copy of the current year's amortization schedule because it would not reappear in future years. He explained further that the District would owe the amount shown on the amortization schedule plus the amount by which the unfunded liability had increased. He said this would be an increase of about \$20,000 more than the Committee had discussed two weeks earlier.

Paul Haxo brought the Committee back to Capital Outlays and said he was concerned about the District's financial health. He said the District would be renovating the Community Center, mostly out of the District's cash; possibly doing something at the Annex, without knowing from where the money would come; and possibly having to do something with the District's office. He said he was very concerned about these expenses and about the fact that Mr. Watt was now wanting to pay on a 15-year amortization schedule, which he didn't think was realistic. Mr. Haxo said he thought the District would need loans to survive. Mr. Haxo said that, at the prior month's meeting, he'd asked for a status report at on the process of renovating the Community Center. President Sherris-Watt responded that, unfortunately, more numbers had been needed, so it hadn't been available for the evening's meeting. But, she said it would be available for the Committee's May 24th meeting. He said that, until he had a better sense of what was going on – what the District was really getting into; he didn't feel comfortable allocating \$250,000. Mr. Haxo said that, based on his personal business experiences he wanted a status report that cited:

- What had been done.
- What had been spent to-date.
- What the projection was for future expenditures.
- How much the District was expected to pay out of its own funds.
- What the schedule was for all the construction.
- What the contingency was if things don't go well.

In short, Mr. Haxo asked what was going to happen and from where the District would be getting money. He said the District was entering into a situation of not knowing how much things would cost until everything was done. He said that, when the District opened the bids, it would begin to know what the costs would be and that costs were escalating. Therefore, he said the District needed to have other financing options before it started expecting itself to pay out of its own funds, and the Committee really needed to have a status report in hand before it could make a good fiduciary recommendation.

Rob Firmin said that he agreed with Mr. Haxo, that people were compiling information about the renovation, and that there was a negotiator with the Fire District about the Public Safety Building. Mr. Firmin asked if there was a project schedule and if needed data were being gathered that could affect the budget, and he asked how much more the District might want to set aside in restricted funds for both the Public Safety Building and the Community Center. President Sherris-Watt responded that the Committee would have information about the Community Center renovation, but, with respect to the Public Safety Building, the Fire District planned to make a presentation in June. She noted that this presentation would

not be a final product: The Fire District would still be negotiating and figuring out how things were going to happen. Mr. Firmin said that the KPPCSD would need to load up, starting with the FY 2017-18 Budget and in the subsequent budgets for what likely would be a massive capital expense. He added that, if the District didn't do that, it would "run out of railroad track" and there would be no options left. President Sherris-Watt said that the Committee was running on limited information and that, in some ways – with respect to the Public Safety Building, the District would have to conclude that the District would have to determine an amount it would be able to pay and begin discussions. She said it was going to be complicated – a series of moving parts because of what the District could offer plus what the Fire District could offer was going to determine what kind of funding and terms would be available. President Sherris-Watt noted that the Fire District already had money set aside for a portion of the improvements but that the KPPCSD didn't. She added that the funds to improve the Community Center, in her opinion, were a priority because there was a safety issue with the building. Mr. Firmin said he was capable of thinking about two things in parallel and so it seemed to him that the Committee should collect data on the various scenarios immediately on things like temporary police headquarters and alternative permanent police headquarters. He said that the KPPCSD should know its options when negotiating with the Fire District and that this work could be done in parallel with obtaining data about the Community Center. President Sherris-Watt responded that she didn't think this was a bad idea and that she thought this work should be done – it was a matter of time and attention. Mr. Firmin asked that people be assigned to do the work. President Sherris-Watt responded that it would be fine if members of the Finance Committee wanted to do this and said the Committee should revisit this on May 24th. She also said there would be a variety of needed skills: those who understood policing needs, those who understood architecture, and those who understood financing. Mr. Firmin noted that there should also be someone who understood the local real estate market.

Jim Watt said he agreed with what Paul Haxo had said: That the Committee needed to get a handle on where the KPPCSD was going to obtain the money. To that extent, he said that something had fallen between the cracks with the 2017-18 budget. He explained what had happened:

- In the 2016-17 Budget, the District had \$368,000 designated for the Community Center.
- There was discussion about needing to increase that amount by \$200,000, based on a letter from Director Hacaj in the Board's last packet.
- The 2017-18 Budget included \$250,000 for the Community Center renovation and included a committed amount of \$150,000.
- Thus, the total was \$400,000, which was not enough to get the District what it would need to accomplish what needed to be done to the building. He said he hoped that, by the next meeting, the Committee could see numbers to suggest what those costs might be and then set aside the appropriate amount of money.

President Sherris-Watt said she agreed and that she'd found, prior to IGM/COP Hull's tenure and she'd been the Park Committee Chair, she'd had a rapidly disappearing budget: Things came off her budget. Thus, she said that detail for all the elements of the park line item would be helpful and that she would ask Director Hacaj to provide and outline them. She said that, for all capital outlays she wanted sufficient detail for the Committee to be able to recommend to the Board.

Paul Haxo said that his long-term concern was that the District would not have to go back to the voters to keep the District afloat because it spent money out of its current income on the Community Center and then, suddenly, didn't have enough money to make the whole District function. He said that, if something went "catawampus" with the budget, the District would be getting very low in its unassigned funds. He said there needed to be some other means of financing in place, and the District needed to know what the threshold was that the District could spend out of its unassigned funds. He said that, with unassigned funds of less than \$700,000 \$800,000 and negative budgets, he got very nervous because it took so many years to get a new tax passed – if the District could even get it passed. Rob Firmin said this should be done in the context of scenarios of the Public Safety Building options and the Community Center. Mr. Haxo added that PERS should also be factored into this.

President Sherris-Watt said that the Committee wasn't as finished as she would have liked and that more information became available daily and that she was quite tired.

A. Stevens Delk thanked the Committee for using microphones.

**MOTION: President Sherris-Watt moved, and Paul Haxo seconded, to adjourn the meeting.
Motion passed unanimously.**

The meeting was adjourned at 9:15 P.M.

Lynn Wolter
District Administrator

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KPPCSD Finance Committee Meeting Minutes for 5/24/17

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Wednesday, May 24, 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	Sylvia Hacaj
Len Welsh, Director	David Spath
Rob Firmin	Celia Concus
Karl Kruger	
Jim Watt	
Paul Haxo	
<u>Staff Members</u>	
Rickey Hull, Interim General Manager/Chief of Police (IGM/COP)	
<u>Press</u>	

President Sherris-Watt called the meeting to order at 7:05 P.M. and took roll call. President Sherris-Watt, Director Welsh, Rob Firmin, Karl Kruger, Jim Watt, Paul Haxo, IGM/COP Hull, and District Administrator Wolter were present. Lori Trevino and Jacqueline Berman were absent.

COMMITTEE MEMBER COMMENTS

Paul Haxo asked about the status of the General Manger. President Sherris-Watt responded that this would appear on the Board’s June 8, 2017 Agenda. Mr. Haxo asked what the new GM’s start date would be. President Sherris-Watt responded she’d hoped for mid-June, but this wasn’t firm.

Director Welsh announced that he would have to leave at 8:00 P.M. and said that the District had to look at the Public Safety Building “tsunami” that was coming.

President Sherris-Watt announced that correspondence would be addressed in conjunction with Item 7.

- 5. Discussion of the Model being prepared by Rob Firmin with updates on building construction plans.

Rob Firmin reported that he had results to share. He said he was comfortable with \$1.75 million in revenue and noted that the model indicated that the District would have a two-year advance warning, with respect to the ad valorem tax. He reported that the closing prices of homes were continuing to grow but that the rate

of increase was slowing. Thus, he said that the price of houses could flatten by 2020, with the impact hitting the KPPCSD two years later, and that the same was true of the stock market indices.

With respect to the capital expense challenges, Rob Firmin said that he and Director Welsh had spoken earlier in the day. He noted that the set-asides that Jim Watt had been pushing for were more than just symbolic – they should be untouchable for the two buildings. He said the community should be made aware of the issues surrounding these two buildings, in stark detail. He suggested that the Finance Committee establish an information-for-action subcommittee to perform the following tasks:

- Establish reasonable ranges for the Community Center retrofit costs.
- Obtain information on police rental costs.
- Determine ranges for the Public Safety Building, during the construction period.
- Identify a permanent alternative for the police department not to go back into the Public Safety Building.
- Work with the Fire District on a joint plan for both the Public Safety Building and the Community Center about funding mechanisms. We're all in the same community – the Fire District used the Community Center and would need to respond to an emergency out of it.
- Explore non-tax funding sources.

He said it would be unreasonable to have the KPPCSD bear sole responsibility for the Community Center and suggested running model scenarios with results from this subcommittee of all combinations just discussed, including:

- Construction
- Interim police rent
- Alternative funding sources

And separate scenarios for:

- Community Center retrofit with Fire District participation
- Community Center retrofit without Fire District participation
- Public Safety Building cost sharing
- Independent police facilities rent

Mandate deadlines for the reports, with the suggestion that these should be short-term and that there be three reports on:

- Community Center
- Public Safety Building
- Cost and cost-sharing plans

He suggested a deadline of about July 1st.

President Sherris-Watt responded that she thought this ad hoc committee, by dealing with the Community Center renovation, would be stepping into the realm of the Park Building. She noted that it was an interesting idea to bring the Fire District into the Community Center renovation, but there was a deadline of December 2018. She said the Fire Board might not agree that it would like to help fund the Community Center renovation, especially without having had input about the architect chosen or the structure of the Committee. She said that, with respect to the Public Safety Building, she'd begun doing research on temporary facilities for housing the police department, but she hadn't firmed up enough to give reasonable quotes for things like modular buildings and commercial leasing within Kensington. She noted that the commercial real estate rate was about \$2.00 per square foot and that available commercial space in Kensington was limited.

Director Welsh said that most of what the Park Building Committee had been doing had been developing a plan to retrofit the Community Center and that he saw funding as a different issue. He said there was a need to step back and look at the big picture: There may be a need to go to the taxpayer to ask for more money. He noted that the Fire District had been talking about getting a loan to finance its "most grandiose" plan, with its \$10 million cost. He asked what approach would be least likely to cause a tax increase. He noted there was a lopsided distribution of money to the two districts and this would increase the likelihood of a tax increase. But, he said that if this were evened out, the need to go to the taxpayers for an increase would be less likely. Thus, he said that, if the interests of the citizens were to be considered, the two districts would need to work together. He said he no longer advocated merging the two districts, but the

two big capital projects needed to be funded, equally, by the two districts. He said he and Rob agreed there was a need to approach the Fire District. He added that the KPPCSD needed to get clarity from the Fire District about what options it was considering and how it would make a decision because of the need to understand the total cost.

President Sherris-Watt responded that the Fire District would be holding a community meeting on June 24th at which it would make a presentation of Public Safety Building design. She added that, in recent weeks, the Fire District had fine-tuned its project and that IGM/COP Hull had been working on providing the Fire District with what the KPPCSD's needs would be for the Public Safety Building.

Paul Haxo said that, with respect to funding the Community Center, he thought there would be a need to go to the voters to ask for more money. He said there were a lot of significant expense increases coming up:

- PERS, because of the decreased discount rate
- OPEB ARCS
- Dispatch
- Hiring a GM – he noted the District needed someone with a strong GM focus
- Legal issues – he said the District was never “out of the swamp” on these

He said his real concern was running out of money with the Community Center renovation, then having to go to the voters for that, and then needing to do so again because of the Public Safety Building.

Rob Firmin said he respected the Park Building Committee and suggested that the Finance Committee work with that Committee. President Sherris-Watt responded that she wanted there to be a discussion with Director Hacaj to get her perspective.

Director Welsh suggested putting this topic on the Board's next agenda, to bring all the Directors into the discussion. President Sherris-Watt said she didn't think so because it should be a Committee decision, and it seemed odd to bring the rest of the Board into a Committee decision without having some sort of topic on which to vote. She added that more casual discussions with Director Hacaj would be best. Director Welsh said the Committee didn't have the authority to make any decisions; it did research and made recommendations to the Board. He said that it would be great to talk to Director Hacaj but that he wanted to get the input of all the Directors.

Karl Kruger asked if the WW Grant money would expire in December 2018. President Sherris-Watt responded in the affirmative. Mr. Kruger said that the Fire Board had not yet gone to the community and that, even with the meeting planned for June 24th, the community would need time to think about the work planned for the Public Safety Building. At \$10 million, he said this was a lot of money. He cited that the Fire Board had said the Public Safety Building was its building and the KPPCSD was to pay rent. Then the Fire Board said it wanted to rebuild that structure and the KPPCSD was going to have to pay 40% of that cost. He said that, the Fire District was the landlord, or it was a co-tenant – he didn't see how the Fire Board could be both. President Sherris-Watt responded that she agreed but that she wasn't aware that the KPPCSD would be expected to pay for 40% of the work – she'd only heard about a long-term lease. She said there was a conflict: either one is a tenant or an owner. Mr. Kruger agreed and said he wasn't “off” merging the two districts. Director Welsh responded that this was a topic that didn't need to be discussed now. Director Welsh said it would be absurd if there was a need to raise taxes in order to pay whatever share the Fire District decided the KPPCSD had to pay.

Rob Firmin asked for the Finance Committee to make this more official by authorizing him to talk to the Park Committee to put together a list of people for the Committee he was recommending. President Sherris-Watt responded that she didn't understand what was meant by a recommended list. Mr. Firmin said he was thinking of a committee that would include of one or two members of the Park Building Committee and would become an action committee and suggested forming this committee that evening. President Sherris-Watt said she would have to look into the numbers to ensure the committee remained an ad hoc one – she said there could, perhaps, be one member from the Finance Committee and one from the Park Committee. Mr. Firmin suggested two Finance Committee members and one Park Committee member. President Sherris-Watt said that her preference would be for Mr. Firmin to go the Park Committee and get that Committee's input and that she would need to run this by the District's legal counsel. Director Welsh

said the Board could create whatever ad hoc committee it wanted and that there were lots of ways to do this. The question, he said, was how to get a group of people together who could roll up their sleeves and do some homework on these issues – there was a need to know what the “cost envelope” looked like for both buildings and whether the KPPCSD would get cooperation from the Fire District. He noted that this work would be different from the work the Park Buildings Committee was doing. President Sherris-Watt agreed and said there also was a Public Safety Building Committee, of which she was Chair. She added that it would be her preference to talk to the Park Committee. Mr. Firmin suggested selecting two people from the Finance Committee, himself and one other person, then talking to Director Hacaj, and begin setting deadlines. Director Welsh suggested that it might be good for her and Mr. Firmin to take on this task. President Sherris-Watt said her concern was the politics of the Fire Board.

Jim Watt said the most critical thing for the KPPCSD to look at was what the cost would be and where to relocate its office during construction. He said he would be happy to help out because the Board didn't necessarily need to “dig into” this. He said the cost of the new building was “up in the air” at the moment: The Fire Board was still considering various options but had just recently pulled the idea of putting the building in Kensington Park. Thus, he said the Fire Board was looking at redoing the building on its existing site. He said that until the Fire Board made its decision, there would be no way of knowing the costs, how much of the building the KPPCSD would get, or how it would be financed. He noted that, for the Boards to be operating independently of one another, on such an important issue, seemed strange. He said that, although the numbers weren't there for the Public Safety Building, they were available for the temporary relocation.

Rob Firmin suggested that the numbers might be known if the Fire Board would be making a presentation on June 24th. He said the critical purpose of his recommendation was to accelerate a forward-looking view. He said a lot could be learned from ranges of numbers, that information could be derived from them, and this could be reported to the Board – to provide a range of what could happen. He added that the ultimate purpose would be to light a fire under the public and various committees so they would have a good idea of what they face. He said this could generate ideas about how to fund the work – there were ways to do it without raising taxes. Director Welsh said the Fire Board had provided estimates: \$10 million, and the KPPCSD would be expected to pay 40% of this.

President Sherris-Watt said the Fire Board had engaged the Public Safety Building Committee in the past. She suggested that the ad hoc committee under discussion might also need a member of the Public Safety Building Committee. She suggested approaching the Fire District Directors as colleagues, not as subordinates and said a lot of damage had been done in the past by the way the Fire District had been approached. She said that, when someone had made someone else the adversary, it would cost in the end. Thus, she said this was a real dollar problem. She said that, even if the motion were to be moved, it would be a time-waster and that she wanted to be sensitive to the way in which people were approached. Mr. Firmin responded that he would be diplomatic.

David Spath said that the decision to approach the Fire District about helping to fund the Community Center would need to come from the Board, although the Committee could make a recommendation.

President Sherris-Watt said that it would make sense to see the presentation on June 24th and then come back and discuss it at the next Finance Committee meeting, on June 28th. She said that she hadn't been hearing the “dire” numbers others had because the Public Safety Building wouldn't be going into the park. Mr. Firmin asked about the estimates for rent within Kensington and the cost for retrofitting the Community Center. President Sherris-Watt responded that this was included in the evening's packet.

Director Welsh announced he was going to have to leave at 8:00 P.M.

Rob Firmin said that there could be one member of the Finance Committee and one from Director Hacaj's committee that would begin working on those things that wouldn't require going to the Fire Board. President Sherris-Watt responded that, if Mr. Firmin was interested in this, he should be the one to work on it.

Karl Kruger said that he wasn't sure the Fire Board had looked into upgrading the existing building and that the Fire District should buy fire trucks that fit into the building. This, he said, would likely reduce the cost to one million dollars. He said he didn't see the sense of redoing the building: the existing earthquake problems would still exist. Director Welsh responded that these points should be raised on the 24th. President Sherris-Watt said it was her understanding that the reason fire engines had gotten longer was to comply with environmental regulations.

Rob Firmin said that Jim Watt had volunteered to assist him, which President Sherris-Watt said would be fine.

Paul Haxo asked if this committee would be dealing with funding. Rob Firming responded in the affirmative.

Rob Firmin said this concluded his discussion on the model.

Paul Haxo suggested discussing Agenda Item 8 next.

- 6, 8, and 9. Discussion of the Draft Budget for Fiscal-Year 2017-18, Presentation and discussion of Community Center renovation budget and previous expenses, and Presentation of Measure G history and discussion of CPI rates for 2017-18.

President Sherris-Watt reported that the Community Center numbers were educated guesses that had come from discussions with Glass Associates, that seismic strengthening was a range from both the architect and the seismic engineer, and that the ADA compliance and energy upgrade had come from similar ranges. She reported that the escalation adjustment was 7%, or twice CPI; that fees and permits would be about 3.5%; and that the contingency was 12%. She said it was hoped that solid waste franchise fees could pay for the \$10,000 of construction debris cost. Director Welsh said his research indicated this could be done. The project total was estimated to be \$998,134.

Jim Watt asked how much money would need to be put into the budget to meet the obligation. Mr. Watt said that, currently, the District had \$400,000 comprised of \$250,000 expenditures in the 2017-18 budget and another \$150,000 in committee money. He recommended increasing this amount by another \$200,000. Director Welsh asked if KCC would be contributing money, in the range of \$250,000. Mr. Watt said KCC's response thus far had been that it would prefer to see that money spent on some amenities for the building, such as a kitchen upgrade or a new front wall. President Sherris-Watt said that Director Hacaj was working with the KCC and including that organization in the process. She also said that opening the west wall would be a seismic improvement and that it would be fantastic if KCC would fund some of that part of the project.

President Sherris-Watt reported that the District had received \$143,000 of Asset Seizure Forfeiture Funds, which had not been reflected in the evening's documents. IGM/COP Hull explained that this had come from the dissolution of WestNet and represented Kensington's share of about a \$1 million total and that it could be used for limited purposes, specifically for police equipment.

Karl Kruger asked if people felt comfortable with the numbers. President Sherris-Watt responded in the affirmative and said the numbers had been vetted by several architects. Mr. Kruger questioned the 12% contingency and said he didn't think this was not a lot for a rebuild.

Jim Watt said the District had set aside \$400,000, there were \$150,000 of WW Grant funds, and it was assumed that KCC would contribute \$250,000: This would total \$800,000. He said the project would cost about \$1 million. Thus, he recommended increasing the District's committed funds for the Community Center by \$200,000. President Sherris-Watt responded that the District would need to have every dollar committed in order to go out to bid.

President Sherris-Watt reported that Director Hacaj had shared a timeline with her that showed that the Park Buildings Committee would like to have contractors secured by January 2018.

Paul Haxo said he was nervous about this. He reiterated that there were a lot of expenses that were “moving targets” and that, with this \$200,000 commitment, the District would be getting very close to needing to go to the voters soon to cover the District’s operating expenses. He said that legal expenses, the Public Safety Building costs, CalPERS and OPEB increases, etc. were unknown. Jim Watt responded that the budget included significant increases in both the PERS and OPEB contributions and said the District was on the right track. He added that the additional \$143,000 of Asset Seizure Forfeiture Funds, although restricted, would be used in other ways. He also mentioned the \$128,000 of automobile funds and the fact that the District would be receiving \$100,000 in COPs grants. He said that, with these amounts combined, the District would be well above \$1 million in unrestricted fund, even with committing the additional \$200,000 to the Community Center project.

Director Welsh asked about the rationale of setting aside additional money for things like OPEB to offset costs far in the future, but he seemed not to see significance in the fact that the District would be spending a lot of money for the Public Safety Building. He said Mr. Watt’s priorities didn’t work for what the District was facing with short-term costs over the coming three to four years. Director Welsh noted that the District did need to set aside the money, but he had trouble with people being in denial about the Public Safety Building Project. Jim Watt responded that, for several years, he had been talking about the costs that would be “hitting” the District. He said that the current budget showed taking the officer count back up to ten and that his recommendation would be not to add that officer unless the department lost an officer. Director Welsh said the new GM should weigh in on this. Mr. Watt said that not filling this tenth position would save \$115,000 annually. Director Welsh reiterated that the new GM should look at this.

Director Welsh asked when the bidding for the Community Center needed to begin. Director Hacaj responded that the architects had recommended going out to bid in February. She explained that, if the District were to go too soon, the contractors couldn’t hold the prices and that, with the cost estimator, there would be very firm numbers by December. She added that 60% - 70% of that would likely be spent in 2017-18, with the balance to be spent in 2018-19. But, she said that to go out to bid, all the money had to be committed. Director Welsh said that, if other money became available, the \$200,000 commitment could be undone.

Paul Haxo said that, based on his experience, the District would need to be prepared for the cost to come in 20% over the current estimate. He said the District had to have the financial wherewithal for this and alternative means of funding. He said the District needed to have some way of borrowing money: If the District went too far into its reserves, it would be out of cash if something were to go wrong. President Sherris-Watt responded that the Park Buildings Committee was looking at grants and that, as part of the GM discussion, there had been consideration about whether the individual could secure funding for capital projects. Mr. Haxo said that taking money from reserves would endanger the District’s financial health. Director Welsh responded that the Board could decide to do things differently in a couple of months, that the Board would need to keep an eye on this issue, and that things could change if the Fire Board decided to become involved with the project. President Sherris-Watt noted that the District would need to do some work in the coming year or risk losing the WW Grant money.

Rob Firmin asked how the WestNet money would be allocated in the budget – would it all be allocated to police equipment. IGM/COP Hull responded that it was unknown because he hadn’t looked at the rules for asset seizure funds and how they could be used. But, he said there were serious restrictions on how they could be spent. Mr. Firmin asked if the funds could be used for something already in the budget so that funds could be released as part of the \$200,000 set aside. Director Welsh asked if it would be safe to assume that this could be done and if IGM/COP Hull could provide the answer some time soon. IGM/COP Hull responded in the affirmative. Paul Haxo suggested cars and things associated with dispatch.

Director Welsh left the meeting at 8:07 P.M.

District Administrator Wolter noted that, with respect to the Asset Seizure Forfeiture Funds, there would be an audit process at the end of the period in which the funds were spent. President Sherris-Watt responded that the District would be very mindful about the rules that surround these funds. Paul Haxo suggested that this be something done in conjunction with the District's CPA, Deborah Russell, and said there might need to be a resolution of the Board to spend the funds on specific items.

Karl Kruger said that he didn't know how the \$37,900 on the officer sheet had been missed and that the only other item he had was Account 808. With respect to the officer sheet, the total amount had gone from \$929,000 to \$959,000 because the last vacancy item hadn't been added in the earlier version. He asked how such a big item had been missed. He noted that, when the Committee got to it, he wanted to discuss Account 808.

Paul Haxo suggested that the \$37,900 oversight might have resulted from an Excel error.

Jim Watt said that, in June, the Board would need to discuss increasing Measure G and that the April to April increase would be used in calculating the possible increase amount. He noted that the District's CPA had estimated the increase would be 3%, but the actual increase was 3.8%. Thus, he said the correct amount for 2017-18 should be \$548,052. President Sherris-Watt responded that it would be up to the Board to decide whether it would want to approve this. Paul Haxo asked when NBS would provide the calculated percentage increase. President Sherris-Watt said she hadn't asked IGM/COP for this information because the item would not be appearing on the agenda until June 22nd.

Rob Firmin said that, in principle, he was opposed to an increase in this tax and was opposed to the assumption that the taxpayers should pay more every year for this measure. He said that, with proper planning and strategic insight, this would not have to be done. He said it was wrong to have so many people in the community, who were on fixed incomes, being told they would have to pay more every year. President Sherris-Watt responded that there was an argument to be made, that she had voted against an increase in Measure G twice, and that the Board could adjust the CPI: It just couldn't exceed the maximum allowed. Mr. Firmin said the increase needed to be considered in the context of where the District would be in subsequent years.

Jim Watt said he, too, had been opposed to the prior year's increase in Measure G, but things had changed: There were the Public Safety Building and the other issues being discussed. Thus, he said the increase in Measure G would be a minor increase for the taxpayer. Rob Firmin responded that this was a compounding issue and that it should be considered in the broader context of expenses that could be cut and other funds that could be raised from other sources to pay for the capital expenses.

Paul Haxo said he was concerned about finding other funds. He said that Pat McLaughlin had done a calculation that showed that the District would not have had to go back to the voters with Measure G if the original special tax had been allowed to include an inflation factor. Rib Firmin said Pat McLaughlin had shared this with him, and it had been a good analysis. Mr. Firmin also said there was a need to look at the whole picture – revenue and expenses – and determine if the increase would be necessary.

Jim Watt asked to move on to Account 527. He said that the correct discount amount should be \$10,033. He explained further that, if the District made an up front payment in July, it would receive a discount of this amount. He added that the District would not be changing over to a 15-year amortization schedule; instead the District would use the 15-year schedule for payment purposes but would stay with the 30-year amortization otherwise. He said CalPERS would be okay with this. He said the reason for doing this was that, if the District elected a 15-year amortization schedule, it would be locked into that, which would translate into higher payments for those 15 years than if the District paid on a 30 year schedule. By doing this, Mr. Watt said the District would save about \$1 million in interest over the 15-year period. However, he said the District would have higher payments. He added that, if in the next year, the payment looked too high, the District could opt to make a 30-year schedule payment. He explained that making the 15-year schedule payment this year would result in reduced future 30-year scheduled payments. District Administrator Wolter asked if CalPERS would be sending an amended amortization schedule. Mr. Watt

responded that he would send her what he had. President Sherris-Watt clarified that there would not be any early penalty for selecting this option.

Karl Kruger asked to review Account 808. He said that he'd seen the GM job description and so he'd assumed there would be a conventional organizational structure and that the GM would be responsible to the Board and committees, would supervise the COP and all non-sworn employees, would be responsible for Community Center and park activities, would be responsible for dealing with consultants and vendors and for all financial issues. He said the COP would supervise the eight sworn officers, the scheduling, training, and the related activities of eight officers. He said this would average two hours per day, which would leave between 25 and 26 hours per week for the COP to do whatever an officer would do. He said he didn't see the justification for an eleventh position. He said \$100,000 had been slipped in on line 808 and then an eleventh position had been added at a time when the community was trying to rebuild the Community Center. He asked for the justification for the eleventh position.

Jim Watt provided a handout, which he'd compiled with A. Stevens Delk. It was a summary of Part 1 Crimes and traffic accidents for 2011 through 2016. It also summarized the available officers, including the COP and available reserve officers. He said this chart indicated that, even when there had been periods of fewer than 10 sworn officers, the rate of violent crimes and traffic accidents had not increased: There was no correlation between the incidence of crime or accidents and the number of on-duty officers. He said he hoped that the point made was that Kensington could operate with nine sworn officers, including the COP.

Jim Watt directed the Committee to a second table he'd prepared that provided information about other communities' officers per thousand population and rates of crime. He noted that Kensington ranked favorably in terms of the incidence of violent and property crimes and had the highest number of officers per 1,000 in population. He said Kensington could get by with fewer officers and noted that Kensington was the fifth safest community in California. He said that, if Kensington didn't hire the tenth officer, it could save at least \$115,000 per year and that, on a year-after-year basis, this would enhance the District's solvency. Thus, he said he would recommend that the Committee approve the budget on the condition that this officer, slated to be hired on July 1st, not be hired unless another officer has left.

IGM/COP Hull said he had no plans to hire an officer on July 1st.

Karl Kruger said that budgets are a guideline and that he would not vote for the budget with an eleventh position.

Jim Watt noted that one of the tables he'd prepared showed that, during former GM/COP Harman's era, there were two to three reserve officers. But, he said that number had dropped to zero and that the reserve officer pool needed to be built back up: This would enable the department to bring in a fully trained officer, when the need arose. IGM/COP Hull responded that he was in the process of replenishing the reserve pool.

President Sherris-Watt said she saw the budget differently: She knew that, by the fall, there would be three officers who could retire at any moment. She also noted that some of Kensington's previous reserve officers had been hired away by other agencies and that the job market was very competitive. She said these extra officer spots were for new officers. She also noted that finding reserve officers was challenging but that doing so would prove helpful in the long term.

IGM/COP Hull said the District could anticipate at least one officer position opening up in December 2017.

District Administrator Wolter asked if, with the possibility of three officers leaving in the upcoming fiscal year, the Compensated Cash-out line item in the budget should be greater. President Sherris-Watt responded that she wasn't concerned about this.

Jim Watt said he didn't see any justification for bringing somebody on in a permanent position. He noted that, during his years in business, he'd never hired in anticipation of someone leaving. President Sherris-

Watt responded that not having someone available to write a business report was not the same as having sufficient police coverage. She noted that the department had been understaffed for a long time, due to two officers being out on 4850 time and another officer being out on administrative leave. She said this placed a burden on the current officers. She said her perspective now was different than it was a few years ago.

Paul Haxo said he was against Mr. Watt's and Mr. Kruger's suggestion not to hire the tenth officer. He said that crime statistics weren't necessarily the best way to analyze the need for officers. He noted that not all service calls were reflected in the crime statistics, but that such calls were still important. He said the officers provided many more services than what the crime statistics report showed. He said that, historically, police departments had about a 15% turnover rate and that it was important for the force not to be exhausted. Furthermore, he said that, when a department hired a police officer, it could take nine months to get that person trained to do a shift alone. He noted that, when he'd been on the Board, they'd budgeted for ten officers but had expected there to be nine on duty.

President Sherris-Watt said that Officer Wilson was calculated to work only half the year because of his intended retirement. Jim Watt said he wasn't talking about Officer Wilson: He was talking about the officer who would be starting on July 1st. He said that he wanted to save money and that he had a problem with the fact that 90% of the budget was for police services. He said there were currently six officers on duty, two officers were on workers' compensation and one was on administrative leave. Somehow, he said, the District had managed to get through; though he acknowledged that this could be tough.

Paul Haxo said the reserve officer program was great but was difficult to keep running because these officers need to have completed the academy and were, basically, waiting for a job. He noted that it was a very competitive market for police officers right now: Many nearby agencies were hiring. IGM/COP Hull said that most officers associated with the department would be commuting in and that they would be participating in the reserve program for reasons such as:

- Keeping current with POST training by working 20 hours per month
- Looking to be hired

He said that it would be difficult to maintain the hours the District would like and that former GM/COP Harman had added another aspect to the reserve program – it provided the department the opportunity to see if the reserve officers would be compatible with the officers already in the department.

Celia Concus said the District needed to look at the size of the community and the number of officers working at the department. She said that, for several years, one officer had been working part-time for WestNet and another officer had worked in Sacramento with a computer project. Thus, she said the department had been down one officer for a long time. She said the District didn't have the luxury of having one extra person at the cost of between \$115,000 and \$150,000. She said the community could not afford this because of the expenses associated with the Community Center and the Public Safety Building. She also suggested that non-sworn people should do some of the tasks, like resolving neighbor disputes, that the sworn officers were doing in order to free them up to do police work. She said Kensington had agreements with adjoining communities for mutual aid, which she said would provide assistance when it was really needed. She concluded by saying she agreed with Karl Kruger and Jim Watt that the District didn't have the resources to hire another full-time officer.

David Spath said the District needed to decide how much coverage it wanted and noted that the District was paying overtime because officers were out. He asked if the department was maintaining the same coverage that it would if all the officers were on active duty. IGM/COP Hull responded that some of the coverage was being handled with overtime and that the number of officers shown on the salary spreadsheet didn't reflect what the coverage was. IGM/COP Hull said the physical coverage on the street was less because only one officer, as opposed to two, was patrolling the street. Dr. Spath said that there was a GM coming in and that he should look at the coverage model, work with the COP to decide if that coverage model was what was wanted. He said this would be a better approach.

District Administrator Wolter reported that overtime, year-to-date was \$83,000, and the year-to-date budgeted amount was \$69,000. President Sherris-Watt responded that, if there weren't an extra officer,

there would be more overtime and that, usually, it was less expensive to pay overtime than it was to hire an extra officer. Celia Concus noted that overtime was not pensionable.

Jim Watt asked to review the restricted funds, specifically the Committed Fund for ½ Police Vehicle with Accessories. President Sherris-Watt responded that there had been discussion at the prior Board meeting about beginning a fund that would be for police vehicles but would be funded in the same way the Fire District did, rather than have the committed \$128,000 Vehicle Fund. The intent would be to fund a vehicle over two years, with \$20,000 each year and to make clear that a new vehicle would need to be purchased. Mr. Watt said he understood the thought process, but he wondered why, over all these years, the District had never set aside money to meet that funding need. He said the District always seemed to do it when it came to police needs but not when it came to other needs.

Jim Watt said that, in the past, the District had shown \$101,576 set aside for the vehicle fund. He noted that Deborah Russell had changed this part of the budget to show this amount as a negative because this account was going to be dissolved. He said this money needed to be added back into the General Fund and so would increase the Unassigned Fund Balance. Paul Haxo responded that this change was already reflected in the bottom line. It was noted that this change had increased the Unassigned Fund Balance Available for Contingencies Percentage of Total Expenditures to 31.45%.

Rob Firmin asked if there was consensus about putting another \$200,000 into Capital Reserves. Jim Watt noted that the current amount was \$150,000. President Sherris-Watt added there was \$250,000 in the Park Building Improvement Account in the budget. Director Hacaj asked what would happen to the \$100,000 in the FY 2016-17 Budget, because it would not be spent by the end of the fiscal year. She said she would like this amount rolled over into the 2017-18 Budget. Mr. Watt said the main point was that there was only \$400,000 for the project and that more would be needed. He said the question was whether the Committee wanted to put it in the 2017-18 Budget or into the Committed Fund. Director Hacaj responded that it probably didn't matter which, as long as the funds were segregated for the building. Paul Haxo asked if this would be in addition to the \$150,000. President Sherris-Watt responded in the affirmative.

**MOTION: Jim Watt moved, and Rob Firmin seconded, to increase the Committed Community Center Building Upgrade Fund from \$150,000 to \$350,000.
Motion passed 3 – 1.**

District Administrator Wolter said she'd been unable to attend two of the Committee's prior meetings and so didn't know if the topic of the officers' MOU had been discussed. She noted that, because of new CalPERs mandates, the officers would need to be contributing significantly more to their retirements by December 2018 and that most other agencies were granting salary increases to offset the officers' mandated increased contribution costs. President Sherris-Watt responded that this had not been discussed at the Finance Committee level but that the Board was well aware of it.

Rob Firmin asked if the Committee would be approving the budget at this meeting. President Sherris-Watt responded in the affirmative. Mr. Firmin noted that what the Committee would be approving would include the \$200,000 increase in the Committed Fund. President Sherris-Watt said the Committee could approve the budget with recommendations or caveats and said she would present the nuances to the Board.

Paul Haxo said he was concerned about long-term planning. He suggested that the Committee recommend the budget to the Board with the caveat that the Board needed to consider long-term planning that the budget entailed.

Jim Watt said he wanted to add to this: The condition that the District not hire an additional officer. Paul Haxo said he disagreed with this.

Rob Firmin suggested making a list of Committee concerns for the Board to consider, prior to approving the budget and asked to review the list. He asked that the Board discuss a 5-year forecast in public, prior to approval. President Sherris-Watt responded this probably could be done prior to approving the final budget by September 30th.

The Committee summarized its list of conditions:

- Account 808
- The concern about the size of the police force
- Funding and long-term planning for the Community Center
- Measure G
- Understanding the allocation of the Asset Seizure Forfeiture Funds
- Review a 5-year plan before adoption of the final budget

MOTION: President Sherris-Watt moved, and Paul Haxo seconded, that the Committee recommend to the Board that the Fiscal Year 2017-18 Draft Budget be approved with the following items for discussion:

- **Account 808**
- **The size of the force and whether the size of the force should exceed nine officer**
- **Measure G and whether to increase it**
- **Understanding the allocation of the Asset Seizure Forfeiture Funds**
- **Review a 5-year plan prior to adoption of the Final Budget on September 30th.**
- **Review long-term funding for capital improvements to the Community Center and the Public Safety Building, taking into account the District's long-term fiscal liability.**

Motion passed 3 – 2.

7. Review of Budget layout for 2017-18.

Jim Watt presented a budget format from a homeowners' association, which he thought would be an improvement over the District's current format. Rob Firmin said this was a standard business approach and was a great idea. He said that what he liked about the proposed Income and Expense Projection Report was that it provided a month-by-month summary that provided the actual information for the months, followed by remaining budget amounts and full year projected amounts.

Karl Kruger suggested holding this over to another meeting. He noted that the District had a new GM and that he would like to discuss this when Deborah Russell was present. He asked if there was urgency associated with the recommendation. Jim Watt responded in the negative.

Paul Haxo said that, having been doing this for 20 years, there had been many changes to budget layouts. He noted that the current way in which the system had been set up was meant to be a hybrid version of cash and accrual because both needed to be kept in mind. He said that Jim Watt's proposal was cash-based, which could be a bit confusing.

Rob Firmin responded that what Jim Watt had proposed had been used by businesses, effectively, for decades. He added that cash was king when it came to projecting what would be left at the end of the year.

Karl Kruger reiterated his suggestion that this be discussed another day.

**MOTION: Karl Kruger moved, and Paul Haxo seconded, to adjourn.
Motion passed unanimously.**

The meeting was adjourned at 9:29 P.M.

Lynn Wolter
District Administrator

VIII. What Are the Uses of Equitably Shared Property?

A. Law enforcement uses

Except as noted in this *Guide*, equitably shared funds shall be used by law enforcement agencies for law enforcement purposes only. Subject to laws, rules, regulations, and orders of the state or local jurisdiction governing the use of public funds available for law enforcement purposes, the expenses noted below are pre-approved as permissible uses of shared funds and property.

To avoid a conflict of interest or the appearance of a conflict of interest, any employee of any federal, state, or local governmental agency (or members of his or her immediate family or those residing in his or her household) who was involved in the investigation which led to the forfeiture of the property to be sold by the USMS contractor is prohibited from purchasing, either directly or indirectly, forfeited property. Additionally, Department of Justice employees and contractors may not, without prior written approval of a designated agency official, directly or indirectly purchase property that has been forfeited to the United States; or personally use such property that has been directly or indirectly purchased from the United States by a member of his or her immediate family.

The fact that shared property was forfeited as a result of a particular federal violation does not limit its use. For example, when an agency receives a share of property that was forfeited for a federal drug violation, the recipient is not limited in its use of the property in the recipient agency's drug enforcement program. Among the following uses, priority should be given to supporting community policing activities, training, and law enforcement operations:

1. Permissible uses

- a. **Law enforcement investigations**—the support of investigations and operations that may result in furthering the law enforcement goals and mission, e.g., payment of overtime for officers and investigators; payments to informants; "buy," "flash," or reward money; and the purchase of evidence.
- b. **Law enforcement training**—the training of officers, investigators, prosecutors, and law enforcement support personnel in any area that is necessary to perform official law enforcement duties. Priority consideration should be given to training in: (1) asset forfeiture in general (statutory requirements, policies, procedures, case law); (2) the Fourth Amendment (search and seizure, probable cause, drafting affidavits, confidential informant reliability); (3) ethics and the National Code of Professional Conduct for Asset Forfeiture,¹⁶ (4) due process; (5) protecting the rights of innocent third parties (individuals and lienholders); (6) use of computers and other equipment in support of law enforcement duties; and (7) this *Guide*.
- c. **Law enforcement and detention facilities**—the costs associated with the purchase, lease, construction, expansion, improvement, or operation of law enforcement or detention facilities used or managed by the recipient agency. For example, the costs of leasing,

¹⁶ See Appendix B for a copy of the National Code of Professional Conduct for Asset Forfeiture.

operating, and furnishing an off-site undercover narcotics facility is a permissible use of shared funds. Capital improvements should not be made on leased property or space since the law enforcement agency will not benefit from the improvements upon termination of the lease; improvement costs are generally covered in the terms of the lease. Approval from AFMLS is required prior to making such capital expenditures.

- d. **Law enforcement equipment**—the costs associated with the purchase, lease, maintenance, or operation of law enforcement equipment for use by law enforcement personnel that supports law enforcement activities. For example, furniture, file cabinets, office supplies, telecommunications equipment, copiers, safes, fitness equipment, computers, computer accessories and software, body armor, uniforms, firearms, radios, cellular telephones, electronic surveillance equipment, and vehicles (e.g., patrol cars and surveillance vehicles).
- e. **Law enforcement travel and transportation**—the costs associated with travel and transportation to perform or in support of law enforcement duties and activities. All related costs must be in accordance with the agency's state per diem and must not create the appearance of extravagance or impropriety.
- f. **Law enforcement awards and memorials**—the cost of award plaques and certificates for law enforcement personnel, provided that the plaque or certificate is in recognition of a law enforcement achievement, activity, or the completion of law enforcement training, and the cost does not create the appearance of extravagance or impropriety. Shared funds may not be used to pay cash awards.

Shared funds may be used to pay the costs for modest commemorative plaques, displays, or memorials that serve to recognize or memorialize a law enforcement officer's contributions, such as a memorial plaque or stone at a police department facility in honor of officers killed in the line of duty.

- g. **Drug and gang education and awareness programs**—the costs associated with conducting drug or gang education and awareness programs by law enforcement agencies. Such costs include meeting costs, anti-drug abuse literature costs, travel expenses, and salaries for officers working in a drug education program such as DARE.
- h. **Matching funds**—the costs associated with paying a state or local law enforcement agency's matching contribution or share in a federal grant program, provided that the grant funds are used for a permissible law enforcement purpose in accordance with this *Guide* or where such use is authorized by federal law.
- i. **Pro rata funding**—a law enforcement agency's percentage of the costs associated with supporting multi-agency items or facilities. For example, if a town purchases a new computerized payroll system, and the police department payroll represents 20 percent of the total use of the payroll system, then the police department may use shared money to fund its pro rata share (20 percent) of the operating and maintenance expenses of the system.

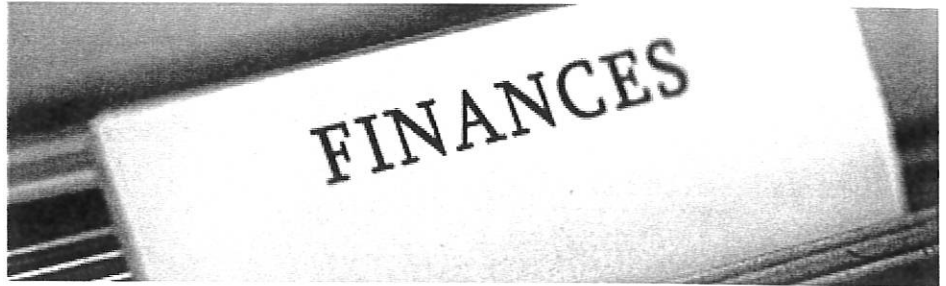


HIGH PERFORMING DISTRICT *checklist*

FINANCE AND HUMAN RESOURCES

This checklist was designed and approved by the Special District Leadership Foundation to provide special districts with best practices related to the areas of Finance and Human Resources.

Visit us online at www.sdlf.org for comprehensive resources and samples related to each of the best practices listed.



BEST PRACTICES - FINANCE

Training

- Board and staff obtain regular training on finance/fiscal accountability.
- Board and designated employees (those who participate in making decisions that may materially affect their financial interests) complete ethics training as required by law, including initial and biennial training requirements.*

Reporting

- All financial reports are filed on time and in compliance with applicable laws and recognized standards for best management/reporting practices (including Governmental Accounting Standards Board):
 - Comprehensive annual financial report
 - Annual Audit*
 - State Controller's Financial Transaction Report*
 - State Controller's Compensation Report*
- The district requires board members and designated employees to prepare and file statements of economic interests (FPPC Form 700) to identify and disclose potential conflicts of interest.

Governance

- Board establishes and periodically reviews strategic, financial, and other goals.
- Board approves an annual balanced budget in an open and public meeting and periodically reviews revenue and expenses for compliance with the budget.*
- Board approves capital improvement plans in an open and public meeting and periodically reviews revenue and expenses for compliance with the plans.
- Board sets rates and fees in compliance with applicable state laws and district ensures its revenues maintain financial stability and support its commitments.

Policies

- The district has written, board-approved codes of conduct and ethics policies, including compliance with conflicts of interest laws and proper financial management.
- Board establishes and periodically reviews fund balances and reserve policies that meet district's needs.*
- Board establishes and periodically reviews sound fiscal and internal control policies and procedures (including checks and balances) sufficient to (1) safeguard its assets and resources, (2) deter and detect errors, fraud, waste, abuse and theft, (3) ensure accuracy and completeness of its accounting data, and (4) produce reliable and timely financial and management information.
- District has an investment policy describing approved investment types, and management periodically reports investment information (types of investments held, market values, maturity dates, etc.) to the board, according to a board approved policy.
- The district has adopted and implements policies and procedures concerning the payment of claims, bills, and invoices, the issuance, approval and signing of district checks/warrants, and the use of district credit cards.
- District actively adopts mechanisms to prevent, detect, and/or report fraud, waste, and abuse.

checklist continued

BEST PRACTICES - FINANCE continued

General Administration

- Board and employee travel and other expense reimbursements are supported by receipts, and are reviewed and approved by an appropriate supervisor and manager to ensure that expenses are appropriate and comply with a board-approved policy.*
- Management periodically reports financial information to the board, according to a board-approved policy.
- If a prior audit was qualified or reported an adverse finding related to a financial or performance issue, the district promptly implemented effective corrective action.
- The district has available cash, funds, and short-term investments to pay its short-term obligations on time.
- The district's revenues and funds are sufficient to meet its long-term debt, pension, and other postemployment benefit obligations.
- The district has implemented accounting and bookkeeping systems and records in accordance with generally accepted accounting principles for local government agencies.
- The district maintains a blanket performance or fidelity bond or insurance to protect against employee mishandling and theft of district funds.
- If the district has received federal or state grant or loan funds, the district carefully administers the grant or loan in accordance with the applicable grant or loan agreement and related requirements.

Procurement

- Board-approved policy establishes purchasing authorization levels for appropriate district positions, including authorization levels or contract change orders.
- A competitive process for purchasing goods and materials is established and followed according to a board-approved policy.
- District uses a competitive process for awarding construction and construction-related contracts (for construction, project management, architectural services, etc.) that complies with state law.
- District uses a competitive process for awarding contracts for general professional services unless appropriate criteria are met for not using a competitive process (sole-source procurement).
- Board approval or oversight is required for high-dollar, lengthy, or other sensitive procurement contracts.
- Board-approved policy establishes emergency procurement procedures, compliant with state law.
- Board directs staff to include in procurement documents processes for unsuccessful vendors, proposers, and/or vendors to protest the award of a contract.



BEST PRACTICES - HUMAN RESOURCES

Ethics

- Board and appropriate staff obtain regular training on human resources.
- Board and supervisory employees complete sexual harassment and discrimination prevention training biennially.

Governance

- Board approves general manager job description and the organizational structure.
- Board establishes and regularly evaluates board and employee salary structures and benefit packages using, when appropriate, a salary survey that allows for comparison with other agencies by region, agency type (services provided), and agency size (annual budget, number of employees and population served). All compensation complies with state and federal laws.
- A board-approved policy or agreement establishes the processes for hiring and firing, evaluating the performance of, and adjusting the compensation of the general manager.

General Administration

- Management uses written processes for hiring employees, evaluating performance, imposing progressive discipline, adjusting compensation and benefits, and accruing and using leave.
- Employee job descriptions, duties, and financial control responsibilities are effectively communicated and periodically reviewed.
- District's policies and procedures are reviewed on an annual basis to ensure compliance with new laws.
- District policies and procedures communicate important information about management's expectations for each district process. Policies are developed thoughtfully and conscientiously to ensure that required actions are reasonable. Procedures articulate the distinct responsibility and accountability of each individual involved in the process.
- Management uses a written fraud reporting policy that includes procedures for employees to follow to report suspected fraud. Employees are periodically reminded of the policy.

*Also included on the District Transparency of Excellence Certificate Checklist

SDLF is supported by



The Special District Leadership Foundation (SDLF) is an independent, non-profit organization formed to promote good governance and best practices among California's special districts through certification, accreditation and other recognition programs. The SDLF and its activities are supported by the California Special Districts Association and the Special District Risk Management Authority.

2018 State Health Premiums Health Maintenance Organization Plans Only June PHBC Final Proposed Premiums

Basic	2017			2018			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Anthem HMO Select	\$740.23	\$1,480.46	\$1,924.60	\$796.73	\$1,593.46	\$2,071.50	7.63%
Anthem HMO Traditional	872.91	1,745.82	2,269.57	841.34	1,682.68	2,187.48	-3.62%
Blue Shield Access+	830.44	1,660.88	2,159.14	752.32	1,504.64	1,956.03	-9.41%
Health Net Salud y Más	475.46	950.92	1,236.20	471.51	943.02	1,225.93	-0.83%
Health Net SmartCare	692.89	1,385.78	1,801.51	790.73	1,581.46	2,055.90	14.12%
Kaiser CA	662.92	1,325.84	1,723.59	717.38	1,434.76	1,865.19	8.22%
Kaiser Out of State	940.67	1,881.34	2,445.74	957.05	1,914.10	2,488.33	1.74%
Sharp	616.49	1,232.98	1,602.87	624.70	1,249.40	1,624.22	1.33%
UnitedHealthcare	686.17	1,372.34	1,784.04	704.59	1,409.18	1,831.93	2.68%
Western Health Advantage				720.44	1,440.88	1,873.14	N/A

Total HMO Basic Change **3.71%**

Medicare	2017			2018			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Anthem Traditional				\$370.34	\$740.68	\$1,111.02	
Kaiser CA	\$300.48	\$600.96	\$901.44	\$316.34	\$632.68	\$949.02	5.28%
Kaiser Out of State	300.48	600.96	901.44	316.34	632.68	949.02	5.28%
UnitedHealthcare	324.21	648.42	972.63	330.76	661.52	992.28	2.02%

Total HMO Medicare Change **4.27%**

2018 Regional Health Premiums Contracting Agencies - Health Maintenance Organization Plans Only June PHBC Final Proposed Premiums

Basic	2017			2018			Percent Change (+/-)
	Single	2-Party	Family	Single	2-Party	Family	
Basic Premium Rates - Bay Area							
Alameda, Amador, Contra Costa, Marin, Napa, Nevada, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma, Sutter, and Yuba							
Anthem HMO Select	\$783.46	\$1,566.92	\$2,037.00	\$856.41	\$1,712.82	\$2,226.67	9.31%
Anthem HMO Traditional	990.05	1,980.10	2,574.13	925.47	1,850.94	2,406.22	-6.52%
Blue Shield Access+	1,024.85	2,049.70	2,664.61	889.02	1,778.04	2,311.45	-13.25%
Health Net SmartCare	733.29	1,466.58	1,906.55	863.48	1,726.96	2,245.05	17.75%
Kaiser CA	733.39	1,466.78	1,906.81	779.86	1,559.72	2,027.64	6.34%
UnitedHealthcare	1,062.26	2,124.52	2,761.88	1,371.84	2,743.68	3,566.78	29.14%
Western Health Advantage				792.56	1,585.12	2,060.66	
Basic Premium Rates - Sacramento Area							
El Dorado, Placer, Sacramento, and Yolo							
Anthem HMO Select	\$907.08	\$1,814.16	\$2,358.41	\$942.29	\$1,884.58	\$2,449.95	3.88%
Anthem HMO Traditional	1,286.41	2,572.82	3,344.67	1,054.62	2,109.24	2,742.01	-18.02%
Blue Shield Access+	859.42	1,718.84	2,234.49	806.71	1,613.42	2,097.45	-6.13%
Health Net SmartCare	672.66	1,345.32	1,748.92	980.82	1,961.64	2,550.13	45.81%
Kaiser CA	690.56	1,381.12	1,795.46	703.96	1,407.92	1,830.30	1.94%
UnitedHealthcare	756.78	1,513.56	1,967.63	831.42	1,662.84	2,161.69	9.86%
Western Health Advantage				744.79	1,489.58	1,936.45	
Basic Premium Rates - Los Angeles Area							
Los Angeles, San Bernardino, and Ventura							
Anthem HMO Select	\$592.78	\$1,185.56	\$1,541.23	\$660.17	\$1,320.34	\$1,716.44	11.37%
Anthem HMO Traditional	713.69	1,427.38	1,855.59	784.72	1,569.44	2,040.27	9.95%
Blue Shield Access+	675.98	1,351.96	1,757.55	613.29	1,226.58	1,594.55	-9.27%
Health Net Salud y Más	414.79	829.58	1,078.45	404.32	808.64	1,051.23	-2.52%
Health Net SmartCare	526.73	1,053.46	1,369.50	577.15	1,154.30	1,500.59	9.57%
Kaiser CA	573.89	1,147.78	1,492.11	642.70	1,285.40	1,671.02	11.99%
UnitedHealthcare	545.71	1,091.42	1,418.85	602.78	1,205.56	1,567.23	10.46%
Basic Premium Rates - Other Southern California							
Fresno, Imperial, Inyo, Kern, Kings, Madera, Riverside, Orange, San Diego, San Luis Obispo, Santa Barbara, and Tulare							
Anthem HMO Select	\$659.03	\$1,318.06	\$1,713.48	\$659.69	\$1,319.38	\$1,715.19	0.10%
Anthem HMO Traditional	799.15	1,598.30	2,077.79	735.08	1,470.16	1,911.21	-8.02%
Blue Shield Access+	778.45	1,556.90	2,023.97	695.97	1,391.94	1,809.52	-10.60%
Health Net Salud y Más	473.46	946.92	1,231.00	461.56	923.12	1,200.06	-2.51%
Health Net SmartCare	537.20	1,074.40	1,396.72	607.68	1,215.36	1,579.97	13.12%
Kaiser CA	599.54	1,199.08	1,558.80	666.80	1,333.60	1,733.68	11.22%
Sharp	614.46	1,228.92	1,597.60	618.14	1,236.28	1,607.16	0.60%
UnitedHealthcare	549.76	1,099.52	1,429.38	616.66	1,233.32	1,603.32	12.17%
Basic Premium Rates - Other Northern California							
Alpine, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mariposa, Mendocino, Merced, Modoc, Mono, Monterey, Plumas, San Benito, Shasta, Sierra, Siskiyou, Stanislaus, Tehama, Trinity, and Tuolumne							
Anthem HMO Select	\$892.13	\$1,784.26	\$2,319.54	\$910.90	\$1,821.80	\$2,368.34	2.10%
Anthem HMO Traditional	1,169.87	2,339.74	3,041.66	954.75	1,909.50	2,482.35	-18.39%
Blue Shield Access+	954.51	1,909.02	2,481.73	894.43	1,788.86	2,325.52	-6.29%
Kaiser CA	733.99	1,467.98	1,908.37	795.43	1,590.86	2,068.12	8.37%
UnitedHealthcare	882.35	1,764.70	2,294.11	1,205.55	2,411.10	3,134.43	36.63%
Western Health Advantage				744.79	1,489.58	1,936.45	
Basic Premium Rates - Out of State							
Kaiser Out of State	\$940.67	\$1,881.34	\$2,445.74	\$957.05	\$1,914.10	\$2,488.33	1.74%

2018 Regional Health Premiums Contracting Agencies - Health Maintenance Organization Plans Only June PHBC Final Proposed Premiums

Medicare	2017			2018			Percent Change (+/-)
	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	<i>Single</i>	<i>2-Party</i>	<i>Family</i>	
Medicare Premium Rates - All Regions							
Anthem Traditional				\$370.34	\$740.68	\$1,111.02	
Kaiser CA	\$300.48	\$600.96	\$901.44	\$316.34	\$632.68	\$949.02	5.28%
Kaiser Out of State	300.48	600.96	901.44	316.34	632.68	949.02	5.28%
UnitedHealthcare	324.21	648.42	972.63	330.76	661.52	992.28	2.02%



Health Benefits Circular Letter

California Public Employees' Retirement System
P.O. Box 942715
Sacramento, CA 94229-2715
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

June 1, 2017

Circular Letter No: 600-022-17
Distribution: Special

To: All PEMHCA Contracting Agency Health Benefits Officers,
Assistant Health Benefits Officers, Health Enrollment, and
Health PA Billing Contacts

Subject: CalPERS Contracting Agency Administrative Fee for Fiscal Year
2017-18, Contribution Change Process, and Termination Process

**Administrative
Fee for Fiscal Year
2017-18**

The purpose of this circular letter is to inform you effective July 1, 2017, the CalPERS Board of Administration set the Public Employees' Medical and Hospital Care Act (PEMHCA) administrative fee at 0.49 percent (.49%). The administrative fee is calculated on total active and total retired health premiums each month.

NOTE: The new administrative fee becomes law upon passage of the State of California budget for the Fiscal Year 2017-18. If the budget is not passed until after the release of this Circular Letter, the new administrative fee will be reflected on a future health premium statement and on a prospective basis only. No retroactive adjustment will occur.

**Contribution
Change Process**

Contracting agencies that wish to revise their monthly employer health contribution must submit a *change resolution*. Change resolutions are effective the first day of the second month following receipt by CalPERS; therefore, they must be filed with CalPERS by November 30, 2017, to be effective on January 1, 2018.

Please contact our Employer Contact Center at **888 CalPERS** (or **888-225-7377**) and request a call back from our Health Contracts Unit to obtain the necessary change resolution template.