

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

FINANCE COMMITTEE MEETING MINUTES

LOCATION: Arlington Community Church, 52 Arlington, Kensington

DATE: June 4, 2019

Finance Committee Chair Eileen Nottoli opened the meeting 3:12 pm. Finance Committee members Paula Black, Rob Firmin, Karl Kruger, and Jim Watt were present. General Manager Tony Constantouros and District Administrator Lynn Wolter were present as were Bill Zenoni and Debbie Russell.

May 21 Minutes. Chair Nottoli asked if there were any changes to the May 21, 2019 draft minutes. No changes were suggested, and the minutes were approved by unanimous voice vote.

115 Trust for Unfunded CalPERS Liability. Bill Zenoni noted that the current Unfunded Accrued Pension Liability was \$3.9 million and annual payments range from \$250,446 for FY2019-20 to \$400,000 by FY2024-25. He presented four options to consider: 1) continue to pay at the current 30-year amortization rate schedule, 2) request a “fresh start” with a reduced 20-year amortization period, 3) make additional voluntary payments to CalPERS, and 4) establish a 115 pension trust.

Option 2 would require higher payments than our current 30-year schedule and has a disadvantage of not being able to return to a 30-year schedule. The District currently uses a 115 trust for its unfunded Other Post-Employment Benefits. There are several companies that have such trust such as Public Agency Retirement Service, also known as PARS. The advantage is that the return on investment can exceed that paid by the County. The County’s current return is 2.24% and the return from PARS ranged from 2.7 to 5.3% over 5 years and 3.0 to 9.9% over 10 years net of fees. The fees are 0.65% for investments under \$5 million but are lower with higher investments. The District can direct which investment to use based on its risk tolerance. There is no minimum investment level or requirement to make regular deposits., and no fee to deposit or withdraw money. The money can be pulled out at any time but can only be used for pension obligations.

The Committee discussed the possible recession that may be coming with signs such as long term interest rates dipping below short term rates, the modest positive balance with next year’s budget, reduction of reserves to approximately \$1 million, and the in-progress renovations at the Community Center. There are also increases for taxpayers with likely increases in both Stege and East Bay Municipal Utility District rates and a possible increase in Measure G tax.

Finance Committee Chair Nottoli had appointed Mike Logan and Paula Black to work with Bill Zenoni on 115 trust and asked them to recommend to the Committee an appropriate risk-level financial instrument. She asked Rob Firmin and Jim Watt to propose an appropriate amount to fund the trust.

Final Draft Budget. Bill Zenoni noted the following change in Measure G revenue from \$582,700 to \$588,400 and the increase of \$30,000 for Kensington Park O&M with the decrease of \$30,000 from waste removal. He also noted format changes such as the added comparison of FY2018-19 Projected Expenditures with the FY2018-19 Budget and re-wrote solid waste accomplishments. The budget assumes full police staffing as of July 1 and phased in of new administrative positions with an overlap of the current positions. This results in a tight budget but General Manager Constantouros said that he expects to see savings in about two years. Concern again was expressed about a possible recession that could impact revenue especially if the housing market is impacted and the continued lower than self-predicted returns by CalPERS.

Vote to Recommend Budget. Karl Kruger moved and Paula Black seconded a motion to recommend that the budget be adopted. Committee members Black, Kruger, Nottoli, and Watt voted to recommend the Board adopt the FY2019-20 budget and Member Firmin abstained. The motion passed 4-1.

Next Meeting. The next meeting will be Tuesday, October 22. By that time, the FY2018-19 audit can underway and the First Quarter expenses can be compared with the budget.

Adjournment. Finance Committee Chair Nottoli moved to adjourn the meeting and Rob Firmin seconded the motion. Members Black, Kruger, Nottoli and Watt voted in favor of adjourning the meeting. The motion passed 5-0 and meeting adjourned at 4:49 pm.

Prepared by: Eileen Nottoli

Date approved by the Board: December 3, 2019

Tony Constantouros, General Manager

Eileen Nottoli, Board President