

**KENSINGTON FIRE PROTECTION DISTRICT
NOTICE OF A MEETING OF A STANDING COMMITTEE**

FINANCE COMMITTEE

Date of Meeting: August 22, 2019
Time of Meeting: 3:00 p.m.
Place of Meeting: Kensington Public Safety Building
Conference Room
217 Arlington Avenue, Kensington, CA 94707

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office Administrator, 510/527-8395. Notification 48 hours prior to the meeting will enable the Kensington Fire Protection District to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title 1).

Finance Committee Members: Julie Stein and Don Dommer
Staff: Brenda Navellier, Administrator, Deborah Russell, CPA

AGENDA

1. Call To Order
2. Public Comment
3. Approval of May 30, 2019 Committee Minutes
4. Review and Recommend Final FY2019-2020 Budget
5. Review District Investments
6. Adjourn

For time and date of the next meeting of the Kensington Fire Protection District Finance Committee, contact the District office, 217 Arlington Avenue, Kensington, CA 94707, 510/527-8395.

**MINUTES OF THE MAY 30, 2019 FINANCE COMMITTEE MEETING
OF THE KENSINGTON FIRE PROTECTION DISTRICT**

PRESENT: Directors: Julie Stein and Don Dommer
 Staff: Manager Brenda Navellier, Deborah Russell CPA

CALL TO ORDER:

Director Stein called the meeting to order at 3:02 p.m. and noted the Committee members, staff and members of the public that were present.

PUBLIC COMMENT:

None.

APPROVAL OF FEBRUARY 27, 2019 COMMITTEE MINUTES:

The Committee agreed to approve the minutes as submitted by consensus.

EL CERRITO CONTRACT FEE PROPOSAL FOR FY2019-2020:

Director Stein introduced El Cerrito City Manager Karen Pinkos and Fire Chief Michael Pigoni. Pinkos introduced Assistant City Manager Alex Orologas. Pinkos noted that the proposed fee schedule is included in the Committee's packet. Pinkos informed the Committee that she is unable to attend the Board's June meeting but Orologas would attend in her stead. This is the second year of the City's biennial budget. Since the budget is already adopted the City will perform an update at their Council meeting next week. El Cerrito became a charter city last November which allowed them to implement a real property transfer tax which is projected to bring in an additional \$2.7 million. To date the City has received about \$650,000 of that revenue in addition to what is budgeted. The overall budget picture is balanced. There is a \$28,000 surplus. The formulas in the fee schedule were previously negotiated as part of the contract. El Cerrito will be negotiating with almost all of the bargaining units. Both Local 1230 firefighters and the battalion chiefs' contracts expire on July 1. El Cerrito budgeted a 3% salary increase across the board for all employees but negotiations still need to start. The City is programming some of the \$650,000 toward police and fire overtime to ensure coverage and also toward fire prevention. The partnership with Kensington creates a comprehensive approach to fire prevention and safety issues.

Chief Pigoni reviewed the Fire Department's budget including the budgeted 3% salary and benefit increase. There has been an increase in Professional Services to cover the Emergency Operations Plan that also includes Kensington. The rest of the costs are a 3% increase. The total is \$2,800,837 plus overhead, minus shared admin, plus the reconciliation from fy16-17. The grand total proposed fee is \$3,088,713 which about a 2.5% increase over the previous year.

President Stein said she met with Pigoni and Navellier earlier in the week for an explanation on the contract fee categories. She asked Pigoni to give an explanation of Misc. R & M Services in particular. Pigoni said the line item titles are used city-wide and are not just for the fire department. This particular category includes the cost of dispatch with Contra Costa Fire and radio replacement, repairs and licenses with EBRICS. Stein passed around reconciliation breakdown for everyone's information.

Karl Kruger asked for an explanation of Building Maintenance Services which Pigoni answered. He also asked about the overtime budget of \$700,000 and an additional \$85,000. He compared operations to the Kensington police department. He does not see any incentive to keep the overtime down when \$800,000 is budgeted annually. Pigoni explained minimum staffing and how vacations, workers comp, injuries, sick leave, etc. all affect that. Pinkos added that many more staff would need to be hired to get rid of the overtime which would be more expensive. David Spath asked how often the city goes above or below the projected overtime amount. Pigoni said the department has run consistently at about \$1 million for the four years and referred to Pinkos earlier comments. It is caught in the reconciliation. Discussion on the reconciliation followed. Spath asked for an explanation on non-suppression overtime. The biggest amount on the reconciliation breakdown was for overtime. Pinkos and Orologas explained it is a standard of local government to leave positions open and fill them with overtime. There are three firefighting positions open. Jim Watt asked for an explanation of firefighter's hours. Pigoni explained a firefighter's weekly shift is 56 hours a week. Firefighters work 48 hours on and 96 hours off or a six-day rotation. There is federal law that requires in addition that they are paid an extra 12 hours of half-time every 27 days because

of the 56 hour work week. It is a specialized week compared to a 40-hour week. FLSA pay is a separate line item. More discussion followed on campaign fires and that there is an OES overtime line item in the City's budget that is not included in Kensington's contract fee since it is fully reimbursed by the State. Pignoni then explained the Salary Savings line item which is a place holder for the open positions. Russell added that during the reconciliation the City nets the Salary Savings against the Salaries.

Stein asked if there is a way for El Cerrito to inform KFPD after their mid-year budget review about any line items that are going to be over or under spent so that KFPD can accrue for them in the current year. If KFPD was more cash strapped, which is may be if it builds a new public safety building, they can accrue and plan for it instead of being surprised. Russell said that would be more accurate to show that information in the year it was incurred. Pignoni said he planned to provide the District with a monthly budget performance report starting with FY19-20. Discussion followed on the report format and whether a monthly report would be compared to annual or monthly budgets. Pinkos suggested a mid-year review like she does for the City Council. Stein and Russell agreed. Russell thinks the auditors would prefer the District accrue during the correct year. There would be a hit to KFPD's budget this year since they would need to book the additional two years that normally lag for the reconciliation. The District can also average the last five years. The Committee agreed that a mid-year review would be great and monthly reports were not necessary. Pinkos said she could investigate putting the Fire Department only financial information on open.gov so that anyone can run a report anytime. Stein suggested a year-end report also. More discussion on timing of information and audit process followed.

Jim Watt asked about the 12% CalPERS increase and Pinkos provided a detailed explanation.

Stein asked Pignoni to explain the Vehicle Replacement Rental Charge. Pignoni explained that cost covers support vehicles such as the Chief's, Fire Prevention Officer, Training Chief, Fireblast trailer, Pub Ed Trailer, Mass Casualty Trailer, staff pick-ups, and the ladder truck which contributes to the excellent ISO rating. KFPD's percentage of that line item is 18.83%. Stein thanked the city staff for their presentation and said the more she learns about the El Cerrito-Kensington partnership, the more she is impressed. Russell asked about the percentages in the fee schedule and if they are updated? Pinkos said that the contract has continued to be extended as originally signed.

Pignoni gave a brief explanation about the request for a replacement command staff vehicle. A full request and explanation were included in the Committee's packet. Normal rotation is at 8 years. The current command vehicle owned by Kensington is 10 years old with 200,000 miles. Does the District wish to continue with the current practice of purchasing one of the three command vehicles? The replacement request is not-to-exceed \$60,000. Auction of the current vehicle might bring in \$2-3,000. Stein suggested including the command vehicle on the District's replacement schedule. Stein thanked Pignoni for reviewing the contract fee with her. *Pinkos, Orologas and Pignoni left the meeting.*

FY 2018-2019 AUDITOR PROPOSAL/RECOMMENDATION:

Navellier and Russell are recommending to the Finance Committee to engage the same auditor as the previous year, MUN CPAS. This will be the third year KFPD will engage them and maybe in another year or so, the District should consider soliciting proposals for a fresh set of eyes. The rate has remained flat from the previous year. MUN has been easy to work with and are very knowledgeable. KFPD has had clean audits even under the new scrutiny of MUN. Russell said there are fewer and fewer firms that want to do this kind of business. It's a lot of work because of the GASBs. MUN comes to KFPD from Sacramento. The total fee is \$16,000 with the State Controller's Report. The Committee agreed with staff and will put it on the June agenda.

REVIEW AND RECOMMEND DRAFT FY 2019-2020 BUDGET

Stein asked for public comment first. Spath asked how KFPD projects for the FY20-21 contract fee. Navellier responded that staff puts it in as the same increase of 5% as most line items.

Navellier said the community center fire alarm would have come out of contingency during the current year but no bill has been received, so it will be a line item for FY19-20. She forgot to include the polygon study at \$10,000 and thinks it should be added. Navellier suggested increasing the Public Education item to \$35,000 based on normal expenditures, committee requests and the proposed building forum. Spath asked about the needs assessment/feasibility study budgeted at \$115,000. Navellier said it included \$30,000 for a structural analysis update, \$65,000 for a geotechnical report on the park site and contingency. Navellier said the EPC requested that the CERT kits/sheds/preparedness be increased to \$15,000. The EPC also requested a grant writer at \$50,000 but Navellier thinks it's actually a broader title and the individual is to help coordinate that committee. Staff will change the title to Grant Writer/Coordinator and try to get clarification from the committee or it can be discussed at the Board meeting. Russell suggested raising the public education planning year to \$25,000. Navellier explained that the EPC plans on raising awareness about the CERT shed program which is why they want that budget

increased. The Committee then reviewed the budget from revenue through all the expenses. Navellier explained the timing of the actuarial valuation. FY19-20 will just be an interim report. Stein suggested creating a line item under the contract fee for the reconciliation amount. Russell agreed, particularly in the first year. Russell brought up that there is a small reconciliation for the admin services. Should it be a line item or included in the contract reconciliation. Stein suggested including it with the contract fee. More explanation followed. Stein asked if the District is spending all of its legal fee budget? She understands a typical year is much lower. Navellier said the previous year was \$19,000 and \$40,000 is a guesstimate. The District is engaging counsel more because of so many new projects. Stein said the committee will need to be able to explain that line item. \$5,000 of that amount is for the bond lawyer. \$20,000 is budgeted for the traffic study that the EPC brought forward. Russell explained the "0" amount under the medical benefits and explained that the District is withdrawing the premium amounts from the CERBT Trust. Staff has a call into the actuary so the "0" may end up showing as a credit. Stein noted that the budget last year for the CERT kits/sheds/preparedness was \$12,000 and only \$3,448 was spent. KFPD currently only responds to requests. The EPC requested additional funds because they intend to conduct more public education. Stein thinks the same thing needs to be done with the Firesafe Planting Grants. Stein asked if KFPD gets report from Diablo Fire Safe on the funds that KFPD contributes. Staff will request a report from Ciara Wood on the funding. Stein asked if an agreement is needed for the community center fire alarm. Russell said it could be added to the budget just based on the Board's motion and minutes. Discussion followed on how to proceed. The Committee decided to carry over the item to the next fiscal year and wait for an actual cost from KPPCSD. Navellier explained the Firefighter's Apparel & PPE line item is for Kensington t-shirts. The Firefighters Expenses line item is for various items that are under \$1,000. The District's capitalization threshold was discussed. Russell explained the vacation wages accrual and the increase in the planning budget. Staff reported that the Operating Contingency Fund is normally not used but is for unplanned expenses. Discussion followed on where to put the Polygon Study in the budget. Russell explained the Type III Engine payments and schedule. Staff will do the same thing with the command vehicle. Staff asked if the Committee was satisfied with the building schedule as presented. The schedule was adjusted to contribute \$450,000 in the current year and the next two years. The District will have \$3.3 million for the building project in FY19-20. Discussion followed on State financial raids and the El Cerrito set-aside. Stein summarized that with the \$450,000 building contribution, the District still has \$766,000 in available cash. Once staff puts in the reconciliation accrual, cash will go down.

REVIEW DISTRICT INVESTMENTS

A schedule of current investments was included in the packet which the Committee reviewed. Russell noted that the District does get very low on cash during certain times of the year. Interest rates are creeping up slowly. Staff handed out the projected cash flow for the next six months. Stein asked about the \$83 special assessment and if the Board votes on that every year. She noted that the District did not assess property owners in 2009. Navellier said that was an exceptional year and it just ended up confusing property owners. The District received numerous calls the following year when it was put back on.

ADJOURNMENT: The meeting was adjourned at 5:22 p.m.

MINUTES PREPARED BY: Brenda J. Navellier

These minutes were approved at the Committee meeting of August 22, 2019.

Attest:

Finance Committee Member

When El Cerrito proposes their annual contract fee with Kensington, there are several figures rolled into that payment. KFPD pays a percentage of many specific line items in the El Cerrito budget related to our use for fire services. That total is listed as "Grand Total" on their proposal. In addition, there is an overhead charge. Like KFPD, El Cerrito is assembling the estimated figures for the current year-end to project the upcoming budget. This creates an accounting reconciliation that lags by two years, to the last point final numbers are available. El Cerrito's proposal contains an increase or decrease to that annual contract to correct for the budget to actual difference.

For example (see attached), the El Cerrito proposal for FY18/19 year shows \$2,644,845 for the Grand Total of the individual line items mentioned above. To that they add \$220,386 for overhead. Because this was prepared in the spring of 2018, there were no final numbers for FY 17/18. El Cerrito shows a reconciliation item of \$213,699 for FY 16/17, the last available final numbers. Those three figures added together bring us to \$3,098,930, KFPD's budgeted El Cerrito contract fee for FY 18/19.

During a review of this process, the Finance Committee recommended accruing for that reconciliation, so that the expense stays with the year it was incurred (or earned). What that means for this budget is that it is being presented with the contract fee as the sum of the Grand Total and the Overhead, and a new line item showing the El Cerrito Contract Reconciliation. To make this accurate for the future, it is necessary to accrue two additional amounts in the current year. The approved budgeted contract fee for FY 18/19 of \$3,098,930 is now reflected in the estimated actual column as \$2,865,231 as the current fee plus a new line for the reconciliations. In FY 18/19, that line will include \$213,699 (FY 16/17), \$124,527 (FY 17/18, found on the current El Cerrito proposal) and \$120,000 as an estimate for FY 18/19. The projected column is calculated as an average of the current estimate and prior four years' actual reconciliation amounts.

The Salary Reimbursement Agreement has been treated in the same manner.

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2019-2020

<u>REVENUE BUDGET</u>	FY 2018-2019	FY2018-2019	FY 2019-2020	FY 2020-2021
	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
Property Taxes	4,035,570	4,126,850	4,271,290	4,399,430
Special Taxes	200,453	200,453	200,450	200,450
Other tax income	25,500	25,306	25,250	25,250
Interest income	70,000	148,070	120,000	100,000
Lease agreement	36,002	36,036	36,603	0
Salary reimb agreement	62,848	63,521	66,685	70,184
Salary reimb agreement reconciliations		147	400	400
Miscellaneous income	0	4,314	0	0
Total Revenue	4,430,373	4,604,697	4,720,677	4,795,714

<u>OPERATING EXPENSE BUDGET</u>	FY2018-2019	FY2018-2019	FY 2019-2020	FY 2020-2021
	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>

OUTSIDE PROFESSIONAL SERVICES

Accounting	7,250	4,883	5,500	5,775
Actuarial Valuation	0	0	2,900	5,500
Audit	16,000	16,000	16,000	16,800
CC County Expenses	36,030	35,839	37,630	39,510
El Cerrito Contract	3,078,930	2,865,231	3,032,488	3,184,111
El Cerrito Contract Reconciliations		458,226	137,000	137,000
Fire Abatement Contract	8,000	665	8,000	8,000
Fire Engineer Plan Review	2,000	404	2,000	2,000
Grant Writer/Coordinator	0	0	50,000	25,000
Insurance - Risk Mgmt	14,500	12,507	14,000	15,000
LAFCO Fees	2,200	2,278	2,450	2,575
Legal Fees	62,000	62,810	20,000	21,000
Polygon Study	0	0	10,000	0
RFP Consultant	0	0	15,000	0
Traffic Study	0	0	20,000	0
Water System Improvements	20,000	0	20,000	20,000
Website Development/Maint.	2,500	2,600	2,520	2,600
Wildland Vegetation Mgmt	10,000	7,500	10,000	10,000

RETIREE MEDICAL BENEFITS*

PERS Medical (OPEB cost)	0	0	0	0
Delta Dental	0	0	0	0
Vision Care	0	0	0	0
CalPERS Settlement	45,700	45,700	0	0

COMMUNITY SERVICE ACTIVITIES

Public Education	14,000	9,551	35,000	25,000
Community Pharmaceutical Drop-Off	4,000	814	2,500	2,500
CERT Kits/Sheds/Preparedness	12,000	3,448	15,000	10,000
Open Houses	750	261	500	650
Community Shredder	2,750	2,295	2,750	3,000
DFSC Matching Grants	23,880	23,880	24,000	25,000
Firesafe Planting Grants	3,000	0	3,000	3,000
Demonstration Garden	50,000	6,147	0	0
Community Sandbags	4,000	1,994	3,000	3,000
Volunteer Appreciation	0	0	1,500	0
Community Center Fire Alarm	35,000	0	35,000	0

DISTRICT ACTIVITIES

Professional Development	5,000	3,416	5,000	5,000
District Office				
Office expense	3,000	2,747	3,000	3,000
Office supplies	2,250	2,259	2,350	2,350
Telephone	8,000	4,965	7,000	7,500
Election	3,900	3,856	0	4,000
Firefighter's Apparel & PPE	1,500	184	750	750

August 22, 2019

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2019-2020

Firefighters' Expenses	10,000	2,420	10,000	10,000
Staff Appreciation	1,750	1,275	1,750	1,750
Memberships	7,600	7,340	7,600	7,650
P/S Building				
Needs Assessment/Feasibility Study	20,000	0	115,000	0
Gardening service	2,500	1,560	3,200	3,200
Building alarm	1,500	1,264	1,500	1,500
Medical waste disposal	5,500	4,562	5,500	5,500
Janitorial	1,500	1,260	1,500	1,500
Misc. Maint/Improvements	13,000	8,967	13,000	13,000
PG&E	8,000	7,037	8,500	9,000
Water/Sewer	2,465	1,969	2,400	2,400
Staff				
Wages	95,081	95,080	99,834	101,830
Longevity Pay	1,000	1,000	1,000	1,000
Overtime Wages	1,575	2,777	2,500	2,500
Vacation Wages Accrual Adjustment	332	551	608	3,861
Medical/dental insurance compensation	10,056	10,056	11,760	12,935
Retirement Contribution	7,226	7,226	7,587	7,740
Payroll Taxes	8,360	8,486	8,919	9,161
Insurance - Workers Comp/Life	2,000	1,842	1,935	2,030
Processing	1,645	1,646	1,730	1,815
Operating Contingency Fund	<u>25,000</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Total Operating Expense	3,704,230	3,746,778	3,876,659	3,812,991
Capital Outlay				
Firefighter qtrs/equip	15,000	11,387	15,000	15,000
Office Furniture/Computers	5,000	2,001	5,000	5,000
Command Vehicle	0	0	60,000	0
Type III Engine	<u>220,000</u>	<u>220,000</u>	<u>372,000</u>	<u>0</u>
Total Capital Outlay	240,000	233,388	452,000	20,000
TOTAL EXPENDITURES	3,944,230	3,980,166	4,328,659	3,832,991

Notes: The standard expenditure increase is 5% unless otherwise indicated or unless policy decisions mandated.

Designated Funds (see attached schedules)

Command Vehicle Replacement Fund	0	0	0	10,264
Engine Replacement Fund	117,874	117,874	75,880	146,947
Public Safety Building Fund	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
	567,874	567,874	525,880	607,211

	FY 2018-2019 <u>Budget</u>	FY 2018-2019 <u>Est Actual</u>	FY2019-2020 <u>Budget</u>	FY 2020-2021 <u>Planning</u>
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Beginning Cash	8,126,594	8,112,109	9,225,826	9,617,844
Revenue	4,430,373	4,604,697	4,720,677	4,795,714
Operating Expenditures	-3,704,230	-3,746,778	-3,876,659	-3,812,991
Capital Expenditures	-240,000	-233,388	-452,000	-20,000
<i>Accrual to Cash Adjustment</i>		<i>489,186</i>		
<u>ENDING CASH</u>	8,612,736	9,225,826	9,617,844	10,580,568

Cumulative Designated Funds

Capital Replacement Funds	-3,754,173	-3,754,173	-4,280,053	-4,887,264
Prepaid CERBT - Retiree Trust	-1,010,137	-1,010,137	-1,010,137	-1,010,137
El Cerrito Contract 12 month set aside	-3,078,930	-3,323,457	-3,169,488	-3,321,111
<u>AVAILABLE CASH</u>	769,496	1,138,059	1,158,166	1,362,055

August 22, 2019

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
 Fiscal Year 2019-2020

SCHEDULE FOR REPLACEMENT OF EQUIPMENT

Type I Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds	Type III Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds
					\$220,000		18-19	41,994	372,100
					\$372,000		19-20		100
					592,000	1,066,105	20-21	71,067	71,167
							21-22	71,067	142,234
							22-23	71,067	213,301
							23-24	71,067	284,368
							24-25	71,067	355,435
							25-26	71,067	426,502
							26-27	71,067	497,569
							27-28	71,067	568,636
							28-29	71,067	639,703
							29-30	71,067	710,770
							30-31	71,067	781,837
							31-32	71,067	852,904
							32-33	71,067	923,971
							33-34	71,067	995,038
							34-35	<u>71,067</u>	1,066,105
								1,066,005	
\$632,000	\$1,138,200	15-16							
		16-17	75,880	75,880					
		17-18	75,880	151,760					
		18-19	75,880	227,640					
		19-20	75,880	303,520					
		20-21	75,880	379,400					
		21-22	75,880	455,280					
		22-23	75,880	531,160					
		23-24	75,880	607,040					
		24-25	75,880	682,920					
		25-26	75,880	758,800					
		26-27	75,880	834,680					
		27-28	75,880	910,560					
		28-29	75,880	986,440					
		29-30	75,880	1,062,320					
		30-31	<u>75,880</u>	1,138,200					
			1,138,200						
					Command Vehicle Cost	Estimated Cost 8 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds
					\$60,000	82,112	19-20		
							20-21	10,264	10,264
							21-22	10,264	20,528
							22-23	10,264	30,792
							23-24	10,264	41,056
							24-25	10,264	51,320
							25-26	10,264	61,584
							26-27	10,264	71,848
							27-28	<u>10,264</u>	82,112
								82,112	

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
Fiscal Year 2019-2020

SAVINGS SCHEDULE FOR BUILDING IMPROVEMENTS/RENOVATION/REPLACEMENT

Adjusted for 4% <u>Inflation</u>	<u>Fiscal</u> <u>Year</u>	<u>Yearly</u> <u>Contribution</u>	<u>Accumulated</u> <u>Reserves</u>
	12-13	100,000	100,000
	13-14	104,000	204,000
	14-15	108,160	312,160
	15-16	432,486	744,646
	16-17	1,089,786	1,834,432
	17-18	650,000	2,484,432
	18-19	450,000	2,934,432
	19-20	450,000	3,384,432
	20-21	450,000	3,834,432

* Based on historical building expenditures, KFPD was setting aside \$100,000 plus inflation per fiscal year to accumulate funds to be available for future building improvements/major repairs.

In preparation for a major building remodel/replacement, any surplus funding from each year will also be contributed to the building replacement fund.