



Board Members: Gail Feldman Paula Black  
Kristine Hafner John Sullivan

Dear Kensington Property Owner,

The financial impact of a newly proposed Memorandum of Understanding (MOU) negotiated between the Kensington Police Protection and Community Service District (KPPCSD) and the Kensington Police Officers' Association will have long term financial consequences for the District and Property Owners. If approved on February 12th, this new MOU sets police salaries and benefits for the next four years.

The Board of the Kensington Property Owners Association (KPOA), with the assistance of other community professionals, analyzed the current financial condition of the District. The analysis, conducted in the wake of two years of operating deficits, evaluates the impact of additional costs on the District budget and ultimately on property owners, who are the sole support of the police budget through our taxes. To underscore this support, the cost of policing Kensington requires over 80% of District funds.

### **Background on Police MOU**

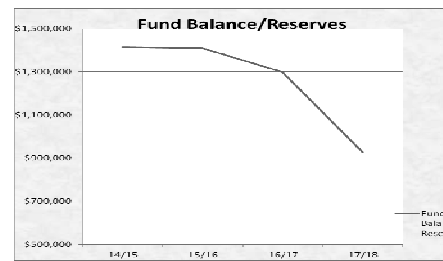
The proposed MOU, which was given its first public review at the November KPPCSD Board meeting, requires police officers to pick up 12% of their pension costs over the four-year agreement. This is a change from the current contract in which the District pays all pension costs, and will reduce the District's pension expenses by \$124,000 over four years. The new pension provision complies with the Public Employees Pension Reform Act, which requires employees to contribute to pension costs. Over the same period, Kensington police officers will receive a 16% salary increase. The District projects that by the fourth year, the MOU will increase annual police salary and benefit expenses by \$233,500.

At the November KPPCSD meeting, many Kensington residents expressed their view that (1) the MOU should be evaluated in the context of its impact on the District budget and finances, (2) the KPPCSD Board needs to identify how the additional expenses can be paid, and (3) the public, and the newly elected Board members, should be given adequate time to evaluate the contract terms and budgetary impacts before a final vote is taken. The KPOA believes that all parties, including taxpayers, must have an opportunity to evaluate the MOU's impact on the long-term financial condition of the District, including the likelihood that taxes would need to be raised in the near future.

### **KPOA Submits Financial Analysis to KPPCSD**

In December, KPOA presented a letter to the KPPCSD Board analyzing the projected impact of the proposed MOU (included in the board's agenda packet for 12/11/14- [www.kensingtoncalifornia.org](http://www.kensingtoncalifornia.org)). Based on data provided by District staff, the County Auditor/Controller and the Actuary at the California Pension System (CalPERS) and other research, KPOA found that the District's financial forecast did not use updated pension rates, and that the cost of the MOU would result in annual operating shortfalls over several years. These shortfalls would continue to reduce the District's reserves, impacting its capacity to provide for emergencies, obligated retiree health benefits and other obligations, including improvements to the Community Center.

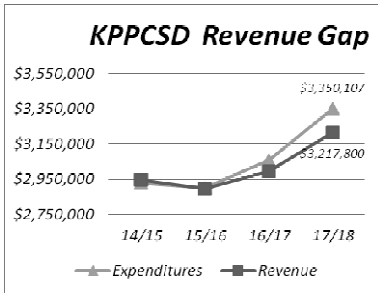
KPOA urged the board to develop a plan to *address the deficit spending and impact to reserves before approving the new MOU*. We also suggested incorporating a provision in the MOU requiring that the agreement be renegotiated if shortfalls continue to chip away at reserves.<sup>1</sup>



<sup>1</sup> The fund balance & reserves are projected to decrease by \$488,170 over four years, of which \$241,500 is for Community Center Repairs.

At its December meeting, the KPPCSD Board postponed its vote on the MOU until February 12th so that accurate financial information could be made available for review by the Finance Committee at its January 15th meeting.

Following a meeting with the District General Manager/Police Chief to discuss new property tax information from the County, KPOA updated our financial forecast (attached), and it continues to show that if the MOU is approved, spending may exceed revenue as early as FY 2015/16. By the end of the MOU in FY 2017/18, we project an annual operating deficit of over \$132,000.



### Call for Action

In the near future, the District will consider further community input on police service in Kensington. Exploration of options with professional experts and jurisdictions that are addressing the high costs of police operations will be an important part of this process.

In the short term, the KPOA Board believes the following issues need to be addressed prior to action on the MOU on February 12th:

1. The MOU should be amended with a provision requiring the agreement to be reopened if District expenses exceed annual revenue.
2. The KPPCSD should adopt a resolution to improve financial transparency and accountability through availability of timely financial information which would include the following actions to be implemented no later than March 31<sup>st</sup>:
  - a. Quarterly five-year financial forecasts in a standardized format that projects the operating shortfall or surplus and the impact to fund balance and reserves.
  - b. Approve a reserve policy that identifies restricted funds and those designated for specific purposes. Segregate restricted funds and liabilities from the general revenue balances, which are used for operations, including solid waste franchise fees.
  - c. Complete the independent annual audits within six months after the close of the fiscal year for timely and accurate information for the public.

If you would like to share your concerns about these issues with the KPPCSD board, we urge you to contact members of the KPPCSD board by email or through the office at 217 Arlington Ave. 94707:

Len Welsh: [lwelsh@kensingtoncalifornia.org](mailto:lwelsh@kensingtoncalifornia.org) Chuck Toombs: [ctoombs@kensingtoncalifornia.org](mailto:ctoombs@kensingtoncalifornia.org)  
 Pat Gillette: [pgillete@kensingtoncalifornia.org](mailto:pgillete@kensingtoncalifornia.org) Vanessa Cordova: [vincordova@alum.berkeley.edu](mailto:vincordova@alum.berkeley.edu)  
 Rachele Sherris Watt [rsherriswatt@kensingtoncalifornia.org](mailto:rsherriswatt@kensingtoncalifornia.org)  
 Greg Harman (General Manager/Police Chief) [gharman@kensingtoncalifornia.org](mailto:gharman@kensingtoncalifornia.org)

Please don't hesitate to copy your comments or ask questions to the KPOA at our email or postal address below. Best wishes for the New Year.

Sincerely,

Gail Feldman, President KPOA