

CROCKETT COMMUNITY SERVICES DISTRICT

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MINUTES OF BUDGET & FINANCE COMMITTEE MEETING JULY 16, 2019

CALL TO ORDER: The meeting was called to order at 5:10 PM by Director Peterson. Also present were Director Mackenzie, General Manager McDonald, and Port Costa Sanitary Department Manager Barnhill.

PUBLIC COMMENTS: None.

1. PROPERTY TAX REVENUE FOR MAINTENANCE DEPARTMENT: Mr. McDonald presented suggested changes to the District Code Sections 2.28.020 and 2.28.038 which would allow the Maintenance Department to receive a share of the ad valorem property tax revenue. Mr. Peterson suggested a clarification be made, adding "Memorial Hall" to Section 2.28.038. Mr. Mackenzie asked if property tax revenue for the Maintenance Department will come from the Recreation Departments share. Mr. McDonald said allocation of property tax revenue will be decided annually by the Board. For this fiscal year the Crockett Sanitary Department received a smaller percentage of the property tax revenue in anticipation of a small share being allocated to the Maintenance Department. The Recreation Department is actually receiving a larger percentage of property tax revenue this year. Mr. Mackenzie asked if there will be a change on the tax bill because of this action. Mr. McDonald said there is no change in what the County collects in ad-valorem property taxes; it remains at 1% of property value. Our previous District attorney, Kent Alm, said that use of ad-valorem property tax revenue is at the discretion of the Board and since the decision to allocate future funding is made prior to receiving the property tax revenue it is not considered funneling money from one department to another. The loss of revenue for the Crockett Sanitary Department can be made up by increasing sewer use charges but it was not required this year. Mr. McDonald said the Board can pursue alternate funding sources, such as bringing a ballot measure before the voters to levy a separate property tax assessment on properties, to benefit the Maintenance Department if desired. Mr. McDonald said he senses the public already feels it pays enough taxes and he would be concerned about putting a ballot initiative to cover the fairly small annual operating and maintenance expenses related to the Maintenance Department. He said it's really a political decision the Board is making on how the ad-valorem property tax should be allocated but it is within its legal right doing so. Mr. Mackenzie said it is important that the District justify the loss of property tax revenue that would otherwise go to the Crockett Sanitary Department and the impact it may have on rising sewer use charges. It was the consensus of the Committee to support changes to the District Code Sections as presented and to approve the property tax funding allocation of \$7,059 for use by the Maintenance Department once the Board adopts Ordinance allowing its use by the Maintenance Department.

2. INFRASTRUCTURE FINANCING FOR PORT COSTA: Mr. McDonald presented a memo describing financing options for anticipated major projects needed at the Port Costa treatment plant and settling tank. Mr. Barnhill explained that there is concern that the settling tank is failing and that without action it could lead to damaging the treatment plant sand bed filtration system.

Initial quotes to clean, investigate, and repair settling tank baffles are upwards of \$100K-\$200K. The treatment plant will require sand bed filtration replacement in the coming years. Mr. McDonald said loan interest rates from the Infrastructure State Revolving Fund (SIR) Program vary but they are currently between 1.4%-1.7% over 20 and 30 year terms. CSDA Finance Corporation is another source of funding that may be available to the department. Mr. Barnhill said it may be wise to get an engineer's opinion on the entire plant and revisit the discharge option study completed by Larry Walker Associates on alternatives before spending \$200K on the settling tank. He said he continues to investigate settling tank options to see if costs for cleaning out the tank can be lowered. He said these issues will be further discussed with the Port Costa Sanitary Commission. Mr. McDonald said he wanted to discuss this issue with the B&F Committee to get their feedback on past experiences with State revolving loans. Mr. Peterson said the State loan program he used was easy enough to manage. He said staff should pay attention to the timetable on funding and reimbursement as some loans require the District pay contractors up front then get reimbursed. Mr. Mackenzie said there is most likely a date where funds must be spent. Mr. McDonald thanked the committee for their feedback. The committee supports staff spending an hour or so to further investigate financing and to share this information with the Port Costa Sanitary Commission.

3. LIABILITY INSURANCE BREAKDOWN BY EXPOSURE: Mr. McDonald said information provided by our insurance carrier underwriter now allows staff to more accurately estimate general liability costs between departments. A comparison between current the Cost Allocation Rate formula, based on audited O&M financials, with that based on risk exposure shows that the Recreation and Maintenance Departments should be paying more of the liability premium. Mr. McDonald included the use of District facilities as a factor in the new allocation formulas for the Recreation and Maintenance Departments; for example, the plaza use by students during the school year, pool and park use in the summer, bocce court use, and rentals at the Community Center. Mr. Mackenzie said this information should be shared with the Recreation Commission before a decision is made. Mr. Peterson asked if the risk factors can be brought back to the next meeting for further discussion. Mr. McDonald said it was doubtful we would be able to get more details on risk that what has already been given. He said if the increase in premium allocation would be a burden to one or two departments maybe setting a target goal, such as to increase over 3 years, could be considered. Discussion ensued on whether fairness between departments should factor into it or should rates be set based on facts known. McDonald said there is no rush to decide on changing the allocation rate as the liability invoice won't arrive until December. He suggested bringing the issue back to the committee in October or November to see if the departments are on target with their revenue and expenses goals compared to their budget and what impact a change would have on their respective departments. Mr. Peterson supports bringing the issue back and asked that a target be defined if that is what staff proposes. Mr. McDonald will give a verbal report to the Recreation Commission.

4. AUDIT SERVICE PROPOSALS: Mr. McDonald said a Request For Proposal (RFP) for audit services was posted on our web site and in addition six auditors were invited via email to submit proposals. Two proposals were received by the RFP deadline and both of them were reviewed and meet our requirements. Mr. Peterson asked for more time to review the audit proposals in detail. McDonald will schedule a B&F Committee meeting at 6:45 pm on July 24 to form a recommendation before the Board meeting. Mr. Peterson asked if the auditor selected will be able to meet State filing requirements and deadlines. Mr. McDonald said it is a requirement in the RFP as well as the GASB 68 pension reporting requirement. Mr. McDonald will solicit feedback from the auditors' references and bring report back to the committee.

5. REPAYMENT OF \$8,000 TO RECREATION: Tabled to a future meeting.

7. OTHER ISSUES OF CONCERN: Mr. McDonald shared CalPERS annual invoices paid towards our Plan's Unfunded Accrued Liability; \$8,076 total for the July 1, 2019 to June 30, 2020 period with allocation split between departments according to our Cost Allocation Rate table.

ADJOURNMENT: The meeting was adjourned at 6:14 PM.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dale McDonald", written in a cursive style.

Dale McDonald
July 23, 2019