

# CROCKETT COMMUNITY SERVICES DISTRICT

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## MINUTES OF BUDGET & FINANCE COMMITTEE MEETING JUNE 18, 2019

CALL TO ORDER: The meeting was called to order at 3:10 PM by Director Peterson. Also present were Crockett Sanitary Commissioner Manzione, Crockett Sanitary Commissioner Wais, Recreation Commissioner Cusack, General Manager McDonald, Recreation Dept. Manager Wilson, and Port Costa Sanitary Department Manager Barnhill. Director Mackenzie arrived later.

PUBLIC COMMENTS: Mr. Manzione suggested moving item #5 up to discuss while waiting for Director Mackenzie to arrive.

5. MUNICIPAL SERVICE REVIEW PROPOSED FINANCIAL REPORTING CHANGES: Mr. McDonald reported that the Contra Costa LAFCO Municipal Service Review (MSR) Update included suggestions related to the finances of the District. The MSR concluded that overall the Comprehensive Annual Financial Reports (CAFRs), required by the State Controller's Office (SCO), are presented clearly however a list of changes could be incorporated to improve the transparency of our financials. Mr. Wilson asked about the unfunded pension liabilities mentioned at the top of page 21-18. Mr. McDonald explained that CalPERS treats unfunded liability separately from that of pension contributions. He gave a brief history of how actuarial assumptions on investment earnings for CalPERS have not been met which has resulted in the State requiring separate reporting of unfunded liabilities, GASB 68 rule, as well as additional billed contributions in order to back-fill the shortfall. The District's annual unfunded liability share for fiscal year (FY) 19/20 is \$8,364 and will be billed July 1, 2019. As part of the upcoming Cost Allocation Rate study a worksheet was developed breaking out the percentage of unfunded liability payments between the recreation and sanitary departments based on current and retired employee assumptions. The share to be billed to Crockett Sanitary for FY 19/20 will be 61.28%, Recreation will be 30.98%, and Port Costa Sanitary will be 7.75%. The MSR suggests the District identify measures to address the increasing pension liabilities. Director Mackenzie arrived at 3:18 PM. Ms. Wais asked about the suggestion that future CAFRs are searchable and asked what the District is doing to address this item. Mr. McDonald said the District has been slowly upgrading software to allow searchable PDF documents and hopes the planned upgrade from Office 2007 to Office 365 next fiscal year will give further tools to help publish searchable results. Mr. Manzione said the District should be careful of posting financials to the web to avoid being hacked. Mr. McDonald said the CAFRs would be PDF documents and separate from our internal system. He said the recent website upgrade to Streamline further insulates the District from potential hacking by letting professionals host the front-end documents that can be searched. Mr. McDonald said budget documents providing a more detailed narrative can be done but it will take additional staff time to develop. He said combining the Sewer Use Charge (SUC) Study Reports along with adding public friendly graphs and charts may be a way to help improve transparency. Mr. Peterson said he is ok with leaving it up to the General Manager to prioritize what might need to be included in next year's budget report. He said the MSR transparency suggestions are that of the consultant hired to develop the report for LAFCO. He asked how often LAFCO updates the MSR. Mr. McDonald said it is updated every five years. Mr. Peterson suggested staff work to

accomplish the majority of the items listed before the next MSR is completed. Mr. McDonald took the suggestions and will consider them when he begins developing the fiscal budget for FY 20/21 in January 2020.

1. COST ALLOCATION RATES: Mr. McDonald reminded the Budget & Finance (B&F) Committee and informed the Commissioners in attendance that many of the District's costs are not specific to one department and therefore are considered "indirect costs". These indirect costs are shared by various departments using allocation formulas on the Cost Allocation Rate. A new version of the allocation worksheet with the inclusion of prior year costs and estimated expenses was provided to the committee to help facilitate discussion. Changes were made to the allocation formulas including changing the weighted allocation formulas for the General Manager's unallocated CSD time which is one of the largest expenses along with liability insurance. Mr. Wilson asked if the dollar amounts listed are the actual costs. Mr. McDonald said that they are estimates based on a variety of factors anticipated in the upcoming fiscal year. There was some discussion on what was included in the District's liability insurance coverage, employee crime insurance, and errors & omissions coverage. Mr. McDonald said the District has a Commercial Package Policy which includes general liability, business auto, excess liability, and public officials and management liability. Mr. Wilson has no objection to move the 0.4% liability split from the Maintenance Department to the Recreation Department as they are managing the park grounds around Memorial Hall now. Mr. McDonald said he has shopped for alternative liability insurance providers in the past but, as we have not had any claims filed, our discounted rate with Alliant Insurance Services, Inc. through partnership with California Sanitation Risk Management Authority (CSRMA) has provided the lowest cost. Mr. Manzione said that the Crockett Sanitary Commission recognizes that revenue needs to be allocated for shared District costs from each department but they have a duty to the rate payers to make sure it is an equitable allocation. He said the allocation rate split should be developed based on the question of risk if possible. Mr. McDonald will research to see if the costs for policy can be broken out and, if so, the business auto liability amount can be applied to the Crockett Sanitary Department as other District Vehicle costs are paid by the Crockett Sanitary Department. Mr. Mackenzie asked if Port Costa should contribute to the share of the truck maintenance and insurance. Mr. McDonald said the truck use by Port Costa is inconsequential and that the administrative time to split these charges between Crockett and Port Costa is not warranted. He said if there is vehicle use that is excessive the Port Costa Department may be billed by Crockett Sanitary for mileage recovery based on the IRS mileage rate in effect. Mr. Wilson said before the Crockett Recreation Association joined the District in 2006 it was paying over \$20K for insurance for the pool and park and suspects the insurance rate we are currently receiving is fair. Mr. McDonald will review the liability insurance allocation, remove the Maintenance department allocation, and update the Cost Allocation Rates before presentation to the District Board. The Committee accepted the Cost Allocation Rates, as submitted with the minor adjustment to the liability allocation removing the Maintenance Department, and made the recommendation that the District Board to accept the Cost Allocation Rates for FY 19/20. Mr. Manzione and Ms. Wais left the meeting.

2. COST OF SERVICES: Mr. McDonald presented the Cost of Services rate sheet with an added prior year rate column to facilitate discussion. Mr. Peterson asked if there were any changes to the extrapolation formulas. Mr. McDonald said the same formulas were used this year for the Cost of Services rate sheet presented. He pointed out the increase in cost for recording Notices of Violation related to property enforcement. The billable rates were developed based on the most current proposed budget for FY 19/20. Cost of Services rate sheet to be effective July 1, 2019 was approved by the Budget & Finance Committee and will be submitted to the District Board for approval.

3. PROPERTY TAX REAPPORTIONMENT: Mr. McDonald presented a draft resolution to the Committee to consider amending the allocation policy to affix the amount allocated to the Crockett Sanitary Department and Crockett Recreation Department based on the amount they received in 2007 and to allow the unallocated property taxes above \$281,211 to remain in the District CSD Fund #3240. These funds would be available for the District Board to allocate as they see fit as part of the annual budget process. Mr. Peterson asked if either the Recreation Commission or Crockett Sanitary Commission have any issues with this proposal. Mr. McDonald briefed both Commissions on the proposal as part of the budget discussions but did not submit the resolution with actual policy language for review. Mr. McDonald said adopting the resolution changing the current policy will give the Board more flexibility in addressing unidentified issues as they come up. Mr. Peterson asked if the budget included the property tax withheld from the Crockett Sanitary Department and Crockett Recreation Department. He said he is worried about creating a slush fund that can be lost in the budget process. Mr. McDonald said property tax revenue is identified under each respective department's budget but that a roll up District CSD Fund 3240 balance summary is not included in the budget. He said it can be easily added as the financial information is readily available in our accounting system. Mr. Peterson said is about time we considered revising the policy and is in favor of passing the resolution, the concept of reallocation is valid, and glad staff came up with the idea. It was the consensus of the B&F Committee to submit the resolution, with minor spelling items corrected, to the District Board for consideration.

4. PROPOSED BUDGET FOR FY 19/20: The proposed FY 19/20 budget was presented to the Committee which included the 11-month budget reports for each of the respective departments. Mr. McDonald said there are two adjustments that will be made to the final budget; 1) the Port Costa Sanitary budget was missing \$1,000 in interest income and this has been added and 2) the Crockett Dog Park Committee has donated \$1,000 to cover the Maintenance Department's administrative costs as they related to the proposed dog park project at the Crockett Bridgehead. Both these items will be updated before presentation to the District Board. Mr. Peterson said, as he understands it, there are no significant changes from what was previously presented in March. Mr. McDonald said the memos included with each department's budget highlight changes since the March report but that overall, he agrees that there have been no significant changes. Mr. McDonald did mention that the Port Costa Sanitary Department recently received a proposal to perform septic tank cleaning in preparation for an engineering study of the condition of the septic tank but it was well above what was estimated in the budget, so much so that even any reasonably acceptable sewer use charge increase would not be enough to cover the additional expense that would occur. He said there is not enough reserve funds to cover the shortfall and staff is researching options to bring back the Port Costa Sanitary Commission. Mr. Peterson gave the General Manager an EBMUD flyer, Customer Pipeline from May – June 2019, which had an article on How Your Bill Finances the Future. He thought the way the breakdown in costs of each dollar was presented could serve our District in our budget report or in reaching out to our rate payers. Mr. McDonald said we do not have the graphic expertise in house to publish such a flyer but that he will take a look at it when developing the District's own annual newsletter, which has been delayed until after the budget is adopted. There were no objections to the proposed FY 19/20 budget. Mr. McDonald will make minor adjustments as discussed and present to the District Board at the public hearing on June 26.

6. OTHER ISSUES OF CONCERN: Mr. McDonald reported that the Personnel Committee met yesterday and supported implementation of a Cost-of-Living Adjustment (COLA) for the upcoming budget year. A summary memo and Bureau of Labor Statics News Release showing the Consumer Price Index, San Francisco Area for April 2019 was handed out. A proposed COLA

increase of 3.98%, to be effective July 1, 2019, will be submitted to the Board on June 26 for their consideration. Mr. McDonald felt it important to brief the B&F Committee and seek input before submittal to the Board. Mr. McDonald said the proposed FY 19/20 budget was developed with an anticipated increase in salary and benefits for its employees factored in so funding is available for the COLA increase. Mr. Peterson asked if the rates are revisited annually. Mr. McDonald said while most agencies have a program for automatic adjustments, usually dictated by union negotiated agreements or management contracts, the proposed COLA increase for our District would be reviewed annually by the Board and increased only by Board action. Mr. Barnhill provided a personal reminder that if a COLA program were in place, and salary schedules were adjusted accordingly to similar nearby agencies, it may have allowed him to have the income level necessary to be able to keep his home. Mr. Peterson wondered how Mr. Wolthuis would feel about the program, not being involved on the Personnel Committee or on the District B&F Committee he has not had a chance to comment on it. Mr. Peterson asked who would be subject to the COLA. Mr. McDonald said all employee pay schedules would receive COLA except for the hourly seasonal pool, maintenance attendant, and temporary positions as they received minimum wage increase in hourly pay on January 1, 2019. Mr. McDonald mentioned that the Personnel Committee received a salary survey along with COLA report and they may recommend further action besides COLA at a later date. Mr. Peterson asked if there is more that needs to be done regarding COLA. Mr. McDonald said that the Personnel Committee supported moving the COLA recommendation to the Board now and directed staff to bring back a revised salary survey to develop target salary goals for management and other year round employee positions. Mr. Peterson is leaning against support of a COLA program without more information. Mr. Mackenzie says the District should consider the impact inflation has on the salary of its employees. He believes we have to keep up with the costs our employees face. He said is leaning to support implementing COLA. Mr. McDonald will report to the Board that the B&F Committee received information on the COLA proposed but did not form a consensus opinion. He will include a summary of the salary study presented to the Personnel Committee with the Board packet.

ADJOURNMENT: The meeting was adjourned at 4:45 PM.

Respectfully submitted,

Dale McDonald  
June 19, 2019