

CROCKETT COMMUNITY SERVICES DISTRICT

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MINUTES OF BUDGET & FINANCE COMMITTEE MEETING MARCH 21, 2019

CALL TO ORDER: The meeting was called to order at 4:00 PM by Director Peterson. Also present were Director Mackenzie, General Manager McDonald, and Recreation Dept. Manager Wilson. Port Costa Sanitary Department Manager Barnhill was absent excused.

PUBLIC COMMENTS: None

1. PROPERTY TAX REAPPORTIONMENT: By CCSD Resolution No. 07/08-09, the Crockett Sanitary Department (CVSAN) and Recreation Department (REC) have been allocated the ad valorem property taxes received from the county by the same formulas historically used by the State and County. The allocation policy remains in force but includes language that it may be amended, superseded or repealed. Mr. McDonald asked that the Budget & Finance (B&F) Committee consider amending the allocation policy to affix the amount allocated to CVSAN and REC based on the amount they received in 2007 and to allow the unallocated property taxes above \$281,211 to remain in CSD Fund #3240. These funds would to be available for the District Board to allocate as they see fit as part of the annual budget process. Our attorney confirmed that the District can use the property tax money received from the county for any authorized District purpose and that there are no restrictions in the law, such as Prop 13, Prop 218 or Prop 26, that would limit what the sanitary department and the recreation department receive. Mr. McDonald briefed the Crockett Sanitary Commission on the proposal last night during a discussion on the sanitary department budget and there was no objection stated at that time. Mr. Peterson has seen this type of reapportionment done by the State when redevelopment agencies were abolished so any change our District imposes would not be setting precedent. He supports the idea as a way to keep our commitment to the voters to protect property taxes in place prior to the formation of our District and still give the Board some flexibility to adjust to changes it may face in the future. He said staff should keep in mind the shift in declining Return-to-Source funding from the Crockett Co-gen plant. He said the Board can consider using some of the unallocated property tax to backfill the departments impacted. It was the consensus of the commission to support modification of the property tax reapportionment policy. Mr. McDonald will draft a new policy and have the Crockett Sanitary Commission and Recreation Commission provide feedback before drafting a resolution. He anticipates bringing the draft resolution and policy back to the B&F Committee in May with resolution submitted to the Board no later than June 26.
2. COST ALLOCATION RATES: Mr. McDonald explained 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. The B&F Committee reviewed the allocation worksheet. It was suggested that using prior year Operation & Maintenance (O&M) expenditures as part of the allocation formulas for the unallocated time of the General Manager, District Secretary, and Legal Advice may be fairer to the Recreation Department. Mr. McDonald will update the Cost Allocation Rates and bring it back to the committee for review before presenting it to the Board in June.

3. PRELIMINARY BUDGET UPDATE FOR FY 19/20: The preliminary FY 19/20 budget was presented to the Committee which included the 9-month budget reports for each of the respective departments. The Recreation and Port Costa B&F Committees are meeting next week to comment on the preliminary budgets as well. Various questions were raised by committee members and answered by Mr. McDonald and Mr. Wilson. The Maintenance Department budget was reviewed in detail. The report layout was not as clear due in part to the splitting of cost centers (Memorial Hall, Bridgehead, and Plaza) and separation of operating and no-operating income and expense on separate pages. Mr. McDonald will keep this under consideration as he updates the Maintenance Department budget and will look for ways to make it easier to understand. Mr. Peterson said he had serious concerns with the budget shortfall this year and next. He said it cannot continue at this rate without changes and suggested partnering with a non-profit, relying on Memorandums-Of-Understandings (MOUs) like what is in place at the plaza, to control costs. Mr. McDonald said that question can be submitted to the Board but he is aware of at least one Board member who is concerned with giving up too much management control to volunteer organizations. He said the primary role of most district boards and committees are to develop policy, control the purse strings, and authorize the funding while letting management implement the policies and handle the operations. The use of non-profits and volunteers adds a level of complexity to the management of the District. Mr. McDonald said, with the exception of professional engineering costs related to the Memorial Hall Project, total expense for the Maintenance Department is minimal, budgeted closer to \$6K. He suggested the Board consider using a share of the property tax funds to fully cover the needs of the Maintenance department. Mr. Peterson said staff should look into paying prior year amounts owed to the Recreation Department, items like \$8K owed for the acquisition of Memorial Hall property, and backfill amounts used from the Walk of Honor funds to make both whole. Mr. Wilson was open to managing other Maintenance cost centers if it would help the District. Mr. McDonald will develop options for discussion and bring back to the committee.

4. OTHER ISSUES OF CONCERN: A question was raised on prevailing wages and how it would be applied to volunteers offering services. Mr. Wilson mentioned there may be a risk to non-profits losing their property tax exemption if they were to lease District facilities as part of any agreement to perform volunteer work for the District. He said it should be investigated before developing any MOUs. Mr. McDonald will reach out to our District Counsel to answer questions if needed.

ADJOURNMENT: The meeting was adjourned at 6:13 PM.

Respectfully submitted,

Dale McDonald
March 22, 2019