



October 21, 2020

Memo for Town Council, Mayor, Administrator, Finance Director

Each year I try to persuade the Council to question the amount that Anacortes bills La Conner for water reconciliation. This memo deals with reconciliation for the year 2020. I request that this be placed on the agenda for a future meeting.

Sheet 1 shows that La Conner will be billed an estimated \$4,759.09 for water, if Anacortes uses the same accounting as last year. Sheet 2 shows that La Conner would receive an estimated \$15,180.63 in refund if the following corrections are made to the accounts:

Fund 401 water Expenditure Detail Status Report for 2020 shows that account 401.711.534.00.10 had an expenditure of \$23,665.82 posted to Wages and Salaries to make the total larger. No reason was given for this expenditure. Benefits remained at \$50,044.71. Account 401.711.534.00.40 had a \$272,621.10 expenditure and a \$112,540.50 expenditure added to Interfund Services to make the total larger. No reason was given for these expenditures. The total of \$408,827.42 increase in expenditures in fund 401 cannot be substantiated and should be reversed before the reconciliation is calculated.

Account 740.534.63.31, Water Distribution Other, shows a reduction of \$15,049.77 for water parts expenditures. Account 740.534.63.31, In-City Maintenance, shows a reduction of \$48,864.66 for water parts expenditures. Account 740.534.64.31, Fire Hydrants Maintenance, shows a reduction of \$180.78 for water parts expenditures. These reductions total \$64,023.21 are unexplained, and they are used to reduce the overall percentage allocated to Retail. They do not make sense and should be reversed.

The percentage of Overhead should be 72.79% instead of 82.84%. See Sheet 3. Note that Reservoirs had no personnel costs and Fire Hydrant Maintenance had overstated benefits.

Customer Records are counted in Overhead and based on percentage of water used. They should be based on the number of accounts. This was the method formerly used by the Gray & Osborne study. The Finance Director of Anacortes always maintains that the study is followed. The cost to La Conner is \$2,880.42 instead of \$47.03.

The 2020 budget sets a 50/50 split for Foster & Garvey attorney fees. Instead, the Anacortes reconciliation accounts for these in Overhead. Regional saves \$50,705.51 (\$1,042.96 to La Conner) if the budget were followed.

Water Distribution Labor is assigned 48.8% to Regional. This should be assigned 100% to Retail. The work is performed in the city limits. The Water Supply Agreement states that Regional ends at Sharpe's Corner. The Gray & Osborne study states on page 6-3 that this charge is for management of labor, not for direct labor. Regional could save \$264,466.63 (\$11,177.16 to La Conner) if this were assigned to Retail. The replacement cost of piping in 2005 has nothing to do with distribution.

Anacortes earned \$103,648.22 from selling water to farmers and contractors. Regional users paid for that water. That should be offset against the cost to Regional users, amounting to \$75,021.63 (\$1,543.12 to La Conner).

If you are interested I can forward the Fund 401 Expenditure Detail Reports for 2020, both the April and the September editions, so that you can see how Anacortes adjusts the books.

Sincerely,

Dan O'Donnell

Dan O'Donnell
328 N. 3rd St.
La Conner, WA 98257
360 466 3057
laconnerdan@gmail.com

Anacortes water fund 401 O&M reconciliation - 2020 - iaw Anacortes, Sep report of expenditures

Year	Total Usage	La Conner			
2017	6,551,937,424	135,788,344			
2018	6,480,991,215	132,026,106			
2019	6,558,047,730	135,145,773			
Average	6,530,325,456	134,320,074	Total cost	5,912,055.43	
Customer	Percentage	Cost	Paid	Due	
La Conner	2.0569%	121,603.09	116,844.00	-4,759.09	
Account	Title	Expend	Allocation	Regional	RCC
711.534.00	Admin overhead	1,579,040.49	82.8406%	1,308,086.62	
"	Taxes & assessments	93,939.05		93,939.05	93,939.05
712.534.00	Eng plans & services	294,264.52		294,264.52	294,264.52
730.534.10	Water treatment plant	3,438,745.28		3,438,745.28	3,438,745.28
730.534.20	Intake operations	153,729.97		153,729.97	153,729.97
730.534.30	Distribution reservoirs	194,609.79	retail		
740.534.13	Water maint admin	291,651.18	54.2%	158,074.94	
740.534.61	Water transmission	200,748.42		200,748.42	200,748.42
740.534.62	Water distribution labor	541,939.82	48.8%	264,466.63	
"	Water distribution other	204,353.15	retail		
740.534.63	In-City maintenance	220,151.41	retail		
740.534.64	Fire hydrants maint	78,664.97	retail		
O&M expenditures for 2020		7,291,838.05		5,912,055.43	4,181,427.24
		2020 Actual	Allocation	Expense Share	Rate per MG
Regional Expenses (RCC)		4,181,427.24	100.0%	4,181,427.24	640.31
Admin overhead (Per Ser)		1,579,040.49	82.8%	1,308,086.62	200.31
Maintenance Admin (NPS)		291,651.18	54.2%	158,074.94	24.21
Water Distribution Labor (NPS1)		541,939.82	48.8%	264,466.63	40.50
Total cost of Regional O&M		6,594,058.73		5,912,055.43	905.32

Anacortes water fund 401 O&M reconciliation - 2020 - with corrections, Apr report of expenditures

Year	Total Usage	La Conner			
2017	6,551,937,424	135,788,344			
2018	6,480,991,215	132,026,106			
2019	6,558,047,730	135,145,773			
Average	6,530,325,456	134,320,074	Total cost	4,942,633.28	
Customer	Percentage	Cost	Paid	Refund	
La Conner	2.0569%	101,663.37	116,844.00	15,180.63	
Account	Title	Expend	Allocation	Regional	RCC
711.534.00	Admin overhead	873,730.01	71.7885%	627,237.67	
"	Customer records	195,072.05	See below - allocation based on number of accounts		
"	Attorney fees (per budget)	101,411.01	50.0%	50,705.51	
"	Taxes & assessments	93,939.05		93,939.05	93,939.05
712.534.00	Eng plans & services	294,264.52		294,264.52	294,264.52
730.534.10	Water treatment plant	3,438,745.28		3,438,745.28	3,438,745.28
730.534.20	Intake operations	153,729.97		153,729.97	153,729.97
730.534.30	Distribution reservoirs	194,609.79	retail		
740.534.13	Water maint admin	291,651.18	54.2%	158,074.94	
740.534.61	Water transmission	200,748.42		200,748.42	200,748.42
740.534.62	Water distribution labor	541,939.82	retail		
"	Water distribution other	219,402.92	retail		
740.534.63	In-City maintenance	269,016.07	retail		
740.534.64	Fire hydrants maint	78,845.75	retail		
O&M expenditures for 2020		6,947,105.84		5,017,445.35	4,181,427.24
		2020 Actual	Allocation	Expense Share	Rate per MG
Regional Expenses (RCC)		4,181,427.24	100%	4,181,427.24	640.31
Admin overhead (Per Ser)		873,730.01	71.8%	627,237.67	96.05
Attorney fees (iaw 2020 budget)		101,411.01	50.0%	50,705.51	7.76
Maintenance Admin (NPS)		291,651.18	54.2%	158,074.94	24.21
Total cost of Regional O&M		5,448,219.44		5,017,445.35	768.33
	Number of accounts	Cost/account	La Conner	Cost	iaw Anacortes
Customer records	8,295	23.52	2	47.03	2,880.42
			Total	5,017,492.39	
000.343.90	Irrigation offset			-74,859.11	
System O&M cost	6,947,105.84		Net cost	4,942,633.28	
Regional O&M cost	5,017,492.39				
Percent	72.22%				
Farmers/Const/Temp	103,648.22				
Irrigation offset	74,859.11				

Calculation of Overhead (Per Ser) percentage. Acct 401.711.534

Per Ser Allocation Factor - 2020 - according to Anacortes

Acct no.	Description	Wages	Benefits	Total Pers	Alloc	Reg Direct
712.534.00	Eng plans & services	195,389.33	90,351.08	285,740.41	100%	285,740.41
730.534.10	Water treatment plant	939,174.61	413,589.49	1,352,764.10	100%	1,352,764.10
730.534.20	Intake operations	36,511.26	16,207.86	52,719.12	100%	52,719.12
730.534.30	Reservoirs	?	?	?	0%	0.00
740.534.13	Water maint admin	91,099.45	26,524.54	117,623.99	54.2%	63,752.20
740.534.61	Water transmission	79,967.43	27,563.92	107,531.35	100%	107,531.35
740.534.62	Water distribution labor	363,742.43	178,197.39	541,939.82	48.8%	264,466.63
740.534.63	In-City maintenance	55,884.46	13,176.10	69,060.56	0%	0.00
740.534.64	Fire hydrants maint	21,898.49	18,271.69	40,170.18	0%	0.00
Personnel fixed operating costs				2,567,549.53		2,126,973.81
Percentage - Regional Direct/Total Personnel						82.8406%

Calculation of Overhead (Per Ser) with corrections

Acct no.	Description	Wages	Benefits	Total Pers	Alloc	Reg Direct
712.534.00	Eng plans & services	195,389.33	90,351.08	285,740.41	100%	285,740.41
730.534.10	Water treatment plant	939,174.61	413,589.49	1,352,764.10	100%	1,352,764.10
730.534.20	Intake operations	36,511.26	16,207.86	52,719.12	100%	52,719.12
730.534.30	Reservoirs	?	?	?	0%	
740.534.13	Water maint admin	91,099.45	26,524.54	117,623.99	54.2%	63,752.20
740.534.61	Water transmission	79,967.43	27,563.92	107,531.35	100%	107,531.35
740.534.62	Water distribution labor	363,742.43	178,197.39	541,939.82	0%	
740.534.63	In-City maintenance	55,884.46	13,176.10	69,060.56	0%	
740.534.64	Fire hydrants maint	21,898.49	9,516.41	31,414.90	0%	
Personnel fixed operating costs				2,558,794.25		1,862,507.18
Percentage - Regional Direct/Total Personnel						72.7885%

Reservoirs expenditures for personnel are missing. Expenditures totalled \$194,609.79 for O&M.
 Water Distribution expenditures for labor are for in-city work. Should be Retail.
 Fire Hydrants benefits are overstated. Should be adjusted downward to be consistent.