



The Honorable Marna Hanneman, Mayor of La Conner

On August 11, 2024, at the Anacortes Finance Committee meeting, the Finance Director stated that the allocation of water distribution labor would be changed to 100% Retail, instead of 48.8%. This is because the labor is performed in the City limits and the Water Supply Agreement states that Regional ends at Sharpes Corner.

On August 21, 2024, I sent an email to the Finance Director of Anacortes, copy attached. It outlined three things that needed to be addressed in water reconciliation. They have not been addressed.

The reconciliation for 2023 has not been completed. If the three items are addressed, the Town of La Conner will receive a refund of \$7,005.71. If the allocation of water distribution labor remains at 48.8%, the Town will owe Anacortes \$4,192.48. Attached are two spreadsheets showing the different scenarios.

I request that the Mayor send a letter to the Mayor of Anacortes in support of the first spreadsheet.

Sincerely,

Dan O'Donnell

cc: Town Council
Administrator
Finance Director

2023 reconciliation

4 messages

Dan O'Donnell <laconnerdan@gmail.com>

Wed, Aug 21, 2024 at 3:15 PM

Reply-To: laconnerdan@gmail.com

To: "Hoglund, Steve" <steveh@cityofanacortes.org>, chrisg@fcsgroup.com, rhondap@anacorteswa.gov, Scott Thomas <Administrator@townoflaconner.org>

I met with the Mayor and the Administrator of the Town of La Conner this morning. Scott Thomas will write a letter concerning the 2023 reconciliation, recognizing that expenditures may be adjusted. Three issues need to be addressed.

Customer records: Allocation needs to be based on number of accounts, not usage. This is in accordance with Appendix B of the Gray & Osborne study and Mayor Gere's letter. See attachments.

Water distribution labor: Steve Hoglund stated at the Finance Committee meeting on April 11, 2024, that the allocation would be changed to 100% Retail.

Irrigation services: In accordance with GAAP, revenues from Irrigation and Reclamation Services should be deducted from total expenses allocated to Regional.

Dan O'Donnell

2 attachments

 [scan_240323-223000.pdf](#)
1048K

 [scan_240323-222505.pdf](#)
751K

Steve Hoglund <steveh@cityofanacortes.org>

Fri, Aug 30, 2024 at 12:01 PM

To: "laconnerdan@gmail.com" <laconnerdan@gmail.com>, "chrisg@fcsgroup.com" <chrisg@fcsgroup.com>, Rhonda Peck <rhondap@anacorteswa.gov>, Scott Thomas <Administrator@townoflaconner.org>

Hi Dan,

We generally start the reconciliation process after we close the books on the year, which is generally after the State Auditors have completed their review.

I believe we've talked about the irrigation question below, but that irrigation consumption is not included in the regional amounts, the irrigation consumption is included in the City of Anacortes consumption for reconciliation (et al) purposes.

Below is a screenshot of the current contract section re: reconciliations.

7.1.3 Reconciliation to Actual Operating Costs. After year-end, a reconciling charge or credit shall be calculated that accounts for the difference between the budgeted and actual Operating Costs of the Water Supply System during the given year. The reconciling charge or credit shall be allocated to regional customers based on the same relative percentages as the corresponding preliminary operating charge.

2023 Anacortes Water Reconciliation

DanOD 8/25

Based on 2020-2022 average consumption and 2023 actual costs.

Average Consumption		Consumption 2023	6,588,183,835 gallons						
Year	Total (adjusted)	Holly Frontier	Marathon	La Conner	Oak Harbor	PUD	Swinomish	Retail	
2020	6,420,110,689	2,810,421,318	1,950,903,249	135,904,763	733,299,906	58,897,485	41,472,437	689,211,531	
2021	5,922,917,000	2,311,525,077	1,883,342,207	128,037,082	739,895,667	83,476,559	46,702,697	729,937,711	
2022	6,109,473,897	2,519,851,545	1,907,725,747	145,796,016	710,649,677	64,795,008	45,034,346	715,621,558	
Average	6,150,833,862	2,547,265,980	1,913,990,401	136,579,287	727,948,417	69,056,351	44,403,160	711,590,267	
Percent		41.41%	31.12%	2.22%	11.83%	1.12%	0.72%	11.57%	

MONCON totals adjusted for agriculture and construction. Del Mar and Deception Shores not revealed.

Expenditures per expdetl.rpt dated 8/6/2025

Account	Title	Actual Cost	Allocation	Regional Share	RCC
711.534.00	Admin overhead	2,079,051.04	75.8380%	1,576,710.73	Net of excise tax
"	Customer records	286,597.67	see below		
712.534.00	Eng plans & services	457,549.97		457,549.97	457,549.97
730.534.10	Water treatment plant	4,165,930.67		4,165,930.67	4,165,930.67
730.534.20	Intake operations	225,825.94		225,825.94	225,825.94
730.534.30	Distribution reservoirs	368,008.00	retail		
740.534.13	Water maint admin	450,954.73	54.2%	244,417.46	
740.534.61	Water transmission	219,519.98		219,519.98	219,519.98
740.534.62	Water distribution	913,469.71	retail		Per Finance Director at Finance Committee meeting 4/11/24
740.534.63	In-City maintenance	606,808.02	retail		
740.534.64	Fire hydrants maint	51,435.76	retail		
O&M expenditures for 2023		9,825,151.49		6,889,954.75	5,068,826.56

Reconciled Expenses	2023 Actuals	Allocation	Regional	Annual
			Exp Share	Rate per MG
Regional Expenses (RCC)	5,068,826.56	100.0%	5,068,826.56	769.38
Admin Overhead (Per Ser)	2,079,051.04	75.8%	1,576,710.73	239.32
Maintenance Admin (NPS)	450,954.73	54.2%	244,417.46	37.10
Total			6,889,954.75	1,045.80
Less Irrigation/Reclamation services	-565,099.15	70.1%	-396,279.65	Revenue per revdetl.rpt dated 6/20/2024
Net cost to Regional			6,493,675.10	

Customer Records	Cost	No. of accts	Cost/account
	286,597.67	9,214	31.10
Customer	Share	Cust Rec	Total
Holly Frontier	2,689,248.00	186.63	2,689,434.63
Marathon	2,020,674.28	31.10	2,020,705.39
La Conner	144,192.08	62.21	144,254.29
Oak Harbor	768,523.52	31.10	768,554.63
PUD	72,905.48	311.05	73,216.53
Swinomish	46,878.15	31.10	46,909.25
			Total 914,405.29

Total water sales	13,740,843.34
Total O&M cost	9,825,151.49
Refunds	914,405.29
Profit after reconciliation	3,001,286.56

Sources:

Water Supply Agreement 2017-2036

MONCON reports for 2020-2023

Expenditure report fund 401 for 2023 as of 8/6/2025

Revenue report fund 401 for 2023 as of 6/20/2024

Contractual report for 2023

Gray & Osborne study, Appendix B, September, 2005 (Customer Records)

2023 Anacortes Water Reconciliation

DanOD 9/2/2025

Based on 2020-2022 average consumption and 2023 actual costs.

Average Consumption		Consumption 2023	6,588,183,835 gallons					
Year	Total (adjusted)	Holly Frontier	Marathon	La Conner	Oak Harbor	PUD	Swinomish	Retail
2020	6,420,110,689	2,810,421,318	1,950,903,249	135,904,763	733,299,906	58,897,485	41,472,437	689,211,531
2021	5,922,917,000	2,311,525,077	1,883,342,207	128,037,082	739,895,667	83,476,559	46,702,697	729,937,711
2022	6,109,473,897	2,519,851,545	1,907,725,747	145,796,016	710,649,677	64,795,008	45,034,346	715,621,558
Average	6,150,833,862	2,547,265,980	1,913,990,401	136,579,287	727,948,417	69,056,351	44,403,160	711,590,267
Percent		41.41%	31.12%	2.22%	11.83%	1.12%	0.72%	11.57%

MONCON totals adjusted for agriculture and construction. Del Mar and Deception Shores not revealed.

Expenditures per expdetl.rpt dated 8/6/2025

Account	Title	Actual Cost	Allocation	Regional Share	RCC
711.534.00	Admin overhead	2,079,051.04	85.1526%	1,770,366.02	Net of excise tax
"	Customer records	286,597.67	see below		
712.534.00	Eng plans & services	457,549.97		457,549.97	457,549.97
730.534.10	Water treatment plant	4,165,930.67		4,165,930.67	4,165,930.67
730.534.20	Intake operations	225,825.94		225,825.94	225,825.94
730.534.30	Distribution reservoirs	368,008.00	retail		
740.534.13	Water maint admin	450,954.73	54.2%	244,417.46	
740.534.61	Water transmission	219,519.98		219,519.98	219,519.98
740.534.62	Water distribution	213,818.48	retail		
"	Water distribution labor	699,651.23	48.8%	341,429.80	
740.534.63	In-City maintenance	606,808.02	retail		
740.534.64	Fire hydrants maint	51,435.76	retail		
O&M expenditures for 2023		9,825,151.49		7,425,039.84	5,068,826.56

Reconciled Expenses	2023 Actuals	Allocation	Regional	Annual
			Exp Share	Rate per MG
Regional Expenses (RCC)	5,068,826.56	100.0%	5,068,826.56	769.38
Admin Overhead (Per Ser)	2,079,051.04	85.2%	1,770,366.02	268.72
Maintenance Admin (NPS)	450,954.73	54.2%	244,417.46	37.10
Distribution labor (NPS1)	699,651.23	48.8%	341,429.80	51.82
Total			7,425,039.84	1,127.02
Less Irrigation/Reclamation services	-565,099.15	75.6%	-427,055.37	Revenue per revdetl.rpt dated 6/20/2024
Net cost to Regional			6,997,984.47	

Customer Records	Cost	No. of accts	Cost/account
	286,597.67	9,214	31.10
Customer	Share	Cust Rec	Total
Holly Frontier	2,898,099.37	186.63	2,898,286.00
Marathon	2,177,603.14	31.10	2,177,634.24
La Conner	155,390.27	62.21	155,452.48
Oak Harbor	828,208.31	31.10	828,239.41
PUD	78,567.44	311.05	78,878.49
Swinomish	50,518.78	31.10	50,549.88
			Total 468,439.50

Total water sales	13,740,843.34
Total O&M cost	9,825,151.49
Refunds	468,439.50
Profit after reconciliation	3,447,252.35

Sources:

Water Supply Agreement 2017-2036

MONCON reports for 2020-2023

Expenditure report fund 401 for 2023 as of 8/6/2025

Revenue report fund 401 for 2023 as of 6/20/2024

Contractual report for 2023

Distribution labor charged 48.8% to Regional, contrary to Finance Director's statement at Finance Committee meeting of 4/11/2024