



April 25, 2023

Via Email and U.S. Mail

President Dan Rich  
Board of Directors  
San Juan Water District  
9935 Auburn Folsom Road  
Granite Bay, California 95746

**RE: Agenda Item V.2 FY 2023-24 Budget Assumptions: Use of San Juan Water District (SJWD) Final Cost Allocation Plan**

Dear President Rich and Honorable Directors:

Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD) appreciate the opportunity to submit comments as you consider the development of your Fiscal Year 2023-24 budget and wholesale rates. We understand that these efforts will rely on the Cost Allocation Plan (CAP) developed by your staff with the assistance of MGT of America Consulting, LLC (MGT). CHWD and FOWD have identified a number of weaknesses in the CAP that unfairly allocate costs between your wholesale and retail utilities that would result in water customers in Carmichael, Citrus Heights, Fair Oaks, Folsom, Orangevale, and Roseville subsidizing SJWD – Retail customers. Your management team has declined to correct these errors. We submit these comments to ensure you are aware of the concerns with the CAP and to urge you to direct your staff to correct these issues before the CAP is used to develop unfair budgets and flawed wholesale water rates.

*Inadequate Resources Resulted in Flawed Study*

As an initial matter, CHWD and FOWD appreciate SJWD's agreement to develop a cost allocation plan. These plans are best practice and ensure that costs are fairly and reasonably allocated between different utilities as required by Proposition 26 and other applicable law. CHWD and FOWD further appreciate that SJWD agreed to engage MGT. CHWD and FOWD actually provided a list of qualified firms to SJWD, from which SJWD used to select MGT.

Unfortunately, the development of the CAP has been a flawed process. Despite industry and best practices, to the contrary, MGT has not been primarily responsible for the consideration, development, or oversight of important cost allocation metrics. Rather, your staff simply suggested metrics and MGT (without any fact checking or detailed review) incorporated them into the CAP. During a March 23<sup>rd</sup> meeting on the 90% draft of the CAP, MGT's Vice President Patrick Dyer explained that they did not have enough "hours" (i.e., dollars) in their agreement with SJWD to do this level of robust analysis and oversight.<sup>1</sup> We understand that MGT can only provide the level of effort commensurate with the resources they were provided. At this point, it appears that inadequate funding and resources have resulted in a flawed work product.

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<sup>1</sup> Minutes from March 23, 2023 meeting with CHWD, FOWD, SJWD, & MGT, Attachment p. 48.

### *The General Manager Cost Allocation is Arbitrary*

The flaws in the CAP are set forth in detail in the attached correspondence but can be highlighted by a few examples. Initially, the CAP proposes an 85/15 split between wholesale and retail for the General Manager and related costs. This split is based on the estimated level of effort of the position. CHWD and FOWD do not dispute that level of effort is an appropriate conceptual methodology to allocate costs as time spent between the two utilities can be a reasonable way to allocate costs. The issue is that we have incomplete information. Mr. Helliker does not keep time sheets or other records that identify his tasks and efforts by utility.

To address this, Mr. Helliker and the CAP estimate his level of effort in two ways: (1) over 75% by use of the number of emails sent, as well as the subject matter of those emails, by the General Manager and (2) less than 25%, by use of direct time.<sup>2</sup> For direct time, Mr. Helliker only identified 2.5 hours of direct charges to Retail, which translates to five hours for the entire fiscal year.<sup>3</sup> This included no direct time allocated to the Retail utility for the entire months of January and March. This metric alone generates doubts concerning whether the General Manager's allocation is fair and reasonable. It appears to have excluded time spent by the General Manager in meetings (including Board meetings), phone calls, or conducting other SJWD business. In addition, Mr. Helliker provided no records to substantiate his direct time.

For the use of emails sent, SJWD is the only agency we are aware of in the state that uses this methodology.<sup>4</sup> This metric is frankly odd and clearly inadequate as it excludes time spent reviewing emails received and the actual time spent drafting the sent emails. In addition, Mr. Helliker arbitrarily selected the time period and way to allocate emails sent.<sup>5</sup>

The review only included emails for January through May and September of 2022. When asked why this general period was selected, Mr. Helliker indicated that this seemed like a "reasonable sample."<sup>6</sup> He explained that he used a non-contiguous period (excluding June-August) because he only had "time" to review six months of emails sent. Whatever his motivations, this sample is obviously inadequate as it introduces seasonality in the process and ignores that oftentimes managers will devote periods of time to major wholesale or retail projects. The choice of this non-contiguous time period was completely arbitrary.

Moreover, some emails sent are not clearly or completely wholesale or retail. Rather, some emails are partially wholesale or retail. Mr. Helliker allocated emails sent between wholesale or retail on an ad hoc basis as he went through the emails.<sup>7</sup> There is no complete methodology that indicates all of the different percentages used or the number of emails assigned those percentages. Rather, Mr. Helliker provided MGT with the final determined 85/15 split and has only retained a "sample" of email subject lines and percentage splits for his "record."<sup>8</sup> He provided his "sample," but it is impossible to decipher. As an example, one email subject line provided that was allocated 100% to wholesale is titled "RE: ChatGPT comment letter."<sup>9</sup> Another email allocated 50/50 is entitled

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<sup>2</sup> Paul Helliker Time Expenditure Cost Allocation Analysis, Attachment p. 71.

<sup>3</sup> Letter from CHWD & FOWD to SJWD (March 8, 2023), Attachment p. 10; see also Paul Helliker Time Expenditure Cost Allocation Analysis, Attachment p. 71.

<sup>4</sup> SJWD did not receive or maintain copies of any of the cost allocation plans cited in the CAP as examples of similar plans. It is unclear how they can be considered similar if SJWD did not review them.

<sup>5</sup> Minutes from March 23, 2023 meeting with CHWD, FOWD, SJWD, & MGT, Attachment p. 44.

<sup>6</sup> Minutes from March 23, 2023 meeting with CHWD, FOWD, SJWD, & MGT, Attachment p. 44.

<sup>7</sup> Minutes from March 23, 2023 meeting with CHWD, FOWD, SJWD, & MGT, Attachment pp. 43–44.

<sup>8</sup> Paul Helliker Cost Allocation, Attachment pp. 73–75.

<sup>9</sup> Paul Helliker Cost Allocation, Attachment p. 73.

“Strategic Petroleum Reserve.”<sup>10</sup> It is impossible to understand or reconstruct how the actual 85/15 split was determined. This is, by definition, arbitrary.

*Finance Department Cost Allocation is Completely Unsupported*

Another example is the 50/50 allocation between wholesale and retail for the finance department. The CAP indicates that 50/50 represents a reasonable estimate of allocation between the two utilities without sufficient back-up or supporting explanation or evidence. Stated differently, SJWD staff decided that 50/50 was appropriate, and MGT apparently inserted that arbitrary allocation into the CAP.

Moreover, the Finance Department also serves as Human Resources. The CAP does not acknowledge this responsibility, and this demonstrates its lack of intellectual rigor. Human Resource is a function of total FTEs as well as ensuring adequate compensation and the recruitment of talent. As such, using a percentage of FTEs or percentage of total Salaries & Benefits between the two utilities would be a reasonable correlation to the benefit/effort received by Human Resources. In addition, Customer Service and Water Efficiency divisions, representing 8 FTEs, are subdepartments under Finance, and only 0.25 of an FTE is assigned to Wholesale. With the supervisory responsibilities of 7.75 employees that are “Retail-Facing,” the allocation should lean more towards Retail. Rather than utilize these options, the CAP simply applies a 50/50 split. This arbitrary methodology clearly weights the CAP in favor of Retail at the expense of the Wholesale utility.

*CHWD and FOWD Provided Alternative Metrics*

The arbitrary metrics in the CAP were chosen despite our advisement of several more routinely used metrics. These metrics, consistent with best practices, are noted in the table below:

Table 1

Metric	Retail	Wholesale	Total	% Retail	% Wholesale
Operating Budget <sup>11</sup>	\$13,589,700	\$10,269,800	<b>\$23,859,500</b>	56.96%	43.04%
Salaries & Benefits <sup>12</sup>	\$3,959,700	\$5,730,600	<b>\$9,690,300</b>	40.86%	59.14%
FTEs <sup>13</sup>	31.25	18.67	<b>49.92</b>	62.60%	37.40%
Total Operating Revenue <sup>14</sup>	\$14,993,754	\$10,794,943	<b>\$25,788,697</b>	58.14%	41.86%
Net Investment in Capital Assets <sup>15</sup>	\$19,647,205	\$36,581,914	<b>\$56,229,119</b>	34.94%	65.06%
Total Bills <sup>16</sup>	64,050	20	<b>64,070</b>	99.97%	0.03%

As you can see, the above metrics used by agencies across the state when developing cost allocation plans would result in dramatically different allocations for the General Manager’s time and for the Finance Department. We do not suggest that there is only one metric to use or even

<sup>10</sup> Paul Helliker Cost Allocation, Attachment p. 74.

<sup>11</sup> FY 2023 Budget (Page 49 and Page 51).

<sup>12</sup> FY 2023 Budget (Page 49 and Page 51).

<sup>13</sup> MGT CAP (Page 17) - Which reflects 0.85 FTE of GM to Wholesale and 50/50 Split of Finance.

<sup>14</sup> FY 2022 ACFR (Page 58 and Page 60).

<sup>15</sup> FY 2022 ACFR (Page 54 and Page 56).

<sup>16</sup> Retail 2021 Financial Plan (Page 21 - 10,675 accounts; billed bimonthly); Wholesale - (5 Agencies billed quarterly).

which metric to use. For example, "Operating Budget" might be appropriate for the General Manager as it indicates a general overall level of effort by the General Manager and organization. "FTEs" or "Salaries and Benefits" might be best for the human resources portions of the Finance Department. "Total Bills" is most closely connected to billing functions in Finance. However, one cannot look at Table 1 above and the CAP and conclude that the CAP fairly or appropriately allocates costs associated with the General Manager and Finance Department.

From a more common sense point of view, the CAP produced by your staff results in SJWD taking the position that its retail operation can be managed with (1) 15% of the time of your General Manager and (2) 50% of the time of your Finance team. While we have appreciated the suggestion by your General Manager that San Juan-Retail runs lean, we are not aware of any other water district in the state of a similar size with more than 10,600 connections that is effectively managed by such few management employees. Rather, the more apt conclusion is that SJWD Retail costs are being shifted such that water customers in the FOWD, CHWD, Orangevale, and Folsom-Ashland retail areas are being asked to bear more than their fair share of SJWD's overall costs. And, this lopsided cost allocation will only become more indefensible to the extent SJWD moves forward with the tens of millions of dollars of new well drilling and other projects outlined in its draft wholesale capital plan that provide no benefit to the great majority of customers in the wholesale service area.

*SJWD Should Modify Its CAP to Avoid Cost Shifts to Wholesale Customers*

CHWD and FOWD urge the Board of Directors to direct your staff to correct these and other errors in the CAP. Any attempt to use this CAP to develop SJWD budgets and future wholesale rates will unfairly, unreasonably, and illegally shift significant costs onto Carmichael, Citrus Heights, Fair Oaks, Folsom, Orangevale, and Roseville retail customers. Respectfully, this is unacceptable, particularly for those SJWD Directors representing these areas. Please let us know if we can provide any additional information, and we would be happy to work collaboratively with you and your staff to fix the CAP and move forward in a manner that protects SJWD, wholesale customer service agencies, and all customers and residents.

Sincerely,



Hilary M. Straus  
General Manager  
Citrus Heights Water District

Sincerely,



Tom R. Gray  
General Manager  
Fair Oaks Water District

cc: CHWD Board of Directors  
FOWD Board of Directors  
OVWC Board of Directors  
Paul Helliker, General Manager, SJWD  
Donna Silva, Director of Finance, SJWD  
Joe Duran, General Manager, OVWC  
Elaine Andersen, City Manager, City of Folsom  
Stacey Tamagni, Director of Finance/CFO, City of Folsom  
Marcus Yasutake, Environmental & Water Resources Director, City of Folsom

Attachment – Excerpt of Correspondence

**Attachments to April 25, 2023, Letter of Citrus Heights Water District and  
Fair Oaks Water District to San Juan Water District Board of Directors**

**Table of Contents**

	Page
March 8, 2023, Letter to Donna Silva from Hilary Straus and Tom Gray .....	2
March 20, 2023, Letter to Hilary Straus and Tom Gray from Donna Silva.....	19
Attached Thereto: SJWD and MGT Answers to Questions from CHWD and FOWD on the Draft Cost Allocation Plan.....	20
April 5, 2023, Letter to Donna Silva from Hilary Straus and Tom Gray .....	36
Attached Thereto: Minutes from March 23, 2023, Meeting Between CHWD, FOWD, SJWD, and MGT.....	38
April 6, 2023, Email from Donna Silva to Hilary Straus and Tom Gray .....	51
Attached Thereto: Copy of MGT PowerPoint Presented at Meeting of March 23, 2023.....	52
April 19, 2023, Email Chain Between Paul Helliker, Donna Silva, Hilary Straus, Tom Gray .....	66
Excel Spreadsheet Entitled “Cost Allocation Analysis – Paul Helliker Time Expenditure” .....	71
Word Document Detailing Sample Subject Lines of Paul Helliker’s March 2023 Outgoing Emails.....	73

**March 8, 2023,  
Letter to Donna  
Silva from Hilary  
Straus and Tom  
Gray**



March 8, 2023

Via Email and U.S. Mail

Ms. Donna Silva  
Finance Director  
San Juan Water District  
9935 Auburn Folsom Road  
Granite Bay, California 95746

**RE: MGT COST ALLOCATION PLAN (CAP) for San Juan Water District (SJWD)—  
Ninety Percent (90%) Draft**

Dear Donna:

Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD), representing approximately sixty-five (65%) of the retail customers within the family of agencies receiving surface water provided by San Juan Water District (SJWD), have reviewed MGT of America Consulting, LLC (MGT)'s Cost Allocation Project Final Draft (90% draft), and provide the following comments, as noted within topic headings provided below.

As a result of the circumstances described below, CHWD and FOWD ask that completion of the final CAP and its approval by the SJWD Board of Directors be delayed until all of our agencies' concerns are fully addressed. The CAP is, of course, a critical document that will have a significant effect on the entire wholesale family of agencies for years to come. Accordingly, providing MGT with time to fully digest and respond to our comments, as well as to make any necessary changes to the final report, is critical to ensure that the report is both accurate and accepted by the entire wholesale family of agencies and their customers.

**PROCEDURAL COMMENTS: CAP Process/Stakeholder Engagement**

- SJWD's development of a CAP is a result of discussions among the three agencies dating back to late 2021, which culminated in a request by CHWD and FOWD in early 2022 for SJWD to prepare a formal, documented CAP, as a result of CHWD and FOWD's:
  1. ongoing concern that SJWD's prior CAP methodology, inadequately supported by data or documentation, has resulted in SJWD's – Retail Agency being subsidized by SJWD's – Wholesale Agency;
  2. fiduciary obligation to CHWD/FOWD customers to ensure that wholesale agency charges, including those arising from SJWD's wholesale rates, comply with applicable law. SJWD also has an obligation under its wholesale water supply agreements with CHWD and FOWD to base its wholesale water rates and charges on cost-of-service principles and other applicable provisions of law.

- Nearly one year ago on March 31, 2022, CHWD and FOWD researched and provided a list of financial subject matter experts who develop and update cost allocation plans to SJWD. As a result of this submittal, SJWD agreed to utilize one of these consultants – MGT.
- Six months (April-September 2022) elapsed before SJWD finalized an agreement with MGT. Actual work on the CAP began during the third quarter of 2022, continuing through February 6, 2023, when the final draft CAP was distributed to stakeholder agencies for review and comment.
- From the outset of this project, CHWD and FOWD requested significant and meaningful stakeholder agency involvement. But, once the project finally commenced after the above noted delay, it has been fast-tracked which has negatively impacted meaningful stakeholder agency input.
- For example, CHWD and FOWD requested that cost allocation methodologies and back-up data/key source material with explanations be presented for analysis at the 35-50% milestone, offering as many scheduled meetings as required to ensure common understanding or agreement on the issues, before a cost allocation distribution methodology was applied to SJWD cost centers by MGT.

The single December 14, 2022, virtual meeting to which stakeholders were invited included only a cursory review of a few cost allocation approaches and initial suggestions by MGT. This one progress meeting (coupled with the limited source data provided to stakeholders on January 20, 2023), *do not* constitute meaningful CHWD and FOWD involvement in the CAP's development, as CHWD and FOWD had requested and been promised at the 35-50% milestone.

- Shortly thereafter, on February 6, 2023, a “final draft report” was distributed to CHWD and FOWD, with a request for our agencies to “meet and discuss” this final draft within the subsequent two to four weeks. Less than 30 days does not provide our agencies sufficient time to thoroughly analyze this report's data, its source material, the CAP findings (not provided until up to this point), and, most importantly, the consultant's recommendations for SJWD allocations moving forward.

Unfortunately, the fits and starts manner in which the final draft CAP was developed has reinforced CHWD's and FOWD's concerns that the CAP is being fast-tracked to completion, resulting in a lack of meaningful review of stakeholder agency input that could lead to a more robust CAP acceptable to all stakeholder parties.

## **SUBSTANTIVE COMMENTS**

### **Cost Allocation Approach—General**

The final draft CAP does not follow the practices, methodologies and standards MGT itself represented it would use and apply in preparing the document. For example:

- MGT indicates — on its website (Financial Solutions); in its RFP response to SJWD; and, in its Cost Allocation Project Final Draft — that it “relies on best practices among similar



jurisdictions and Federal guidelines outlined in 2 CFR Part 200” (MGT Cost Allocation Final Draft, p. 1). Nonetheless, as described in more detail below, an analysis of the Cost Allocation Project Final Draft clearly demonstrates that MGT has not followed its own recommended CAP standards. *Why has MGT not applied its recommended CAP standards for the SJWD CAP?*

- SJWD’s letter to CHWD and FOWD, dated January 17, 2023, states: “MGT has **not** recommended that SJWD follow the [federal] guidelines in the regulation in the creation of our cost allocation plan.” However, page 1 of the February 2, 2023, final draft CAP states: “MGT relies on best practices among similar jurisdictions and federal guidance outlined in 2 CFR Part 200.” These statements are plainly contradictory.

*Please explain the inconsistency of MGT’s statement that it draws upon 2 CFR 200, at least in part, for the development of its cost allocation plans (p. 1 of the SJWD Final Draft) and SJWD’s statement in its January 17<sup>th</sup> letter that MGT is not recommending 2 CFR 200 methodology, which may limit SJWD’s federal funding potential. Notwithstanding whether SJWD now has or intends in the future to secure federal funds, CHWD and FOWD believe that best industry practice is to apply the 2 CFR 200 standards to the maximum extent achievable in SJWD’s CAP so that our respective constituencies can be confident of the final work product and that costs are properly allocated between SJWD Wholesale and SJWD Retail.*

- MGT also shared that it has prepared CAPs for dozens of other agencies. Yet, the cost allocation approaches for these “Similar jurisdictions” (MGT’s Status Update #1, November 22, 2022, p. 1) apparently relied upon by MGT for the development of SJWD’s CAP are not listed by name. *Which similar jurisdictions form the development bases of SJWD’s new CAP? Did MGT use the same methodologies for those agencies as it has used in the 90% CAP? If not, what is the written explanation for the different treatment of SJWD’s CAPs than those for similar jurisdictions?* Naming these agencies would allow CHWD and FOWD to verify that industry best practices and standards are being used in the SJWD CAP. *Moreover, are best practices for allocating costs in this Cost Allocation Project Final Draft supported by GASB, GFOA, other industry guidance?* The final draft CAP does not address these points.

### Methodology for Assigning Materiality

- MGT sorts SJWD’s costs from “largest to smallest” (Cost Allocation Project Final Draft, p. 2), but does not distinguish between Wholesale agency and Retail agency costs, except for Capital (either existing or proposed—based on MGT’s CAP recommendations.) *MGT does not identify the threshold for assigning materiality and/or why; please explain.* The lack of explanation renders the CAP incomplete.
- The Cost Allocation Project Final Draft focuses heavily on the largest SJWD cost center, “Labor and Fringes,” representing 33.47% of all costs, but provides only a cursory treatment of all other expenses, totaling the remaining 66.53%. This is a substantial omission, given the cost centers: “Wholesale Capital Expenditures” at 17.65%<sup>1</sup>; “Purchased Treated Water”

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<sup>1</sup> It is noteworthy that SJWD substantially reduced its capital reserves to pay down its unfunded actuarial liability (UAL) for its **3%@60 pension plan** to near zero, thereby increasing the need to debt finance its capital projects,

at 11.47%; “Professional Services” at 5.60%; and “Retail Capital Expenditures” at 3.88%. *Please explain why more detailed analysis was not completed for these categories, particularly those greater than 5%.* In CHWD and FOWD’s view, the CAP is incomplete without a more robust analysis of these other large SJWD cost centers.

## Methodology for Assignment of Labor Costs

### Finance

- The final draft CAP’s allocation of SJWD Finance Department costs as 50/50 between Wholesale and Retail is the same unjustifiable method that SJWD has been utilizing historically with no foundational basis. Indeed, the use of a 50/50 standard is a reflection of a lack of analytical rigor because rarely are costs really so evenly distributed. That is, 50/50 allocations are ordinarily utilized for convenience, rather than through an application of best practices and standards which would result in a determination of reasonable costs attributable to Wholesale and Retail. Based on a review of a Finance Department’s functions, many other distribution bases, commonly used in the industry, are available and acceptable standards by which to allocate a Finance Department’s costs in a fair and reasonable manner. *Why did MGT not consider other, more defensible allocation methods for distribution of Finance Department costs, such as Wholesale/Retail percent of total operating budget?* The 50/50 allocation should be changed to reflect reality and not used as work-around.
  - It is important to note that the Finance Department is responsible for budget, revenue collection, human resources, debt issuance, and related debt covenants. Moreover, SJWD has two heavily Retail agency-centric divisions that report directly to Finance, Customer Service and Water Efficiency (as illustrated by SJWD’s Organizational Chart from its FY 2023 adopted budget below). Thus, Finance costs should be billed more toward Retail than Wholesale.

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adding cost requirements which will substantially impact/escalate future wholesale water rates.

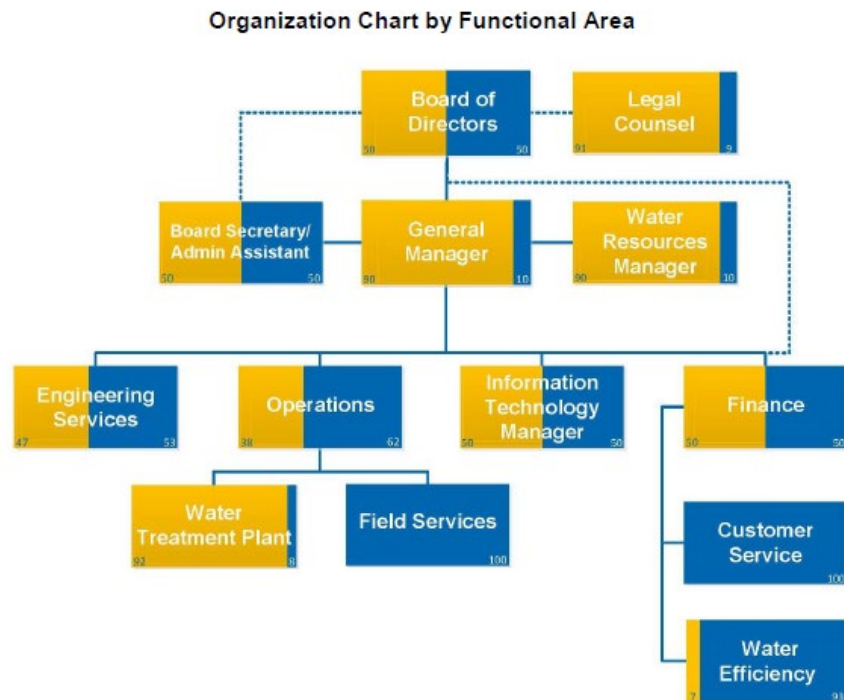


Chart Legend: Orange—Retail Agency; Blue—Wholesale Agency

The final draft CAP identifies SJWD personnel allocations between Wholesale and Retail as 18.8 FTEs (Wholesale) and 31.12 FTEs (Retail), (37.66% Wholesale and 62.34% Retail). This allocation includes five (5) FTEs in Finance allocating 2.5 FTEs to Wholesale and 2.5 FTEs to Retail. If these five FTEs are excluded before considering the manner in which Finance should be allocated, the percentage distributed would be 36.3% Wholesale and 63.7% Retail. Therefore, based on the review of Finance personnel, FTEs lean more toward Retail than Wholesale. This percent allocation could be used as the basis for Finance Department cost distribution. *Why did MGT not consider more equitable and cost justifiable allocation approaches such as personnel distribution between the Wholesale and Retail agencies?* The current approach to this issue in the final draft CAP is improper.

- As discussed above, based on SJWD’s Organizational Chart, the Finance Department directly supervises Customer Service and Water Efficiency personnel. Collectively, the two divisions comprise 8 FTEs (7.75 FTEs [97%] are assigned to Retail and only 0.25 FTEs [3%] are assigned to Wholesale). With this additional supervisory responsibility, the percent allocation to Retail should actually be more than 63.7%. This is one measurement (distribution basis) to demonstrate the manner in which Finance serves its employees and ultimately the Wholesale and Retail agencies. While FTEs may not be the only distribution basis to consider, other distribution bases - commonly used in CAPs - for capturing the role of the Finance Department that serves both Wholesale and Retail, which should have been considered, include:

- a. **Salaries and Benefits:** The Finance Department is responsible for payroll, which also serves the Human Resources (HR) Department. Utilizing salaries and benefits for all personnel not only captures SJWD head counts, but also weighs higher compensated positions, which typically require more time and effort to recruit.
  - Per the SJWD FY 2022-23 Budget (**41%** Wholesale and **59%** Retail)
  - Please note these percentages reflect General Manager at 90% Wholesale, which is also a disputed cost allocation even at the recommended revised 85% Wholesale, as noted below.
- b. **Total Revenues:** The Finance Department is responsible for the District's budget. Revenues by division generally reflect the respective sizes of Wholesale and Retail.
  - Per FY 2022-23 Total Budget – including Operations and Capital Revenues (**42%** Wholesale and **58%** Retail)
- c. **Total Operating Budget:** The Finance Department is responsible for operating budgets and reflects the demand each beneficiary of Wholesale and Retail places on the Department.
  - Per FY 2022-23 Budget – Operating budget (**43%** Wholesale and **57%** Retail)
- d. **Total Bills Generated:** The Finance Department is responsible for billing, collecting, and processing invoices sent to SJWD customers.
  - Total Bills Generated: Retail approximately 64,050 annual bills (10,675 accounts billed bi-monthly = 64,050); Wholesale agencies billed quarterly (4 bills per year) for 5 agencies (20 annual bills). Revenue collection is of paramount importance to the Finance Department and SJWD's primary mission, which requires extensive labor hours to process and bill, as well as to receive and deposit payments. Each generated bill has the potential for a customer to call with questions or concerns.
  - Total bills (20 Wholesale and 64,050 Retail)
    - i. **0.03%** Wholesale and **99.97%** Retail

### Management Positions and Related Cost Allocation Issues

The final draft CAP states: "SJWD has staff to handle the day-to-day operations at the District. Though SJWD does not have a large staff, the agency is able to perform duties without micromanagement from the General Manager" (p. 12). That statement, in conjunction with the description of the General Manager and Water Resources Manager positions, raises several issues, including:

- CHWD and FOWD are not aware of any retail water agency in the State of California that operates with a 10% or 15% time (6 hours a week?) General Manager. Moreover, SJWD cannot claim management duties are overseen by an Assistant General Manager because SJWD does not have one.
- The Community Services District Law prescribes the General Manager's legally required duties as follows:

"The general manager shall be responsible for all of the following:

- (a) The implementation of the policies established by the board of directors for the operation of the district.
- (b) The appointment, supervision, discipline, and dismissal of the district's employees, consistent with the employee relations system established by the board of directors.
- (c) The supervision of the district's facilities and services.
- The supervision of the district's finances." (Gov't Code, section 61051.)
- The SJWD Code of Ordinances further expands upon these duties and states:
  - 2000.00 Authority of the General Manager  
Pursuant to the laws of the State of California, the General Manager shall operate and manage the affairs of the District. The General Manager shall have the following specifically enumerated powers and authority:
  - 2000.01 To control the administration, maintenance, operation and construction of the waterworks of the District in an efficient manner.
  - 2000.02 To employ and discharge all employees and assistants, except for the Assistant General Manager, which shall require Board concurrence, following the guidelines set forth in the District Policy and Procedures Manual, and to prescribe their duties and set forth specific rules and regulations for such employees and assistants.
  - 2000.03 To make purchases, execute public works agreements and other contracts, and approve other expenditures in accordance with the District's procurement policy, as the same may be amended by the Board of Directors from time to time.
  - 2000.04 To approve plans, specifications, maps, and agreements, and any other documentation involving land-development projects in the District.
  - 2000.05 To enforce all of the provisions of this Code of Ordinances.
  - 2000.06 To review disputes pertaining to any matters for which service may be disconnected and to adjust errors or settle disputes pertaining to such matters.
  - 2000.07 To appoint the District's purchasing agent.
- The notion that the SJWD General Manager fulfills all of the above-described legally mandated duties for SJWD Retail agency on an average of 5 or so hours a week is not defensible. CHWD and FOWD each have General Managers who spend well beyond 40

hours a week working on retail matters. As such, the two agencies are well aware of the amount of time and effort required to manage retail districts, including overseeing finance, human resources and a myriad of other departments, divisions and issues.

- The above points to the fact that the final draft CAP simply missed the mark on how to accurately measure the time expended by the SJWD General Manager. Further, CHWD and FOWD do not think it is accurate (nor would it be legally advisable) for SJWD to suggest in a final, published report that the Retail agency is being administered with minimal oversight by its General Manager.
- In prior comments letters, CHWD and FOWD have suggested a number of more reasonable approaches to better and properly allocate the SJWD's General Manager's time, as discussed below.
- Given the General Manager's stated focus on non-operational and capital issues, it begs the question as to the manner in which the General Manager is expending time. It further serves to question whether SJWD's Retail agency customers are being well-served by this alleged allocation of General Manager's time. *Is the General Manager involved in "macro-issues" (i.e., at the State level particularly) by necessity or by choice? To what extent is the General Manager's time and effort being directly involved in State-level issues, or for that matter Federal-level issues? Is this allocation of the General Manager's time duplicative of the legislative and regulatory monitoring and advocacy efforts now being undertaken by the Association of California Water Agencies (ACWA) and/or the Sacramento Regional Water Authority (RWA)?* As a reminder, SJWD and many of its retail customer service agencies pay dues to ACWA and RWA to perform much of these same required legislative and regulatory monitoring and advocacy work.
- In addition, *if the General Manager is dealing almost exclusively with "macro-issues" affecting the Wholesale agency, whatever they may be, why does SJWD fund a Water Resources Manager position, charged almost exclusively to Wholesale?* Beyond job descriptions provided for each position, in practice, there appears to be a significant overlap, if not an out-right duplication of effort, in terms of roles and responsibilities between these two positions. Further, *what is the role of the Water Resources Manager position given that the SJWD-Wholesale agency has four long-term stable sources of surface water?*<sup>2</sup>

## Responses to MGT Assertions Regarding the Allocation of SJWD General Manager Costs

As described above, the General Manager is responsible for the entirety of SJWD's retail operations, strategic planning, personnel, policy research and policy recommendations to its

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<sup>2</sup> Though not addressed in this Final Draft, a significant new cost center being considered by SJWD (and whose consideration pre-dates the creation of the Water Resources Manager position), is SJWD's development of groundwater. With several of the wholesale customer service agencies already providing groundwater and spending significant resources/ratepayer dollars to expand their capabilities in this area, why is SJWD considering developing its own groundwater source, taking on a significant new additional expense? Moreover, where will these proposed new costs to be allocated, Wholesale or Retail?

Board, as well as other legally-required duties. Each SJWD Board Meeting is a joint meeting to discuss both Wholesale and Retail issues. Currently, the General Manager is distributed 90% Wholesale and 10% Retail. The Cost Allocation Project Final Draft reflects a slight change to 85% Wholesale and 15% Retail, but this change relies on a flawed methodology that estimated time based on the General Manager's emails. However, the allocation basis of email counts that MGT utilized for "unaccounted for time" is not appropriate and does not (or should not) capture all the duties performed by the General Manager.

MGT also states that it reviewed the General Manager's time allocation and emails for the period that spanned January 2022 through September 2022, in order to determine an appropriate percentage allocation between Wholesale and Retail. The review of direct hours that MGT provided between Wholesale and Retail identified only 2.5 hours to Retail for the *entire* nine month period. In other words, MGT asserts that the General Manager spent less than 15 minutes a month (on email) related to the SJWD Retail operation. This calculation borders on the absurd. CHWD and FOWD believe this calculation must be erroneous in view of the breadth of the SJWD General Manager's statutory duties of oversight of SJWD's Retail agency.

Further, the email count itself is not a sound proxy by which to capture the level of effort expended on managing the Wholesale and Retail agencies. The email count for Retail is 164 versus 2,477 for Wholesale. The direct time associated with these emails could easily be included with the direct time charged to Wholesale or Retail. Yet, only 2.5 hours were logged directly to Retail.

CHWD and FOWD also believe there may be instances of MGT assuming that certain activities conducted by the General Manager must be attributable to the Wholesale agency because the subjects of the email involve the State Water Resources Control Board, legislation or other region- or state-wide issues. However, because an email involves one of these subjects does not mean that the time spent on the subject by the General Manager is a proper Wholesale expense. To the contrary, retail agency General Managers spend a significant amount of time on such issues for the benefit of their retail operations and customers. Moreover, because family agency retail General Managers are spending time on such issues, they certainly do not need the SJWD General Manager to follow such issues for the benefit of Wholesale operations. Rather, all such time should be properly allocated to Retail.

A recent example of this potential misallocation of time occurred on or about February 22, 2023. During that week, the SJWD General Manager spent a significant amount of time (as surmised from the work product) working on issues related to the State Water Board's Technical Reporting Order and Senate Bill 552. During that work, the SJWD General Manager contacted a number of retail water agency general managers around the state (including staff from CHWD and FOWD who were among the many recipients of the emails), seeking their input on a draft comment letter he prepared or helped prepare, and spearheaded an effort to push back on the State. While this was certainly a valuable effort, this is the type of work that retail managers collaborate on all the time. Further, this effort should have been coordinated through the Regional Water Authority's Legislative and Regulatory Affairs Manager, who should be taking the lead for RWA's member agencies on matters like SB 552. ACWA's resources are also available for coordinating water agency input on these types of issues.

To continue, this is time properly attributable to SJWD Retail as part of a collaborative effort among retail general managers addressing potable and recycled water reporting issues, et al. The SJWD General Manager's time and effort on this subject should not be a Wholesale agency expense. Yet, the MGT email analysis would very likely have allocated the costs associated with this effort to Wholesale simply because the subject touched on state-wide issues. Thus, the shortfalls of the MGT approach can

be seen with clarity.

Similarly, the MGT analysis appears to also falsely assume that anytime any member of the SJWD management team attends an RWA, SGA, ACWA, or other region-wide or state-wide meeting, that time must be primarily or exclusively attributable to Wholesale agency. To the contrary, Retail agency managers attend most or all of such meetings. In fact, most attendees at all those meetings are from retail agencies. Thus, SJWD's time attending those meetings (as well as any costs of attendance like ACWA Conference entry fees) should be allocated to the Retail agency. SJWD certainly cannot assert it would avoid attending those meetings were it a retail-only agency.

In addition, the MGT analysis in the draft final CAP identifies 450 hours of unaccounted SJWD General Manager time (450 hours = almost 3 months). Using email counts as a means by which to capture the alleged demand either Wholesale or Retail places on the SJWD General Manager is flawed. Beyond the 450 hours that are referenced in MGT's spreadsheet, the total time worked by the General Manager during that period is documented as 984 hours; nine months is only 75% of the 2,080 total possible work hours in a year. Productive hours would be 1,920 hours when excluding two weeks of vacation and 10 Federal Holidays, which equals four weeks of time off or a reduction of 160 hours. That is, 75% of the 1,920 productive hours equals 1,440 hours, but MGT only identified 984 total hours (a difference of 456 additional hours not accounted for in total).

Therefore, based on the unaccounted-for SJWD GM hours within MGT's spreadsheet (450 hours), plus the 456 hours not accounted for during the nine month time period, and including the 480 hours for the time outside of the period (Oct – Dec), the total amount of unaccounted for time is 1,386 hours out of 1,920 Productive Hours (or 70%). In sum, through the draft final CAP, MGT proposes allocating 70% of the General Manager's total cost based on email counts without any consideration to other distribution bases that are more commonly used as listed below. *Given the aforementioned, what other public agency clients of MGT have used this approach for allocating General Manager or other chief executive work hours?* In sum, the MGT approach does not create an accurate allocation.

Listed below are other common distribution bases that MGT should have considered in capturing the effort of the General Manager and other executive work hours. In each of these applied instances, Retail clearly consumes the majority of executive management time. There is no evidence based on the data listed below that would warrant an allocation of 85% Wholesale and 15% Retail for SJWD General Manager's time.

### Alternative Distribution Methods for General Manager

1. **FTEs - 37.66% Wholesale and 62.34% Retail**
  - a. This distribution method is based on current labor allocations and reflects more accurate distribution to Retail, based upon aforementioned comments.
2. **Salaries and Benefits** (Includes the cost of all SJWD employees)
  - a. Per FY 22-23 Budget (**41% Wholesale and 59% Retail**)
  - b. Please note, these percentages reflect General Manager at 90% Wholesale and Finance at 50%/50%, which both CHWD and FOWD are disputing as an inaccurate allocation method.
3. **Total Revenues** (General Manager responsible for the SJWD annual budget)
  - a. Per FY 22-23 Budget Revenues (**42% Wholesale and 58% Retail**)



4. **Total Operating Budget** (General Manager responsible for all SJWD operating budgets) Operating budgets reflect the demand between the Wholesale and Retail utilities.
  - a. Per FY 22-23 Budget Expenditures (**43%** Wholesale and **57%** Retail)
5. **Total Capital Assets** (General Manager responsible for all District assets) Capital assets reflect the size of each utility/division.
  - a. Per FY 22-23 ACFR (**\$36.6M** Wholesale and **\$19.6M** Retail; or **65%** Wholesale and **35%** Retail)

Each distribution formula identified above, or any combination thereof, could have been utilized by MGT to more fairly and reasonably allocate costs for Finance and General Manager time and effort between Wholesale and Retail. Based on CHWD's and FOWD's analysis of FTEs, FY 22-23 budget, and FY 2022 ACFR, none of these recommended distribution bases justifies a 50%/50% allocation for Finance, or an 85%/15% allocation for the General Manager.

CHWD and FOWD believe the aforementioned distribution bases, 1-4 for Finance and 1-5 for General Manager, reflect a more fair and reasonable methodology for allocating costs to Wholesale and Retail. MGT's current recommendation for allocating the General Manager's time is not a valid basis to determine reasonable costs attributable to the Wholesale operation and cannot be used in future ratemaking without violating Proposition 26 and SJWD's contractual obligations to CHWD, FOWD and the other wholesale customers. *Please explain why MGT excluded any of these standard allocation calculations in distributing labor for the General Manager and executive staff?* As written, the final draft CAP is not defensible and cannot be used to support wholesale ratemaking efforts.

Lastly, CHWD and FOWD have the same concerns regarding the allocation between Wholesale and Retail of legacy (retiree) costs related to past general managers, finance staff and other senior management staff for whom SJWD has expended and will expend funds.

#### **Alternative Distribution Methods for Engineering Service Construction Inspector III**

- The Engineering Service Construction Inspector III, and its current 50%/50% distribution, is inadequately documented. (Final Report, Charts, pp. 6 and 15) *Please identify which District projects that require a staff construction inspector are Wholesale and which are Retail?*
- CHWD and FOWD share concerns regarding the time allocation of the lead "on-call" person, and related after-hour cost such as transportation, answering service and other Retail-facing cost areas. These call-outs and related expenses must be predominately Retail in nature, given the fact that CHWD and FOWD respond to its retail customers directly. *Which method has MGT utilized for this and other largely Retail-facing functions and accompanying labor cost allocations?*
- Similar questions apply to the Maintenance Chief position assigned duties. *Why is that position and related maintenance positions not apportioned consistent with the net book value (NBV) of the capital assets to be maintained (65% Wholesale-35% Retail per Page 11) (Final Report, p. 16)?* This appears to be an improper policy choice which assigns a disproportionate share of Retail maintenance cost to the Wholesale agency.

### Methodology for Assignment of Non-personnel Operations Costs

- CHWD Wheeling Charges should be a separate line item, with charges directly to either Retail or Wholesale (Final Report, pp. 2, 3, 4 & 9). Orange Vale Water Company (OVWC) should be listed as a sole subset of Wholesale. By agreement, SJWD-W has two connections from CHWD's 1958 forty-two inch (42") Transmission Main. These metered connections specifically serve SJWD-R and OVWC (Final Report, p. 3) *Please provide additional direct cost allocation detail.*
- MGT states: "Most" professional services costs are directly charged to either Wholesale or Retail." (Final Report, p. 3) *Describe which professional services are not direct charged and by what means are these costs allocated?*
- Calling attention to the Table of Current Allocations and Direct Charges (Final Report, p. 3), it appears that the Operation and Maintenance of the Cooperative Transmission Pipeline (CTP) should be included as a separate line item. It serves both Wholesale customer agencies by specific capacity percentages and serves Sacramento Suburban Water District (SSWD), outside of the Wholesale service boundary area, by the largest capacity percentage. *Why did MGT not allocate these specific capacity charges to these agencies accordingly?* That is, the wholesale rates charged by SJWD to the family of agencies should not increase to cover project specific costs attributable to non-family agencies.
- As the pump station maintenance costs are identified in the Materiality of Expenses chart (Final Report, p. 2), but not addressed explicitly in the MGT Report, it should be noted that CHWD's/FOWD's review of pump station ownership data between Wholesale and Retail shows an inconsistency year-to-year. The transfer of pump stations between Wholesale and Retail has no supporting documentation or evidence of compensation to the Wholesale agency for the asset value of the transferred capital items. *Please provide documentation supporting how MGT is allocating pump station costs, addressing the inconsistency and lack of documentation concerning ownership as described above, between Wholesale and Retail.*
- MGT does not provide detail concerning the proportionate share of solar field operations and maintenance costs charged to Wholesale versus Retail (Final Report, p. 8). Also, while note addressed in this CAP, CHWD and FOWD have similar questions about how, if at all, electric utility rebates/cost reductions are credited back proportionately to Wholesale.

### Methodology for Assignment of Capital Costs

- The Cost Allocation Project Final Report states that "most" (but not all) Wholesale Capital Expenditures are being direct charged to Wholesale and "most" Retail capital expenditures are being charged to Retail (Final Report, p. 3). *Please explain.*
- *In light of a new Master Plan draft having been recently distributed but not finalized, does SJWD anticipate updating this CAP to reflect the new Master Plan once adopted by the SJWD Board?*

- An important issue not addressed by the 90% CAP Final Draft are distinguishing SJWD costs between Wholesale and Retail that benefit only one or two wholesale agencies (e.g., Antelope Pump-Back project—capital and operations/maintenance costs).

## Conclusion

CHWD and FOWD appreciate the opportunity to provide initial comments concerning SJWD's 90% CAP (MGT's "Final Draft" Report).

Given the short time period provided to CHWD and FOWD to analyze the MGT report draft, and more broadly SJWD's cost/cost allocation issues, further explanation of additional cost areas (e.g., allocation of investment gains and losses; significant escalation of insurance/risk management costs; utilization of SJWD's financial management software to support more robust and transparent cost allocation of capital and operations costs, etc.) are required.

Moreover, given the cursory engagement with CHWD and FOWD to date on the CAP project as described above, it is CHWD's and FOWD's request that a more in-depth and interactive process for stakeholder agency engagement/buy-in concerning the Final Draft of the SJWD Cost Allocation Plan be undertaken prior to SJWD Board adoption of the final CAP.

CHWD and FOWD look forward to discussing this comment letter, any additional information SJWD/MGT presents, and next steps concerning stakeholder agency engagement during the meeting scheduled on March 9, 2023.

Sincerely,



Hilary M. Straus  
General Manager  
Citrus Heights Water District

Sincerely,



Tom R. Gray  
General Manager  
Fair Oaks Water District

CC: CHWD Board of Directors  
FOWD Board of Directors  
OVWC Board of Directors  
SJWD Board of Directors  
Paul Helliker, General Manager, SJWD  
Joe Duran, General Manager, OVWC  
Elaine Andersen, City Manager, City of Folsom  
Marcus Yasutake, Environmental & Water Resources Director, City of Folsom  
Stacey Tamagni, Director of Finance/CFO, City of Folsom  
Patrick Dyer, Vice President, MGT of American Consulting, LLC

Appendix 1 — Questions in Order of Appearance

	Question	Responses Provided (Y/N)
<b>Cost Allocation Approach—General</b>		
1.	<i>Why has MGT not applied its recommended CAP standards for the SJWD CAP?</i>	
2.	<i>Please explain the inconsistency of MGT’s statement that it draws upon 2 CFR 200, at least in part, for the development of its cost allocation plans (p. 1 of the SJWD Final Draft) and SJWD’s statement in its January 17<sup>th</sup> letter that MGT is not recommending 2 CFR 200 methodology, which may limit SJWD’s federal funding potential.</i>	
3.	<i>Which similar jurisdictions form the development bases of SJWD’s new CAP? Did MGT use the same methodologies for those agencies as it has used in the 90% CAP? If not, what is the written explanation for the different treatment of SJWD’s CAPs than those for similar jurisdictions?</i>	
3.	<i>Moreover, are best practices for allocating costs in this Cost Allocation Project Final Draft supported by GASB, GFOA, other industry guidance?</i>	
4.	<i>Please explain the inconsistency of MGT’s statement that it draws upon 2 CFR 200, in part, for the development of its cost allocation plans (p. 1 of the SJWD Final Draft) and SJWD’s statement in its January 17<sup>th</sup> letter that MGT is not recommending 2 CFR 200 methodology which may limit SJWD’s federal funding potential.</i>	
<b>Methodology for Assigning Materiality</b>		
5.	<i>MGT does not identify the threshold for assigning materiality and/or why; please explain.</i>	
6.	<i>Please explain why more detailed analysis was not completed for these categories, particularly those greater than 5%.</i>	
<b>Methodology for Assignment of Labor Costs</b>		
7.	<i>Why did MGT not consider other allocation methods for distribution of Finance Department costs, such as Wholesale/Retail percent of total operating budget?</i>	
8.	<i>Why did MGT not consider more equitable and cost justifiable allocation approaches such as personnel distribution between the Wholesale and Retails agencies?</i>	
9.	<i>Is the General Manager involved in “macro-issues” (i.e., at the State level particularly) by necessity or by choice?</i>	

Question		Responses Provided (Y/N)
10.	<i>To what extent is the General Manager’s time and effort being directly involved in State-level issues, or for that matter Federal-level issues?</i>	
11.	<i>Is this allocation of the General Manager’s time duplicative of the legislative and regulatory monitoring and advocacy efforts now being undertaken by ACWA and/or RWA?</i>	
12.	<i>If the General Manger is dealing almost exclusively with “macro-issues” affecting the Wholesale agency, whatever they may be, why does SJWD fund a Water Resources Manager position, charged almost exclusively to Wholesale?</i>	
13.	<i>What is the role of the Water Resources Manager position given that the SJWD-Wholesale agency has four long-term stable sources of surface water?</i>	
14.	<i>Why is SJWD considering developing its own groundwater source, taking on a significant new additional expense? Moreover, where will these proposed new costs to be allocated, Wholesale or Retail?</i>	
15.	<i>What other public agency clients of MGT have used the email distribution approach for allocating General Manager or other chief executive work hours?</i>	
16.	<i>Please explain why MGT excluded any of these standard allocation calculations in distributing labor for the General Manager and executive staff? (Note: Standard Allocations Calculation options provided were: 1) FTEs; 2) Salaries &amp; Benefits; 3) Total Revenues; 4) Total Operating Budget; 5) Total Capital Assets</i>	
17.	<i>Re: Engineering Services Construction Inspector III: Please identify which District projects that require a staff construction inspector are Wholesale and which are Retail?</i>	
18.	<i>Which method has MGT utilized for [on-call staff and associated expenses] and other largely Retail-facing functions and accompanying labor cost allocations?</i>	
19.	<i>Re: Maintenance Chief: Why is that position and related maintenance positions not apportioned consistent with the net book value (NBV) of the capital assets to be maintained (65% Wholesale-35% Retail)?</i>	
<b>Methodology for Assignment of Non-personnel Operations Costs</b>		
20.	<i>Please provide additional direct cost allocation detail concerning Wheeling Charges to Orange Vale Water Company and SJWD-Retail.</i>	

Question		Responses Provided (Y/N)
21.	<i>Describe which professional services are not direct charged and by what means are these costs allocated?</i>	
22.	<i>Re: Operations and maintenance of the Cooperative Transmission Pipeline (CTP): Why did MGT not allocate these specific capacity charges to the CTP participating water agencies accordingly?</i>	
23.	<i>Please provide documentation supporting how MGT is allocating pump station costs, addressing the inconsistency and lack of documentation concerning ownership between Wholesale and Retail.</i>	
<b>Methodology for Assignment of Capital Costs</b>		
24.	The Cost Allocation Project Final Report states that “most” (but not all) Wholesale Capital Expenditures are being direct charged to Wholesale and “most” Retail capital expenditures are being charged to Retail (Final Report, p. 3). <i>Please explain.</i>	
25.	<i>In light of a new Master Plan draft having been recently distributed but not finalized, does SJWD anticipate updating this CAP to reflect the new Master Plan once adopted by the SJWD Board?</i>	
<b>Wholesale Subsidization of Retail</b>		
	<i>No questions.</i>	
<b>Conclusion</b>		
	<i>No questions.</i>	

**March 20, 2023,  
Letter to Hilary  
Straus and Tom  
Gray from Donna  
Silva**

**(Includes SJWD and MGT's  
responses to the 25  
questions set forth in the  
March 8, 2023 letter,  
including addenda)**



March 20, 2023

Via Email

Mr. Hilary M. Straus  
Citrus Heights Water District  
hstraus@chwd.org

Mr. Tom Gray  
Fair Oaks Water District  
tgray@fowd.com

Directors

Edward J. "Ted" Costa  
Kenneth H. Miller  
Dan Rich  
Pamela Tobin  
Manuel Zamorano  
General Manager  
Paul Helliker

**RE: Comment Letter Dated March 8, 2023 on MGT Cost Allocation Plan for San Juan Water District (SJWD) – 90% Draft**

Dear Hilary and Tom,

MGT and staff from SJWD have been working diligently to provide thoughtful and thorough responses to the comments you provided on March 8, 2023 on the 90% draft of SJWD's Cost Allocation Plan. MGT, in consultation with SJWD, has prepared the attached document providing answers to your questions and comments in summary form. Further details will be shared and discussed in the meeting on Thursday, March 23, 2023.

Sincerely,

Donna Silva, CPA  
Director of Finance  
San Juan Water District

CC: Paul Helliker, General Manager, SJWD  
Patrick Dyer, Vice President, MGT of American Consulting, LLC  
Joe Duran, General Manager OVWC  
Marcus Yasutake, Environmental & Water Resources Director, City of Folsom



## **Questions from CHWD and FOWD on the draft Cost Allocation Plan and San Juan or MGT answers**

### **Question 1** Why has MGT not applied its recommended CAP standards for the SJWD CAP?

Allocations based on relative employee efforts (allocation of employee labor), total FTEs, proportionate share of activity, net book value of capital assets, and equal cost sharing are all acceptable allocation bases and applied cost allocations used for the SJWD Cost Allocation Plan. San Juan may choose to establish rates that are fair and equitable within the limitations of reasonable and attainable data and the District's administrative systems, personnel, and finances. SJWD and its Board of Directors recognize the need for reasonable cost allocation among its services/programs as well as the need to provide an easily understood rate structure for its customers. Rates should be generally perceived by the District's customers as fair, reasonable, and equitable to all customers.

### **Question 2** Please explain the inconsistency of MGT's statement that it draws upon 2 CFR 200, at least in part, for the development of its cost allocation plans (p. 1 of the SJWD Final Draft) and SJWD's statement in its January 17th letter that MGT is not recommending 2 CFR 200 methodology, which may limit SJWD's federal funding potential.

As stated in the final draft, San Juan is not required to produce a cost allocation plan in compliance with 2 CFR Part 200; however, the federal guidance is referred to when defining and consistently handling direct, indirect, or shared costs. As discussed on our first meeting, the scope of this project was never to produce a plan that is in compliance with 2 CFR Part 200. At the time of engagement, San Juan was not, and is still not, required to produce a plan compliant with 2 CFR Part 200.

### **Question 3** Which similar jurisdictions form the development bases of SJWD's new CAP? Did MGT use the same methodologies for those agencies as it has used in the 90% CAP? If not, what is the written explanation for the different treatment of SJWD's CAPs than those for similar jurisdictions? Moreover, are best practices for allocating costs in this Cost Allocation Project Final Draft supported by GASB, GFOA, other industry guidance?

Allocations based on relative employee efforts (allocation of employee labor), total FTEs, proportionate share of activity, net book value of capital assets, and equal cost sharing are all acceptable allocation bases and applied cost allocations used for the SJWD Cost Allocation Plan. These allocations have been used in numerous cost plans including but not limited to: City of Roseville, City of Sacramento, El Dorado County, Nevada County and many others. It is important to note that only cost allocation plans submitted to state or federal cognizant agencies would require time records, whereas full cost allocation plans or plans used internally can rely on estimated percentages or alternatives that the federal government may otherwise require.

CSMFO and CSDA are other industries that may have best practices or guidance. Many agencies choose cost allocation methods similar to SJWD for a variety of reasons, but primarily do so because federal compliance is not required.

**Question 4** Please explain the inconsistency of MGT's statement that it draws upon 2 CFR 200, in part, for the development of its cost allocation plans (p. 1 of the SJWD Final Draft) and SJWD's statement in its January 17th letter that MGT is not recommending 2 CFR 200 methodology which may limit SJWD's federal funding potential.

As previously mentioned, MGT is referring to the federal guidance when defining certain terms within the plan. MGT does not recommend that San Juan be in full compliance with the guidance. SJWD rates and cost allocation are in compliance with state and federal laws. Furthermore, most smaller agencies without \$35 million in direct federal funds are not required to prepare or submit a plan.

**Question 5** MGT does not identify the threshold for assigning materiality and/or why; please explain.

2 CFR Part 200 and cost allocation best practices have no threshold for materiality. Because of MGT's limited time to analyze district cost information, the table was presented to focus efforts on the most significant items being allocated. The Materiality of Expenses section uses FY 21-22 actual expenses which are then sorted to illustrate items of cost from largest to smallest. It is clearly shown in the table that expenses less than .18% of the total expenses are immaterial. These remaining immaterial expenses make up less than 2% of the total expenses. In the table on page 3, MGT illustrates the current practices of allocations and direct charges.

**Question 6** Please explain why more detailed analysis was not completed for these categories, particularly those greater than 5%.

MGT has analyzed in detail labor and fringes expenses, capital expenditures, and professional services. MGT's findings on those items are detailed in the report. Purchased Treated Water is direct charged to retail. As stated on page 3 of the report, depreciation will not be considered in the cost plan.

**Question 7** Why did MGT not consider other allocation methods for distribution of Finance Department costs, such as Wholesale/Retail percent of total operating budget?

San Juan uses what it believes are fair and equitable allocations within the limitations of reasonable and attainable data and the District's administrative systems, personnel, and finances. MGT has recommended slight modifications to allocations, but overall SJWD allocation practices seem reasonable. While multiple allocation bases were considered for the allocation of Finance and Administrative Services labor costs, including but not

limited to prior year actual expenses, current year budgeted expenses, total accounting transactions, and time tracking, it was determined that an allocation based on level of effort shared between Retail and Wholesale was most fair and equitable.

**Question 8** Why did MGT not consider more equitable and cost justifiable allocation approaches such as personnel distribution between the Wholesale and Retails agencies?

While multiple allocation bases were considered, all labor allocations are consistently based on level of effort. See pages 11 through 17 of the final draft report.

**Question 9** Is the General Manager involved in “macro-issues” (i.e., at the State level particularly) by necessity or by choice?

CHWD and FOWD provided the general description of the General Manager’s responsibilities from the Government Code and from District Ordinance 2000. The most relevant summary of the General Manager’s responsibilities is this phrase from Ordinance 2000.00:

“...the General Manager shall operate and manage the affairs of the District.”

To accomplish this general responsibility, the General Manager uses his/her authority to appoint District staff and oversee their work for the District. As at any water agency, the staff have direct responsibility on a daily basis to carry out the functions of the District, and their time and expenses are charged to the District’s wholesale and retail funds accordingly (as defined in the District’s cost allocation methodology). Oversight and management by the General Manager of staff activities is generally accomplished through the management hierarchy of the District, with the communications between the General Manager and the various managers occurring via regular meetings and email (with a minimal amount occurring through telephone calls or texts). These meetings are accounted as retail or wholesale costs according to the relevant split for the individual manager, and the email communications are accounted as wholesale or retail costs, based on the subject of the communication.

A more comprehensive summary of the General Manager’s responsibilities is included in the job description for the position, which is approved by the Board of Directors. That description is in the Section entitled “Primary Function” and is as follows:

“To plan, organize, direct and review the overall administrative activities and operations of the District; to advise and assist the Board of Directors; to effectively represent the District’s interests at a local, State and Federal level; and to serve as a leader on regional issues.”

The full job description can be found here:

<https://www.sjwd.org/files/192599219/General+Manager.pdf>

**Question 10** To what extent is the General Manager’s time and effort being directly involved in State-level issues, or for that matter Federal-level issues?

The time that the General Manager spends on “state-level” or “federal-level” issues varies every day, week or month. Federal-level issues could include the monthly meetings with the Bureau of Reclamation Central California Area Office, to discuss pertinent topics concerning water supplies, wholesale operations, CVP operations, state and federal regulatory issues, etc. Federal level issues could also include federal policy or appropriations legislation and the activities of the Ferguson Group to represent San Juan and the wholesale customer agencies. Another category of federal-level issues would be the re-consultation on the Biological Opinions that govern the operations of the CVP and the SWP, and the meetings and communications associated with those regulations. State-level issues could include meetings and communications on the Bay-Delta Water Quality Control Plan and the Voluntary Agreement alternative, on drought issues (such as water rights curtailments), or even on the Delta Conveyance project. On all of these topics, the General Manager is involved in varying degrees, as are the Directors of Engineering and Operations, and the Water Resources Manager.

**Question 11** Is this allocation of the General Manager’s time duplicative of the legislative and regulatory monitoring and advocacy efforts now being undertaken by ACWA and/or RWA?

The short answer is no. As shown in the General Manager’s job description, he/she has responsibility for monitoring regulatory and statutory issues, including participating in any necessary advocacy, that pertain to San Juan’s operations. Some of these issues are addressed by ACWA and RWA, but their activities are informed and augmented by the participation of their member agencies, including San Juan. In fact, ACWA typically addresses legislation and regulations via workgroups or committees composed of member agencies, and San Juan personnel, including the General Manager, participate in these activities, as well as in direct advocacy, such as meetings with regulators or legislators, testimony at public meetings or hearings, communicating San Juan’s position via letters, emails or phone calls, etc. In some cases, such as the work that the General Manager and the Water Resources Manager have been doing in the “Solve the Water Crisis” coalition, ACWA and RWA are not involved.

**Question 12** If the General Manager is dealing almost exclusively with “macro-issues” affecting the Wholesale agency, whatever they may be, why does SJWD fund a Water Resources Manager position, charged almost exclusively to Wholesale?

The General Manager is not dealing almost exclusively with “macro-issues.” The General Manager allocates his/her time to the priority issues that affect all of San Juan’s operations, which include both wholesale and retail issues. Many of the retail operations topics are addressed in meetings and communications with San Juan executive managers who oversee those operations (the Directors of Engineering and Operations,

as well as the Director of Finance). Those meetings are allocated in the cost allocation as proportional to the cost allocations of those managers.

The Water Resources Manager is dedicated to wholesale activities approximately 90% of the time, and the meetings and communications that the General Manager has with the Water Resources Manager are accounted accordingly. Just as the General Manager spends time in meetings and on communications on topics directly under the purview of the Directors of Engineering, Finance and Operations, she/he does so for topics directly under the purview of the Water Resources Manager. Additionally, there are topics relevant to retail and wholesale operations that are not completely under the purview of any of San Juan's managers, including interactions with Board members at San Juan or other agencies, communications and meetings with general managers and other senior staff at Wholesale Customer Agencies and other water agencies, and more.

CHWD and FOWD should keep in mind that San Juan used to have an Assistant General Manager, in addition to the General Manager and the Water Resources Manager, whose salary and benefits costs were close to those of the General Manager, and which were allocated 70% wholesale and 30% retail. That position became vacant in 2017, and has not been filled since, nor is it expected to be in the future.

**Question 13** What is the role of the Water Resources Manager position given that the SJWD-Wholesale agency has four long-term stable sources of surface water?

The role of the Water Resources Manager is to manage the wholesale water resources for San Juan. Those resources include San Juan's water rights, its water supply contract with the Placer County Water Agency and its CVP repayment contract with the Bureau of Reclamation. While CHWD and FOWD may consider those supplies to be "stable", the fact is that those supplies are subject to curtailment and shortage allocations, and management of all aspects of those supplies requires much effort, not only by the Water Resources Manager, but also by the Director of Engineering, Director of Operations and the General Manager. The Water Resources Manager maintains and implements the rights and entitlements and documentation associated with San Juan's water supplies, including the monitoring and reporting required by statute and regulation, and any proposed modifications to those rights and entitlements by regulation or legislation. Some examples of the latter topics include the conversion of San Juan's CVP water supply contract to a repayment contract, which occurred in 2019 and 2020; state or federal legislation that could affect supplies (which are numerous this year), regulatory issues such as the Bay-Delta Water Quality Control Plan, the Voluntary Agreement and the Biological Opinions; and even the current work to revise the Water Forum Agreement, in which San Juan manages a purveyor-specific agreement for itself and the Wholesale Customer Agencies. The job descriptions for the positions referenced in this answer are available at the following link:

<https://www.sjwd.org/position-descriptions-ffef886>

**Question 14** Why is SJWD considering developing its own groundwater source, taking on a significant new additional expense? Moreover, where will these proposed new costs be allocated, Wholesale or Retail?

One of San Juan's responsibilities is to ensure that its Wholesale Customer Agencies receive a reliable supply of water. San Juan secures water supplies via its rights and entitlements and treats and delivers that water to the WCAs. In doing so, San Juan has constructed and operates a variety of facilities, which it must repair and replace, as necessary.

One of those repair and replacement projects that is currently underway is the repair and replacement of the Hinkle reservoir cover and liner and associated facilities (inlet and outlet works, underdrains, etc.) One of the components of this project was the installation of 2 million gallons of temporary treated water storage facilities on San Juan's campus. In preparing for the next repair and replacement of the cover and liner (expected to occur 25-40 years hence), San Juan's analysis of the other future space allocation needs at its campus indicates that there will not be room in the future for temporary storage facilities. This fact, coupled with the reliance on a single storage facility for all wholesale treated water supplies, has motivated San Juan to include various storage or supply augmentations in its wholesale master plan, which include the potential installation of groundwater wells. These augmentations would provide the operational reliability necessary not only to safely conduct the next repair/replacement of the Hinkle cover and liner, but also to provide additional wholesale supply reliability, in the event that surface water supplies delivered to and treated by San Juan's treatment plant or stored in Hinkle reservoir are disrupted.

On the retail side, San Juan has included in its financial plan a certain amount of funding that can be used to invest in groundwater facilities or supplies, to provide additional supply reliability in the event of a drought or an interruption in wholesale supplies. Such facilities or supplies could also be used for groundwater substitution transfers, either for market-based transactions or for implementation of a Voluntary Agreement. San Juan is discussing with various agencies how best to use these funds for joint projects.

**Question 15** What other public agency clients of MGT have used the email distribution approach for allocating General Manager or other chief executive work hours?

Email and calendar analysis are metrics used to determine level of effort. Relative effort based on calls, emails, calendars, # of meetings or some other reasonable approximation is a commonly used practice in cost allocation. MGT uses level of effort metrics for numerous clients including but not limited to: City of Roseville, City of Sacramento and many CA Counties. (MGT can provide more detail at 3/23 meeting)

**Question 16** Please explain why MGT excluded any of these standard allocation calculations in distributing labor for the General Manager and executive staff? (Note: Standard Allocations Calculation options provided were: 1) FTEs; 2) Salaries & Benefits; 3) Total Revenues; 4) Total Operating Budget; 5) Total Capital Assets

While other allocation methods were considered, all labor allocations are consistently based on level of effort.

**Question 17** Re: Engineering Services Construction Inspector III: Please identify which District projects that require a staff construction inspector are Wholesale and which are Retail?

This position does a lot of construction inspection for retail development activity. With the last Wholesale/Retail CIP a 50-50 split was determined to be reasonable, but after reviewing the new proposed 10-year CIP from the wholesale financial plan it appears that this allocation needs revision. This position will be doing the construction inspection on the pipeline work, including the condition assessments in the wholesale CIP, but the larger projects will be done by consultants. We will be changing this split to 75% retail and 25% wholesale, starting in fiscal year 2023-24.

**Question 18** Which method has MGT utilized for [on-call staff and associated expenses] and other largely Retail-facing functions and accompanying labor cost allocations?

Customer service labor and other retail-facing functions, including on-call staff, are 100% allocated to retail.

**Question 19** Re: Maintenance Chief: Why is that position and related maintenance positions not apportioned consistent with the net book value (NBV) of the capital assets to be maintained (65% Wholesale-35% Retail)?

While other allocation methods were considered, all labor allocations are consistently based on level of effort.

**Question 20** Please provide additional direct cost allocation detail concerning Wheeling Charges to Orange Vale Water Company and SJWD-Retail.

There are no direct allocations of wheeling costs to SJWD-R or Orangevale Water Company. When San Juan was building the wheeling rate for the wheeling costs charged by CHWD, CHWD inflated the rate such that they would receive reimbursement for their "portion" of the cost. San Juan and CHWD later agreed that retail would bear this expense directly and CHWD was supposed to reduce the rate accordingly. However, when San Juan received the bill, it continued at the higher rate, so San Juan paid the invoice from the wholesale account. San Juan would be happy to pay it from retail, but the rate would need to be reduced accordingly.

**Question 21** Describe which professional services are not direct charged and by what means are these costs allocated?

All activity in all Professional Services accounts in FY 2021-22 were analyzed to determine which services were shared between wholesale and retail. See the addendum concerning the allocation methodology used to allocate professional services costs for more information.

**Question 22** Re: Operations and maintenance of the Cooperative Transmission Pipeline (CTP): Why did MGT not allocate these specific capacity charges to the CTP participating water agencies accordingly?

The retail division handles all of the work on the CTP, tracking hours and expenses via the project accounting module of our financial software. These costs are then apportioned to CTP participants via the methodology defined in the CTP agreement, including those to SJWD-Wholesale. Annual billings are issued to all participants, and revenues and expenses are accounted in the retail division (as are those that pertain to the wholesale division accounted in the wholesale division).

**Question 23** Please provide documentation supporting how MGT is allocating pump station costs, addressing the inconsistency and lack of documentation concerning ownership between Wholesale and Retail.

SJWD's understanding is that in the past, wholesale purchased all assets and retail paid for its share through special capital facility fees. This is why there are distribution system pump stations on the wholesale balance sheet or showing as "wholesale" on the fixed asset listing. However, SJWD allocates the maintenance costs for these assets 100% to retail. There is a GL account in the retail operating fund called "Maintenance - Pump Stations, Reservoirs & PRS" where these expenses are coded. See attached detailed GL for this account. This account does not exist in the Wholesale operating fund. Wholesale does have a "Maintenance - Hinkle Reservoir" account, account 010-220-57116, but no pump station maintenance accounts. Beginning no later than 2015, this practice ceased, and all retail assets were paid for directly by retail and are reported as a retail asset.

**Question 24** The Cost Allocation Project Final Report states that "most" (but not all) Wholesale Capital Expenditures are being directly charged to Wholesale and "most" Retail capital expenditures are being charged to Retail (Final Report, p. 3). Please explain.

Some facilities – and their associated capital projects and costs - are shared by retail and wholesale. A complete listing of capital projects can be found towards the back of SJWDs budget documents on their website. Projects that appear in both lists are split between the two divisions.



**Question 25** In light of a new Master Plan draft having been recently distributed but not finalized, does SJWD anticipate updating this CAP to reflect the new Master Plan once adopted by the SJWD Board?

No. The master plan will identify upcoming capital needs for wholesale. In accordance with the CAP if a capital project is 100% wholesale, it will be allocated 100% wholesale. If it is large and has a specific benefit to particular agencies (such as the Fair Oaks 40 pipeline), then the Financial Plan and Rate study will define the specific allocation of capital charges to particular agencies. If it is a project that benefits both wholesale and retail, the costs will be split in accordance with their relative benefit to either.

## Addendum to Question #21

**In Fiscal Year 2021-22 the following Professional Services were shared between Wholesale and Retail:**

Item Description:	Allocation Methodology:
1. Legal Services	Some legal services are shared such as work pertaining to the Board of Directors. Costs are borne by either 100% Wholesale or 100% Retail or split between them, depending upon the nature of the work.
2. Actuarial Valuations for OPEB	Allocation based on Entity wide Salary & Benefit Costs for the fiscal year
3. GASB 68 work from CalPERS	Allocation based on Entity wide Salary & Benefit Costs for the fiscal year
4. Financial Statistics for ACFR	50-50 split: the ACFR is an entity wide document
5. Supplemental Accounting Services	50-50 split: the work benefits each division equally
6. Audit Services	50-50 split: the work benefits each division equally
7. COVID Testing	based on labor allocation of specific employee
8. Continuing Disclosure Services	50-50 split: the work is required for each division
9. SCADA System work	The elements of SCADA that are used exclusively at the plant are 100% wholesale. The elements that are shared, such as the overall software are split 75%W 25%R because is used a little bit, but not a lot in retail.
10. GIS System work	75% Retail and 25% Wholesale as GIS is predominately used in Retail, and just a bit in Wholesale.
11. CMMS System work	CMMS is split 75% Retail and 25% wholesale. Retail Field Services uses CMMS heavily, and it is used heavily by the maintenance team and not as much but some, by the WTP operators.
12. Professional services relating to employees such as respirator fit testing, annual hearing testing, COVID testing, etc.	Split based on the labor allocation of the applicable position.
13. CalPERS Health Benefits Admin Fees	Allocation based on Entity wide Salary & Benefit Costs for the fiscal year
14. HR Consultant expenses, both direct and expense reimbursement	Depends upon nature of work. Recruitment expenses are allocated in accordance with the split of the position being recruited for.
15. Compensation Study Services	50-50 split: benefit to employees not known at onset of work
16. Employee Survey work done by outside consultant	50-50 split: participating employees unknown at onset, but benefits both
17. ARC Flash Hazard Assessment	73%W 27%R: based on relative benefit
18. Regional Collaboration Study	60%R 40%W: based on relative benefit
19. Security Patrols and Intrusion Monitoring	50-50 split: the work benefits each division equally
20. Admin Building Panic Button Repair	50-50 split: the work benefits each division equally

<b>21.</b>	FTP Services	50-50 split: the work benefits each division equally
<b>22.</b>	Claris 360 Managed Services	50-50 split: the work benefits each division equally
<b>23.</b>	Domain Hosting	50-50 split: the work benefits each division equally
<b>24.</b>	PCI Compliance	50-50 split: the work benefits each division equally
<b>25.</b>	Admin Copier Service	50-50 split: the work benefits each division equally
<b>26.</b>	Website Hosting	50-50 split: the work benefits each division equally
<b>27.</b>	Supplemental IT Services	50-50 split: the work benefits each division equally. We pay a flat monthly fee for this. If it was charged by incident we would allocate each invoice based on the nature of the work.
<b>28.</b>	Bond Account Administration Fees	same allocation as the applicable debt
<b>29.</b>	Investment Portfolio Management Fees	50-50 split: the work benefits both divisions and the timing of invoices and investment interest allocation does not line up. The extra work it would take to true it up at year end isn't worth the dollars involved.
<b>30.</b>	Bond Refunding DTC Processing Fees	same allocation as the applicable debt
<b>31.</b>	Temporary Employees	as applicable based on the position



San Juan Water District, CA

# Question #23

# My Detail Report Account Detail

Date Range: 07/01/2021 - 06/30/2022

Account	Name	Beginning Balance	Total Activity	Total Debits	Total Credits	Ending Balance		
<b>Fund: 050 - RETAIL</b>								
<u>050-210-57105</u>	Maintenance - Pump Stations, Reservoirs & PRS	0.00	42,761.19	43,052.14	290.95	42,761.19		
<b>Post Date</b>	<b>Packet Number</b>	<b>Source Transaction</b>	<b>Description</b>	<b>Vendor</b>	<b>Project Account</b>	<b>Debits</b>	<b>Credits</b>	<b>Running Balance</b>
07/01/2021	GLPKT12248	JN05606	UGB Auxiliary Genset Receptacle - Project 205...		2051389999	592.98		592.98
07/01/2021	GLPKT12248	JN05608	Lateral - 5561 Cavitt Stallman Road - Project 2...		2158629999	4,915.89		5,508.87
07/19/2021	APPKT03300	292256	WTP, Admin& Field-HVAC Service	01232 - Brower Mechanical, Inc.		169.00		5,677.87
07/20/2021	APPKT03352	Y394485	Hinkle-ATS	02223 - Rexel Inc (Platt - Rancho Cordova)		3,315.55		8,993.42
07/22/2021	APPKT03296	07-22-2021	PS-Guage Kits-Amazon - Stemple**8206	02667 - US Bank Corporate Payments Sys (Cal...		25.40		9,018.82
08/10/2021	APPKT03331	Y419589	ATS Breaker	02223 - Rexel Inc (Platt - Rancho Cordova)		8,627.20		17,646.02
08/12/2021	APPKT03331	25910	Castellanos-Bushing & Facet Supply L ine	03091 - Granite Bay Ace Hardware		66.53		17,712.55
09/14/2021	APPKT03370	039545	Castellanos MOV-Spare Tire Cover	02302 - Riebes Auto Parts, LLC		26.93		17,739.48
09/20/2021	POPKT03151	067154197	Pump Station Maint 1/2' Brass MIP Hose Bib	02150 - Pace Supply Corp		10.57		17,750.05
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Bushing 2" x 1/2"	02150 - Pace Supply Corp		15.58		17,765.63
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Coupling 2"	02150 - Pace Supply Corp		19.98		17,785.61
09/20/2021	POPKT03151	067154197	Pump Station Maint Ball Valve Brass 1/2"	02150 - Pace Supply Corp		94.55		17,880.16
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Nipple 1" close	02150 - Pace Supply Corp		13.90		17,894.06
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Nipple 1/4" Close	02150 - Pace Supply Corp		9.70		17,903.76
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Tee 1"	02150 - Pace Supply Corp		40.63		17,944.39
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Tee 1/2"	02150 - Pace Supply Corp		16.82		17,961.21
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Bushing 1/2" x 1/4"	02150 - Pace Supply Corp		15.10		17,976.31
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Bushing 1-1/2" x 1/2"	02150 - Pace Supply Corp		21.36		17,997.67
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Tee 3/4"	02150 - Pace Supply Corp		11.43		18,009.10
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Nipple 1/2" close	02150 - Pace Supply Corp		37.04		18,046.14
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Bushing 1"x 1/2"	02150 - Pace Supply Corp		41.99		18,088.13
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Bushing 3/8" x 1/4"	02150 - Pace Supply Corp		7.98		18,096.11
09/20/2021	POPKT03151	067154197	Pump Station Maint Ball Valve Brass 1/4"	02150 - Pace Supply Corp		94.55		18,190.66
09/20/2021	POPKT03151	067154197	Pump Station Maint Brass Bushing 3/4"x 1/2"	02150 - Pace Supply Corp		5.31		18,195.97
09/20/2021	APPKT03370	26038	Bacon PS-Nipples & Faucet Supply Lines	03091 - Granite Bay Ace Hardware		56.86		18,252.83
09/22/2021	POPKT03151	067166103	Pump Station Maint 1/2' Brass MIP Hose Bib	02150 - Pace Supply Corp		31.53		18,284.36
09/22/2021	APPKT03376	09-22-2021	Lift Gate Srvc-Xpo Logistics Freight- Stemple-8...	02667 - US Bank Corporate Payments Sys (Cal...		77.12		18,361.48
09/27/2021	APPKT03379	141538	Swift Rvr Control Valve-Nipple,Bushings,Sup F...	01026 - American River Ace Hardware, Inc.		49.39		18,410.87
09/29/2021	APPKT03379	141554	Cascade Falls Control Valves-Nipples,Bushings,...	01026 - American River Ace Hardware, Inc.		109.43		18,520.30
10/05/2021	APPKT03398	297254	Admin, WTP, Field-HVAC Service & Maintenan...	01232 - Brower Mechanical, Inc.		84.50		18,604.80
10/08/2021	APPKT03408	2C76899	Bacon-PLC Spare Parts	02223 - Rexel Inc (Platt - Rancho Cordova)		645.46		19,250.26
10/13/2021	APPKT03408	2D01377	Bacon-PLC Spare Parts	02223 - Rexel Inc (Platt - Rancho Cordova)		257.72		19,507.98
10/13/2021	APPKT03408	2D10182	Bacon-PLC Spare Parts	02223 - Rexel Inc (Platt - Rancho Cordova)		51.75		19,559.73
10/13/2021	APPKT03408	2D10201	Bacon-PLC Spare Parts	02223 - Rexel Inc (Platt - Rancho Cordova)		350.36		19,910.09
11/04/2021	APPKT03440	26186	Chlorine Pump Parts	03091 - Granite Bay Ace Hardware		84.70		19,994.79

**My Detail Report**

Date Range: 07/01/2021 - 06/30/2022

Account	Name	Beginning Balance	Total Activity	Total Debits	Total Credits	Ending Balance		
<a href="#">050-210-57105</a>	Maintenance - Pump Stations, Reservoirs & PRS - Continued	0.00	42,761.19	43,052.14	290.95	42,761.19		
Post Date	Packet Number	Source Transaction	Description	Vendor	Project Account	Debits	Credits	Running Balance
11/10/2021	APPKT03440	26210	Mooney Tank-Union,Bushings,Ball Valve	03091 - Granite Bay Ace Hardware		43.38		20,038.17
11/10/2021	APPKT03444	2F27774	Bacon PLC Parts	02223 - Rexel Inc (Platt - Rancho Cordova)		327.40		20,365.57
11/18/2021	APPKT03440	26228	Kokila Tank-Brass Couplings	03091 - Granite Bay Ace Hardware		51.13		20,416.70
11/18/2021	APPKT03444	26235	Mooney Tank-Q-Connect BRS & Timer	03091 - Granite Bay Ace Hardware		29.90		20,446.60
11/22/2021	APPKT03454	11-22-2021	PS Tanks/Reservors-Chlorine Pump-Zoro- Potte...	02667 - US Bank Corporate Payments Sys (Cal...		302.48		20,749.08
11/30/2021	APPKT03472	26267	Hinkle Generator-Clamps,Antifreeze, &Epoxy	03091 - Granite Bay Ace Hardware		48.17		20,797.25
12/22/2021	APPKT03591	9015494174	FS Maint - General Purpose Relay & Midget Rel...	03681 - RS Americas, Inc.		685.39		21,482.64
01/04/2022	APPKT03526	026357	Supplies for Pump Motor Maintenance	03091 - Granite Bay Ace Hardware		21.16		21,503.80
01/07/2022	APPKT03526	026366	Keys for Generators	03091 - Granite Bay Ace Hardware		5.77		21,509.57
01/24/2022	APPKT03582	01-24-2022	PSI Dist Monitoring - Trimble - Griego1656	02667 - US Bank Corporate Payments Sys (Cal...		617.62		22,127.19
01/24/2022	APPKT03582	01-24-2022	Oil Absorbent Pads -Npc New Pig Corp - Sinnoc...	02667 - US Bank Corporate Payments Sys (Cal...		125.43		22,252.62
02/10/2022	APPKT03652	6125-075189	Battery, CA battery env fee, core deposit	03870 - Genuine Parts Company		379.10		22,631.72
02/10/2022	APPKT03652	6125-075217	Refund battery core deposit from Inv 6125-07...	03870 - Genuine Parts Company			54.00	22,577.72
02/23/2022	APPKT03584	73488503	Parts for PS Maintenace	02027 - McMaster-Carr Supply Company		66.31		22,644.03
03/22/2022	APPKT03624	03-22-2022	Mooney Truck UPS battery backup Amzn-Sinno...	02667 - US Bank Corporate Payments Sys (Cal...		116.89		22,760.92
03/22/2022	APPKT03624	03-22-2022	Control valve mnt Grosvenor HomeDepot-Sinn...	02667 - US Bank Corporate Payments Sys (Cal...		10.07		22,770.99
03/23/2022	APPKT03591	2P81270	Fuse for sierra pump station 1&4	02223 - Rexel Inc (Platt - Rancho Cordova)		121.48		22,892.47
03/23/2022	APPKT03602	75153061	Mini suction strainer	02027 - McMaster-Carr Supply Company		24.76		22,917.23
03/31/2022	APPKT03621	75625335	Suction strainer 3/8 NPT male connection	02027 - McMaster-Carr Supply Company		24.74		22,941.97
04/12/2022	APPKT03621	026616	Red aluminum markers	03091 - Granite Bay Ace Hardware		13.49		22,955.46
04/12/2022	APPKT03621	76291393	Packing seal, lubricating ring	02027 - McMaster-Carr Supply Company		353.22		23,308.68
04/13/2022	APPKT03621	76360503	UV- rust firm PVC tubing	02027 - McMaster-Carr Supply Company		68.42		23,377.10
04/13/2022	APPKT03621	76367380	File set w/wood handles, sanding roll assortm...	02027 - McMaster-Carr Supply Company		257.33		23,634.43
04/21/2022	APPKT03621	76830785	Packing seal 10ft long	02027 - McMaster-Carr Supply Company		175.00		23,809.43
05/02/2022	APPKT03660	9298299299	Adjustable Cable Lockout 6 Ft & 3 Ft	01687 - W. W. Grainger, Inc.		152.16		23,961.59
05/04/2022	APPKT03660	N099359	Buildings&Pump Stations Fire Extinguisher Serv...	03350 - Firecode Safety Equipment, Inc.		275.81		24,237.40
05/09/2022	APPKT03731	77771421	Return from Inv76291393 -Packing Seal Lube R...	02027 - McMaster-Carr Supply Company			236.95	24,000.45
05/11/2022	APPKT03731	77947757	UV Rust Firm PVC Tubing for Air & Water	02027 - McMaster-Carr Supply Company		35.53		24,035.98
05/19/2022	APPKT03660	309510	PS Maintenance - Refrigerant leak repair	03853 - Brower Mechanical CA LLC		2,059.00		26,094.98
05/23/2022	APPKT03688	249989 01	Pump Stn - Refrigeration tube, connector	02328 - Rocklin Windustrial Co		116.42		26,211.40
05/24/2022	APPKT03673	026751	Bacon PS - Auger drain, Plug, Pipe	03091 - Granite Bay Ace Hardware		25.20		26,236.60
06/01/2022	POPKT03431	7943	Hinkle Pump Station ATS Replacement	03872 - Ample Electric, Inc.		3,105.00		29,341.60
06/01/2022	APPKT03742	026777	Nuts Bolts Screws	03091 - Granite Bay Ace Hardware		21.37		29,362.97
06/09/2022	APPKT03709	J35646	Castolanos P.S. Generator Maintenance	03852 - Valley Power Systems North, Inc.		2,596.00		31,958.97
06/09/2022	APPKT03709	J35648	ARC-S Generator Maintenance	03852 - Valley Power Systems North, Inc.		1,796.00		33,754.97
06/09/2022	APPKT03709	J35649	Bacon PS Generator Maintenance	03852 - Valley Power Systems North, Inc.		2,996.00		36,750.97
06/09/2022	APPKT03709	J35650	Bacon PS Generator Maintenance	03852 - Valley Power Systems North, Inc.		1,786.00		38,536.97
06/09/2022	APPKT03709	J35651	Lower Granite Bay PS Generator Maintenance	03852 - Valley Power Systems North, Inc.		2,596.00		41,132.97
06/22/2022	APPKT03713	06222022	GB Upper PS Battery for UPS - B&H Photo-Van...	02667 - US Bank Corporate Payments Sys (Cal...		228.22		41,361.19
06/29/2022	APPKT03709	768	Upper Graffiti Abatement 2 Sides	03670 - River City Painting, Inc.		1,400.00		42,761.19
		<b>Total Fund: 050 - RETAIL:</b>		<b>0.00</b>	<b>42,761.19</b>	<b>43,052.14</b>	<b>290.95</b>	<b>42,761.19</b>

**My Detail Report**

Date Range: 07/01/2021 - 06/30/2022

Account	Name	Beginning Balance	Total Activity	Total Debits	Total Credits	Ending Balance			
<a href="#">050-210-57105</a>	Maintenance - Pump Stations, Reservoirs & PRS - Continued	0.00							
Post Date	Packet Number	Source Transaction	Description	Vendor	Project Account	Debits	Credits	Running Balance	
<b>Grand Totals:</b>					<b>0.00</b>	<b>42,761.19</b>	<b>43,052.14</b>	<b>290.95</b>	<b>42,761.19</b>

### Fund Summary

Fund	Beginning Balance	Total Activity	Total Debits	Total Credits	Ending Balance
050 - RETAIL	0.00	42,761.19	43,052.14	290.95	42,761.19
<b>Grand Total:</b>	<b>0.00</b>	<b>42,761.19</b>	<b>43,052.14</b>	<b>290.95</b>	<b>42,761.19</b>

**April 5, 2023, Letter  
to Donna Silva from  
Hilary Straus and  
Tom Gray**

**(Includes minutes of March  
23, 2023, meeting between  
CHWD, FOWD, and SJWD)**





April 5, 2023

Via Email and U.S. Mail

Ms. Donna Silva  
Finance Director  
San Juan Water District  
9935 Auburn Folsom Road  
Granite Bay, California 95746

**RE: MGT COST ALLOCATION PLAN (CAP) for San Juan Water District (SJWD)—  
March 23<sup>rd</sup> Meeting**

Dear Donna:

Citrus Heights Water District (CHWD) and Fair Oaks Water District (FOWD) thank you and your San Juan Water District (SJWD) team for meeting with us on March 23<sup>rd</sup> to discuss our comments and your responses on MGT of America Consulting, LLC (MGT)'s Cost Allocation Project Final Draft (90% draft). To assist our review of the outstanding issues, please provide the documents discussed at our meeting and noted below:

- MGT PowerPoint presentation presented on March 23<sup>rd</sup>.
- Cost allocation plans cited by SJWD in its March 20<sup>th</sup> response letter and MGT in its March 23<sup>rd</sup> meeting PowerPoint as supportive of the level of effort methodology proposed by MGT in the draft study.
- The sample categories and emails offered by Mr. Helliker providing examples of the manner in which the General Manager decided to account for his time between wholesale and retail, with the understanding that these will only be examples as no comprehensive record exists.

In addition, attached are minutes we prepared documenting the attendees and discussions at our meeting. Please provide any comments on these minutes by close of business on Friday, April 14th. If more time is required, please email a date by which CHWD & FOWD may expect SJWD's response. It is imperative that CHWD & FOWD have a clear and complete understanding of the efforts taken, and that SJWD has elected not to take, in developing its Cost Allocation Plan.

CHWD & FOWD welcome continued discussion on the CAP as our respective agencies work to revise the draft Plan to ensure it complies not only with all legal requirements, but also that it may be utilized in future wholesale ratemaking proceedings. As stated during the March 23<sup>rd</sup> meeting, CHWD & FOWD do not believe that the current draft plan accurately, reasonably, or fairly allocates costs to wholesale agencies.

Lastly, CHWD & FOWD would request that, in SJWD's response to this letter, SJWD also outline

**Letter to Donna Silva**  
**Cost Allocation Plan – Meeting Follow Up**  
**April 5, 2023**  
**Page 2**

its proposed next steps in this CAP development process.

Sincerely,



Hilary M. Straus  
General Manager  
Citrus Heights Water District

Sincerely,



Tom R. Gray  
General Manager  
Fair Oaks Water District

CC: CHWD Board of Directors  
FOWD Board of Directors  
OVWC Board of Directors  
SJWD Board of Directors  
Paul Helliker, General Manager, SJWD  
Joe Duran, General Manager, OVWC  
Elaine Andersen, City Manager, City of Folsom  
Stacey Tamagni, Director of Finance/CFO, City of Folsom  
Marcus Yasutake, Environmental & Water Resources Director, City of Folsom  
Patrick Dyer, Vice President, MGT of American Consulting, LLC

Attachment: Meeting Minutes

## ATTACHMENT

### MINUTES FROM MEETING WITH CHWD, FOWD, SJWD, AND MGT

#### ATTENDEES

- Pat Dyer (MGT)
- Alan Parks (MGT)
- Paul Helliker (SJWD)
- Donna Silva (SJWD)
- Hilary Straus (CHWD)
- Steve Anderson (CHWD)
- Josh Nelson (CHWD)
- Kyler Rayden (CHWD)
- Rod Wood (CHWD)
- Habib Isaac (CHWD)
- Tom Gray (FOWD)
- Joe Duran (Orange Vale Water Company)

#### NOTES FROM PRESENTATION

- MGT and SJWD provided a PowerPoint presentation responding to questions provided by CHWD/FOWD and provided SJWD's responses.
- Slide for Questions 1, 2, and 3
  - Alan Parks (MGT):
    - Q: Why is 2 CFR Part 200 not being complied with for this policy?
    - A: SJWD does not have an agency to report to, and does not have federal funding at risk by not complying and does not have \$35 million in federal funding which is typically threshold. Looked at peers and most of them do not have a formal cost allocation plan, and the ones that do, their plans are not compliant with 2 CFR Part 200.
  - Pat Dyer (MGT): Similar agencies or other agencies that utilize relative effort allocation are the City of Sacramento (uses a similar method based on estimates, calendar items, emails, hours, department effort, time estimates), City of Roseville (something similar...they chop up some of their central service departments and decide, based on staff's feeling, not time records, and decide time split), El Dorado County (does not use—goes to state and feds that is reviewed by state controller), El Dorado Irrigation District (has some flexibility in their use of allocations and costs, but did not utilize the relative effort allocation).
  - Pat Dyer (MGT): Peer Published Cost Allocation Plans include ELID (discusses cost allocation in cost of service study but it is not formal, no on 2 CFR), City of

CH (discusses cost allocation in budget document focused on general fund support within City, no 2 CFR), City of Rocklin (uses an agency-wide indirect cost of all of its department so it is not federally compliant...likely an informal cost allocation plan), Roseville (both informal and formal plan), Sacramento County (federal plan).

- Slide for Questions 5 & 6
  - Alan Parks (MGT): MGT broke out expenses from most to least, analyses covered 98% of SJWD's FY 21/22 actual expenses.
    - Expenditures greater than 5%
      - Labor and fringes 33.47%
      - Wholesale retail capital expenditures 21.53%
      - Purchased water 11.47% (direct charge, not cost allocated)
      - Professional services 5.60%
      - Depreciation (not considered)
  - Labor and Benefits: Alan Parks (MGT):
    - Perfect world would include timesheets, not applicable to SJWD. Ideal circumstance – timesheets down to a minute or (10/15 min increments), however MGT was bound by SJWD's system, staff size, limited resources.
    - Alternatives to using timesheets:
      - Allocation based on relative effort using statistical data (Consistent data, work orders, billing, FTEs, meetings, job description) (most accurate)
      - Square footage of facilities maintained
      - Budget expenditures
      - Prior year actuals expenditures
      - Equal profit sharing
  - General Manager topic, addressed by Paul Helliker (SJWD)
    - He does the job defined in job description as defined by topics asked to work on by the Board and staff.
    - Time that he talks on state and federal issues varies.
    - Looked at 6 months of meetings and outgoing emails (not including inbound emails).
    - The methodology he uses is more detailed than other methodologies of the previous general manager.
    - Gave examples of issues handled by ACWA and RWA.
  - Water resources manager topic, addressed by Paul Helliker (SJWD)
    - Overlapping responsibilities with the general manager.
    - Manage wholesale water resources.
    - Maintains rights and entitlements.
    - Managing legal and legislative matters.

- BDWQCP
  - Voluntary agreement
  - Biological opinions
  - Revisions of the water forum agreement
- Slide for Question 21 -Professional services (Donna Silva, SJWD)
  - Examined all activity for 21/22 and identified the services which are not direct charges.
  - Legal services – based on nature of work (mix of direct and allocated charge based on nature of work). Time spent on board meetings is split 50/50. Time spent on labor issue allocated based on allocation of employee who is the subject.
  - OPEB and CalPERS – CalPERS for active employee is allocated based on individual labor allocations. Retirement and OPEB expenses are based on the entity-wide salary and benefits allocations.
  - Auditing and accounting services – equal cost sharing.
  - SCADA system work: generally 75% wholesale and 25% retail. Water treatment plant relies heavily on SCADA for operations and the retail area not as much.
  - GIS and CMMS System work: generally 75% retail and 25% wholesale.
- Slide for Question 24- Capital expenditures (Donna Silva, SJWD)
  - Most wholesale capital projects are direct charge to Wholesale and most retail capital projects are direct charged to retail. Depending on the beneficiary, some facilities are split. For example, improvements to the administrative building would be split 50/50. If replacing gate at front entrance, split 50/50. Capital improvement at water treatment plant 100 wholesale. It comes down to the nature of the capital project.
  - Some capital projects and expenditures benefit both wholesale and retail; those capital expenditures are shared equally.
  - See pages 55-73 in FY 22-23 budget.
- Questions unrelated to Cost Allocation Plan (Paul Helliker, SJWD)
  - Wholesale master plan
    - Looking at options for how to address liner repair (25-40 years from now).
    - Built two 1m gallon storage tanks, but not ideal for project.
    - Folsom is high enough to flow all by gravity, so main risk for mitigating pump station going off line is no longer an issue.
  - Why is SJWD developing its own groundwater source? (Paul Helliker, SJWD)
    - In addition to accommodating storage needs, it also provides stability and reliability to its wholesale customer agencies.
    - Analyses of groundwater production, in addition to accommodating storage needs, it also provides ability to support backup supply in whole system.

- Board added \$5 million into retail financial plan.
- Wheeling charges (Donna Silva, SJWD) – *Reiterated comments made in SJWD’s March 20<sup>th</sup> letter to CHWD and FOWD.*
  - Retail to bear expense should billing rate be adjusted to agreed amount.
  - Wheeling charge has historically been by wholesale.
  - Collaborate effort with Citrus Heights to agree on rate methodology.
  - CHWD GM Straus indicated that there was “a disconnect” between CHWD and SJWD on the wheeling rate, and suggested that the issue be discussed further off-line from this meeting.
  - Prior to this, San Juan agreed to pay directly from retail rather than wholesale.
- Operations and maintenance of the cooperative transmission pipeline (CTP) (Donna Silva, SJWD)
  - Maintenance on CTP is done by retail field services team so costs are born by retail.
  - Separate agreement describing allocation of CTP so costs are allocated according to the agreement.
  - Allocation of pump station cost.
    - Maintenance costs charged to retail.
  - Does San Juan anticipate updating cost allocation plan for the new Master Plan?
    - No. Capital costs coming out of master plan are mainly wholesale and will be allocated to wholesale.
    - (Paul Helliker, SJWD): will they apply new cost allocation plan to projects identified in the new Wholesale Master Plan...the answer is yes.

#### GENERAL DISCUSSION (Q&A)

- Tom Gray, FOWD: In the opening you talked about comparing peer groups. We don’t have a formal CAP because we don’t have two distinctly different cost centers and two sets of financial records...that is not the same for the peer group that you compared San Juan to. Meaning the peer group does not have two separate cost centers they have to account for. The peer group San Juan used to compare does not have two separate cost centers, and is thus more like an investor-owned utility.
- Paul Helliker, SJWD: City of Sacramento has multiple cost centers and funds, they are even more complicated than San Juan with only two funds. City of Roseville is likely the same. Sacramento has a wholesale water supply as part of the utility section.
- Donna Silva, SJWD: Improved allocating plan is to charge indirect costs to a federal funding source. Any cities will have multiple cost centers where they are legally required to keep costs separate. Rancho Cordova is similar.

- Tom Gray, FOWD: CHWD and FOWD do project cost accounting, but do not have formal cost allocation plan for separating their books since they only have one set.
- Tom Gray, FOWD GM: SCADA is not based on how it used, but rather the number of installations required to be maintained and capitalized. A better matrix would include the cost to maintain, capitalize and replace.
  - Donna Silva, SJWD: Will look into it. Not an expert on SCADA system.
- Tom Gray, FOWD: Developing groundwater. In relation to the slide which stated groundwater would provide stability and reliability to retail agencies, all wholesale customer agencies do not need this, so it should only be charged to the ones that need it. Should be 100% allocated to benefitting agencies. Fair Oaks does not need this.
  - Paul Helliker, SJWD: Who is responsible? San Juan, per the wholesale water agreement, is responsible for providing wholesale water supplies to wholesale agencies that are defined in the agreement. In the retail sector, looking into groundwater production facilities. Looking at storage to manage Hinkler project.
- Tom Gray, FOWD: Following up on groundwater development: FOWD is responsible for water supply reliability after the point of connection from wholesale. We are both spending resources on the same thing. Our supply agreements only specify surface water from SJWD. FOWD handles its own groundwater needs.
- Tom Gray, FOWD: Allocation of pump station costs. The response is maintenance is paid by retail? What about capital, those were a wholesale asset and then became a retail asset?
  - Donna Silva, SJWD: Any capital project attributed to pump station is retail 100%. (Ex. Granite Bay pump stations born by retail). The confusion arises from how capital projects used to be handled at San Juan. Wholesale used to own all the assets and anything that was retail asset was to be assessed a capital charge similar to charge that FOWD had for the FO 40 pipeline. Assets that show up as retail were in fact paid by retail.
  - Tom Gray, FOWD Follow up Q: Given that booster stations were then transferred to retail ownership, can SJWD request the same be done to the FO 40 pipeline?
    - Paul Helliker, SJWD: Response No, FO 40 is a wholesale asset. See agreement re how to pay for repair project. Project is now completed. If any ongoing maintenance cost, SJWD will look at how it should be allocated. Look at wholesale capital plan and retail capital plan and let me know if you have any questions so we can talk about it offline. Reference to groundwater facilities in

wholesale master plan is a future scenario...haven't fully analyzed this.

- Josh Nelson, CHWD: Regarding the GM time and level of effort, Paul, did you provide a copy or summary of your emails to MGT?
  - Pat Dyer (MGT): We did not read emails but were given a summary from Paul and analyzed the summary. We did not look at the calendar or emails. Reviewed summary information and reported the results of the analyses.
  - Paul Helliker, SJWD GM: to be clear, to allocate time correctly, I plan to check in and review my emails regularly. Took me 3 days for each month-it was a time intensive effort. Will commit doing so on periodic basis (every year or two?).
  - Josh Nelson, CHWD follow up: For emails that were split between wholesale/retail? How did you decide on the appropriate split?
    - Paul Helliker, SJWD: Depended on each topic. If email related to board member agenda – 50/50, water forum purveyor agreement – 100 wholesale, email about water loss economic model – 100 retail. Looked at email topic and applied own mechanisms to determine what is wholesale and retail. Regarding the technical reporting order, SB 552, that applies to both wholesale and retail – 75 % wholesale and 25% retail if included.
  - Josh Nelson, CHWD follow up: Do you have a list of all those different methodologies you applied?
    - Paul Helliker, SJWD GM: No, don't have a list of the methodologies of items that are split between wholesale and retail. Happy to give examples and the topics of those emails that are covered. Don't have a list of every methodology applied. It was done on a case by case basis and I have no record of it.
  - Josh Nelson, CHWD follow up: Can you clarify? We would like to see your work and understand how you arrived at the overall 85/15 split. Can you provide a record of what you did and how you applied the methodologies that resulted in an overall 85/15 split?
    - Paul Helliker, SJWD:I looked at every single email sent and if the subject line was not adequate to accurately characterize email, then he went into the email. This took a lot of time, and he annotated them. Happy to give Josh a range of topics to show typical examples. I don't have a complete record.



- Josh Nelson, CHWD follow up: If we don't have a record of how those methodologies were applied, which 6 months of emails did you review and why those?
  - Paul Helliker, SJWD: it was listed in the spreadsheet. Looking at spreadsheet, 2022 months listed from January to September with blanks in June, July, and August, since I did not review those. Six months seemed like a reasonable sample.
    - Josh Nelson, CHWD follow up: Why did you exclude the summer months?
      - Paul Helliker, SJWD: I did not have time to do 9 months, so instead did 6 months and picked September because it was the most recent.
- Josh Nelson, CHWD: Regarding the big debate about all the different cost methodologies, who made the determination of going with the level of effort methodology?
  - Pat Dyer (MGT) MGT made that decision since it was the best information available. Would be better to get actual time, but Paul did not have this information.
  - Paul Helliker, SJWD: Other methodology was that there are some examples of cost allocation that are based on number of FTEs that are wholesale versus FTEs that are retail. Training that every employee goes to – split by number of employees that are wholesale and retail. Characterizing time as law firms do every 1/10<sup>th</sup> of an hour would be best, but it is too expensive.
- Josh Nelson, CHWD: Other agencies MGT works with that use level of effort that don't use time entries, what sort of methodologies do they use for emails?
  - Pat Dyer (MGT): Hard to say, varies by everyone differently. May take a sample of last couple of months. There are agencies that are thinking about a lot of different departments, unlike SJWD. There is no right answer, very situational. Sometimes split on employee's own methodology, and Paul has data to back up the split. So long as allocation method is reasonable and represents how the services are consumed, it is not up for debate or 2 CFR.
- Josh Nelson, CHWD: Some of the peer agencies that you have identified:
  - Roseville: Are they using email method that Paul is doing?
    - Pat Dyer (MGT): Percentage of effort by certain efforts. Can contact a peer if needed.
    - Josh Nelson, CHWD: Trying to understand, so please provide cost allocation plans from peer agencies, that would be super helpful.

- Pat Dyer (MGT): Cost allocation is situational, happy to provide you the copies, but it will be different based on situation.
- Josh Nelson, CHWD: Regarding the cost allocation for the professional services, did MGT decide on that -- on those methodologies?
  - Pat Dyer (MGT): We outlined that in their report. Generally speaking, MGT felt comfortable with what SJWD was doing but asked Paul to look into some.
  - Paul Helliker, SJWD: see table on pgs. 8-11 of report.
- Hilary Straus: CHWD Requested a copy of the PowerPoint. Donna and Paul, given significant capital and lifecycle replacement costs, do you not think it is conceivable that one day you can accumulate grants in excess of \$35 million and therefore producing a 2 CFR plan could be advisable?
  - Donna Silva, SJWD: Always looking to maximize revenue sources. In the event of windfall of federal money, San Juan would absolutely want to utilize all that money. San Juan has and is using federal money in the past and is currently using federal funds (drinking water revolving loan fund??). 2 CFR only necessary if trying to charge indirect costs to federal fund source. San Juan will be able to fully utilize federal funds by direct charges...construction and design costs. No benefit to San Juan for pre-approved cost allocation fund. Would not benefit from formal allocation plan.
  - Hilary Straus, CHWD follow up: If you allocated through an indirect cost allocation plan, would SJWD be able to further spread SJWD costs/charge costs to grants?
  - Donna Silva, SJWD response: No, would only make more things more expensive and complicated.
- Hilary Straus CHWD: Paul alluded last night that CHWD and FOWD will provide comments on Master Plan. We have significant concerns that wholesale will venture into groundwater. Strongly opposed to a duplicative effort.
  - Paul Helliker, SJWD: In terms of duplication, if you look at master plan we are not proposing to build groundwater facilities to replicate CHWD facilities. Look at table, analyses includes what CHWD would contribute in different scenarios.
    - Hilary Straus: CHWD follow up: Table is incorrect.
    - Paul Helliker, SJWD: We based on information provided by CHWD.
    - Hilary Straus: CHWD follow up: CHWD will provide you with the correct/updated information. The information you have may have been correct at the time, but it is outdated.

- Hilary Straus CHWD: Regarding redevelopment of admin building, there are some concerns...hard to imagine 50/50 cost split. Retail will consume far more space in the building than wholesale. Concerns with methodology for allocation. (Ex. Only 5 wholesale customers and over 11k retail customers)
  - Paul Helliker, SJWD: When we design and construct new facility, we will look at how the space is used. 50/50 may not be final result. Board room will be 50/50, but this will change likely once the building is designed and built.
- Steve Anderson, CHWD: Regarding the overlap between cost allocation and capitol plan, confused as to references to groundwater, specifically with wholesale water agreement (para. 5). San Juan's duty is to provide 4 buckets of surface water and 215 water if available, and make that water available to wholesale agencies. Groundwater or reliability is not in the supply agreement. Foundation of relationship of wholesale customers is surface water. May want to have a separate chapter of wholesale capital plans addressing future projects on agency-by-agency basis and specific beneficiaries. Maybe there is a way all the agencies can meet about this?
  - Paul Helliker, SJWD: As a matter of fact, San Juan has ability to install groundwater wells anywhere in its wholesale service area and can use that for either wholesale or retail. Fundamental matter of operating principles and authority.
  - Steve Anderson, CHWD follow up: What is the authority for that?
    - Paul Helliker, SJWD: San Juan is a community services district. We have responsibilities (street lighting up to garbage collection). Regarding water supply, reference in the CSD Law is to the Municipal Water District Law. We have ability to secure water sources from numerous sources, including groundwater. Language in water supply agreement does not prohibit groundwater. References to water currently available are not exclusive. San Juan would not propose to build a facility that would affect CHWD and FOWD. Purpose in the masterplan was to identify alternatives.
      - Steve Anderson, CHWD follow up: There is incongruity in all these plans, they say that pre-1914 water is virtually reliable which is all CHWD needs so why would we want groundwater facilities? Only reason to build these facilities is to make money.
      - Paul Helliker, SJWD: I appreciate your comment that you don't want San Juan to make unnecessary expenditures. When you talk about reliability of surface water sources, in 2015 they became almost unreliable...worked with USBR for e-pump. CHWD and FOWD both have reliable supplies but they both can build wells. Merely an option to deal with operational issues. If CHWD wants

to build those wells, go ahead. If there is anything not in the master plan, please let us know so we can build it in there.

- Hilary Straus, CHWD: Is it true that currently as the draft cost allocation plan sits now, in terms of an aggregate shift of FTEs from wholesale to retail, it is 12% of one position?
  - Donna Silva, SJWD: Needs to look at the plan.
  - Alan: Confirms 12% of one position from wholesale to retail is correct, but does not include additional position shift noted in letter to CHWD and FOWD.
  - Hilary Straus, CHWD follow up: if you accepted 4 and 5 recommendations respectively concerning shifting costs of Finance and the GM from wholesale to retail, would you likely have had to revisit the retail financial plan?
    - Donna Silva, SJWD: Likely not, the retail financial plan was to set rates for three-year period. Revenues were higher.
    - Hilary Straus, CHWD: You were looking at this year to update retail financial plan?
    - Donna Silva, SJWD: Haven't got there yet. (*Audio was unclear*) 3-5 years.
- Hilary Straus, CHWD: Following up on Q 13 Paul challenged the notion about a stable water source. Following up on that thought, you can understand our concerns about seeing appropriations of senior water right outside service area. In the master plan, we did not see any expenditure to work on expanding the place of use for CVP water and the non-senior water rights portion of SJWD's portfolio.
  - Paul Helliker, SJWD: CVP water rights are defined in contract, such as transferring CVP water under the contract. We can transfer CVP water to other CVP users.
    - Hilary Straus, CHWD follow up: CVP water can be transferred outside of family of agencies place of use?
    - Paul Helliker, SJWD: we can buy CVP water in our own service area and transfer it to other CVP users without red tape. In groundwater banking guidelines for USBR, they define banking CVP water outside San Juan service area...need federal approval. All deliveries are within the constraints of agreement. CVP is not our water use so USBR would need to request a change of place of use.
- Tom Gray, FOWD: At last night's meeting, FOWD provided comments to San Juan Board for consideration that were in general dismissed with no discussion.

- Paul Helliker, SJWD: I responded in detail regarding your points of the Board entering into long-term transfer agreement. Happy to go through point by point of your 1 page letter.
- Habib Isaac, CHWD: Going back to cost allocation plan. Thinking about personnel. One of the things that Pat mentioned is that he reviewed the information provided by Paul and his methodology and analyses on time. Was there any other information to confirm that the table summary was adequate? Did you receive any more information to confirm and analyze the summary table?
  - Pat Dyer, MGT: Asked Alan. Alan said no, no additional information gathered besides conversation with Paul.
  - Paul Helliker, SJWD: Can provide more detail. I went through every email and sorted them. You need to trust that I know what the topics were. You can submit PRA request if you want copies but our legal will carefully review it.
  - Habib Isaac, CHWD: There should be something to confirm what Paul is saying. Probably during early 2022 there were lots of emails regarding wholesale for the Hinkle Project and loan from the state. If that is the case, what is the recommendation going forward? What about a big retail project that would affect future email splits, won't you just start ping-ponging back and forth?
    - Paul Helliker, SJWD: In early 2022...only conversation for Hinkle was Tony keeping him up to date and emergency action plan and the normal preparation for the project. Not a lot of emails to do with revolving loan, that fell on others (Donna and Andrew). Quite a lot of work regarding legislation on indoor water project.
    - Pat Dyer, MGT: Recognizes merit of Habib's comments. With any date source or allocation method, if it involves people, it is variable. Tiled one-way one year and another the next year. The three months during the summer we didn't look at maybe sways the numbers a different way, but not practical for entire year. Paul has agreed to look at this in the next 6 months. Can't promise everyone absolute equity and accuracy, minute we look at allocation metric the opposite year another metric may see right. Overall, these seem reasonable. We are not going to all agree.
    - Habib Isaac, CHWD: Why didn't you review any of the categories, only the summary table?
    - Pat Dyer, MGT: This was a small project with limited hours. \$14k project (60-80 hrs total) relied upon. We did not have scope to meet threshold being asked by some stakeholders. We aren't digging in and validating every single thing, we had to trust what Paul was pulling together was reasonable. Had to trust that if they don't have time records, they did not analyze them.

- Habib Isaac, CHWD: HR uses FTEs or salaries or combination. Supervising duties (2 divisions that report to finance). From those standpoints, what are your feelings on those components? What was unit of measurement for percent split?
  - Pat Dyer, MGT: We would have wanted to look at time records. When time entries were not available, we used the next best alternative. The FTE splits across the organization made sense. Are you proposing something different?
  - Habib Isaac, CHWD: The data points you reviewed, you have used those as proxies to capture relative percent effort. FTE is a function of HR. But in this case did not.
    - Pat Dyer, MGT: Customer service section is completely dedicated to retail. Small sliver of that is used to process billings. Like splitting hairs to determine what sliver of customer service would go to retail. We didn't go down that rabbit hole since Donna and her team and not set up to provide additional data. If 99% retail, than easier to say it is all retail.
    - Habib Isaac, CHWD: Not my point. How is finance 50/50 when there is so much more activity in retail to recover retail and departments under Finance that leans more retail. How did you determine 50/50 was okay?
    - Donna Silva, SJWD: Metrics you suggest are easy metrics, but if you take it down to the level of effort, those metrics do not lend to more accuracy. Time spent on revenue collection and recording revenue is very small; in finance, we prepare wholesale revenue and don't spend a lot of time on retail revenue. Billing process is automated. Level of effort of finance on revenue generation is weighted more heavily on wholesale. Water transfer was quite time intensive which was all wholesale water transfer.
- Habib Isaac, CHWD: Did you do a deeper dive? Can we get that information? What was the unit of measurement used by MGT to derive a 50/50 split?
  - Pat Dyer, MGT: Refer to report. If Donna does something that benefits both things, equal cost sharing and the split is 50/50.
  - Habib Isaac, CHWD: one situation you go with default allocation, then in another situation you decide to use another?
  - Pat Dyer, MGT: everyone is looking to see if that makes sense, and if we all don't agree then it may not be appropriate.
- Hilary Straus, CHWD: With regard to Tyler Software, are there any other modules that are not being utilized that can be used to help document labor/non-labor costs?
  - Donna Silva, SJWD: there are some modules that we don't use. Almost impossible to allocate wholesale/retail.

**April 6, 2023, Email  
from Donna Silva to  
Hilary Straus and  
Tom Gray**

**(Includes copy of MGT  
PowerPoint presented at the  
March 23 meeting)**

## Hilary Straus

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**From:** Donna Silva <dsilva@sjwd.org>  
**Sent:** Thursday, April 6, 2023 10:07 AM  
**To:** Hilary Straus; Tom Gray  
**Cc:** Marcus Yasutake; Joe Duran; Paul Helliker; Alan Parks; Paul Helliker  
**Subject:** Cost Allocation Plan Follow Up Items  
**Attachments:** 90% Draft Stakeholder Meeting Presentation.pdf

Dear Tom and Hilary,

San Juan is in receipt of the letter from CHWD and FOWD regarding the March 23<sup>rd</sup> meeting on SJWD's Cost Allocation Plan. Per your request we have attached a copy of the power point presentation from that meeting. In your letter you request that we send the cost allocation plans referenced in our March 20<sup>th</sup> response letter. Please be advised that we are not in possession of the cost allocation plans of other local governments. You may wish to reach out to them directly to obtain copies of their plans.

In our meeting on March 23<sup>rd</sup> I committed to investigate how many "SCADA installations" we have. The table below was compiled by Tony Barela, Operations Manager for SJWD:

Division	Number of Main Menu Screens	%
WTP – Whsl	22	29.4%
Meters – Whsl	28	37.3%
Retail	25	33.3%
<b>Total</b>	<b>75</b>	<b>100</b>

This would suggest an allocation of 66% Wholesale and 33% Retail. However, the complexity of the "screens" and the data gathered is much greater at the water treatment plant. The water treatment plant utilizes the SCADA system at a more-complex level, which is why we rounded the allocation up to 75% Wholesale and 25% retail. Not all SCADA expenses are allocated using the split. If there is work done on a specific installation, or screen, it is charged directly to the appropriate division, but when it is a shared cost, like the annual software renewal, we utilities the 75-25 split. We feel this is fair and reasonable.

Please be aware that your minutes of the meeting state that Paul does not have records of the methodology he used to allocate his time between wholesale and retail. That is an inaccurate statement. Paul will be gathering examples of the data he used in his time study and will be providing those to the group by the end of next week. He will advise on next steps at that time.

Sincerely,

*Donna Silva, CPA*  
Director of Finance  
San Juan Water District  
9935 Auburn Folsom Road  
Granite Bay, CA 95746  
(916) 791-6907  
[dsilva@sjwd.org](mailto:dsilva@sjwd.org)





**Cost Allocation Project**  
**San Juan Water District, CA**

- UPDATE: Stakeholders' Q&A

March 23, 2023

## 2 CFR Part 200 Discussion (1, 2, 4)

- Why does SJWD not have to comply with 2 CFR Part 200
  - No cognizant agency
  - Not a pass-through agency
  - No federal dollars being allocated between central services (accounting, human resources, information technology)
  - No federal funds at risk
  - Does not limit SJWD's potential to receive federal funds
  - Most 2 CFR 200 plans are for agencies with \$35M in federal funding
  - Almost no SJWD peers prepare a formal CAP or one compliant with federal guidance

## Agencies with Similar Allocations

Agency	Allocation
City of Sacramento	Various departments based on labor analysis (based on calendars, emails or department effort, time estimates)
City of Roseville	Relative effort, estimated % by department for several allocated functions in City Manager, City Attorney
El Dorado County	Does not use.
El Dorado Irrigation District	Has a flexible policy in their Cost of Service/Rate study to address their size, systems and allocations.



## Peer Published Cost Allocation Plans

Agency	Formal Cost Allocation?	2 CFR 200 Compliance
El Dorado Irrigation District	No. Discusses cost allocation in cost-of-service study.	No
City of Citrus Heights	Annual budget mentions informal allocation of general fund support: Risk Management Services, Human Resources, Information Technology, Facility Management, Fleet Management, City Manager and Finance, City Attorney, City Clerk, Engineering	No
City of Rocklin	No. Uses agencywide 13.1% rate for indirect costs.	No
City of Roseville	Yes	Does a full plan and 2 CFR Part 200 compliant plan.
Sacramento County	Yes	Submits a 2 CFR Part 200 plan to State of CA each year.

## Materiality of Expenses (5 and 6)

- MGT's analysis covered over 98% of SJWD's FY 21/22 actual expenses.
- Expenditures greater than 5%
  - Labor and Fringes – 33.47%
  - Wholesale and Retail Capital Expenditures – 21.53%
  - Purchased Treated Water – 11.47%
  - Professional Services – 5.60%
  - Depreciation – 13.74% - not included in cost allocation plan

## Allocation of Labor and Benefits

(7, 8, 15, 16, 17, 18, 19)

- Ideal Circumstance – timesheets down to a minute or (10/15 min increments)
- Bound by SJWDs systems, size, staff and limited resources
- Alternatives
  - Allocation Based on Relative % (consistent data, work orders, billings, FTEs supervised, meetings, job description, etc.)
  - Square Footage of Facilities Maintained
  - Budgeted Expenditures
  - Prior Year Actuals
  - Equal Cost Sharing

## General Manager (9, 10, 11, 12)

- Is the General Manager involved in “macro-issues” by necessity or by choice?
- What is the extent of the General manager’s time and effort being directly involved in State- and Federal-level issues?
- Does the General Manager’s time consider the efforts undertaken by ACWA and/or RWA?
- Why is the General Manager and Water Resource Manager positions allocated mostly to Wholesale.
  - General Manager – Based on six-month study of meetings, emails, and discussions with GM
  - Water Resource Manager – Next slide



## Water Resource Manager (13)

- Manages Wholesale Water resources
- Maintains the rights and entitlements
- Responsible for monitoring and reporting requires
- Managing legal and legislative matters
  - Bay-Delta Water Quality Control Plan
  - Voluntary Agreement
  - Biological Opinions
  - Revision of Water Forum Agreement



## Professional Services (21)

Item Description	Allocation Method
Legal Services	Based on nature of work
OPEB and CalPERS	Allocation based on entity-wide salaries and benefits
Auditing and Accounting Services	Equal Cost Sharing
SCADA System work	75% Wholesale and 25% Retail
GIS and CMMS System work	75% Retail and 25% Wholesale

- See “Addendum to Question #21” provided on 3/21/2023 for full detail.

## Capital Expenditures (24)

- Most capital projects are direct charged to either Wholesale or Retail, depending on the beneficiary
- Some capital projects and expenditures benefit both Wholesale and Retail
  - These capital expenditures are share equally
  - See pages 55 to 73 in FY 2022-2023 adopted budget
  - All SJWD Budgets back to FY 2007-2008 are [<<HERE>>](#)

## Questions Unrelated to CAP

(14, 20, 22, 23  
and 25)

Why is SJWD developing its own groundwater source?

- To provide stability and reliability to its Wholesale Customer Agencies

Wheeling charges to Orange Vale Water Company and SJWD

- Retail to bear expense should billing rate be adjusted to agreed amount

Operations and maintenance of the Cooperative Transmission Pipeline (CTP)

- Costs are apportioned as defined in the CTP agreement

Allocation of pump station costs

- Maintenance costs are direct charged to retail.

Does SJWD anticipate updating the cost allocation plan for the new Master Plan?

- No

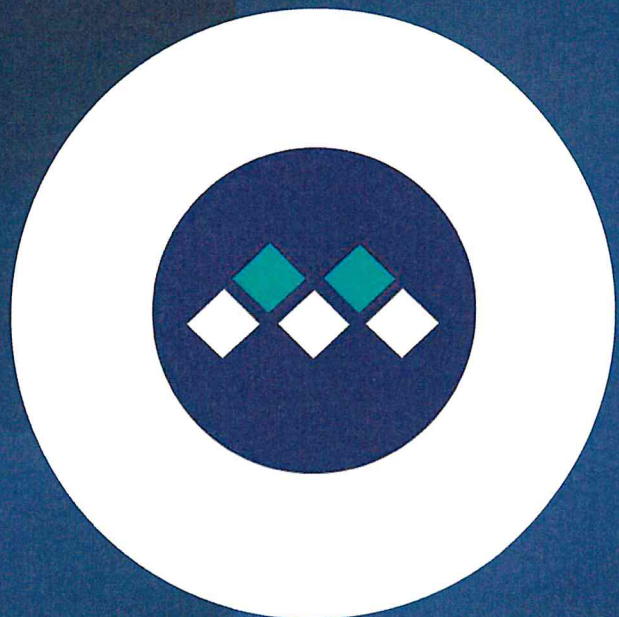


# Thank You!

Contact:

[pdyer@mgtconsulting.com](mailto:pdyer@mgtconsulting.com)

[aparks@mgtconsulting.com](mailto:aparks@mgtconsulting.com)



## Best Practice Policy

- Establish rates that are fair and equitable within the limitations of reasonable and attainable data and the District's administrative systems, personnel, and finances. Policy Statement: The Board recognizes the need for reasonable cost allocation among commodities as well as the need to provide an easily understood rate structure for its customers. Rates should be generally perceived by the District's customers as fair, reasonable, and equitable to all customers.
- Discussion: This principle highlights the importance of the customer perception of fairness and equity to the Board, while also recognizing that it is not practical to promise absolute equity among all customers and customer classes. Advantages of the
- Principle: The advantage of this principle is that it reinforces the Board's priority of treating all customers fairly. It also underscores the importance of a more "Districtwide" perception of fairness and equity as opposed to pacifying the "squeaky wheel." Finally, it acknowledges the practical obstacles that prevent perfect equity.
- Disadvantage of the Principle: This principle ultimately does not clearly define the terms "fair and equitable" and will still require the Board to apply its discretion and judgment.
- Source: Page 41 of 129, El Dorado Irrigation District [Cost of Service/Allocation Document](#)

**April 19, 2023,  
Email chain  
between Paul  
Helliker, Hilary  
Straus, Donna  
Silva, Tom Gray,  
and others**



## Hilary Straus

---

**From:** Paul Helliker <phelliker@sjwd.org>  
**Sent:** Wednesday, April 19, 2023 4:28 PM  
**To:** Hilary Straus  
**Cc:** Donna Silva; eandersen@folsom.ca.us; Marcus Yasutake; Tom Gray; Joe Duran; pdyer@mgtconsulting.com; Alan Parks  
**Subject:** RE: SJWD Cost Allocation Plan Follow-Up--Updated

Hi, Hilary – thanks for your note and thanks again for your participation in the cost allocation plan project. As you know, we conducted the project at the request of CHWD and FOWD, and hired a consultant that you recommended. We think they did an excellent job of reviewing our cost allocation methodologies and produced a thoughtful and informative report that reviewed our practices and the information we use and provided us with some good recommendations on ways to improve those practices. As you saw from the final report, we are implementing the changes they recommended. As MGT concluded, our cost allocation methodologies are fair and reasonable, legally sound and appropriate for our type of organization and its operations. We understand that you might have a different opinion.

With respect to the next steps, the cost allocation methodologies that are documented in the MGT report are being used to develop both our FY 23-24 budget and the wholesale financial plan. We will be discussing with the San Juan Board our FY 23-24 budget assumptions at the April 26<sup>th</sup> Board meeting and we will then present the draft and final 23-24 budgets to our Board at their May 24<sup>th</sup> and June 28<sup>th</sup> meetings, respectively.

The wholesale financial plan is almost ready to circulate to you and the rest of the Wholesale Customer Agencies, and we expect to get it to you before the end of April. We will be bringing that document to the May 24<sup>th</sup> San Juan Board of Directors meeting for their review. We will then issue by early July the 150-day notice of any wholesale rate changes to be implemented on January 1, 2024, so that the San Juan Board can consider those rates for adoption at the December 13<sup>th</sup>, 2023 Board meeting.

You are welcome to participate in any and all of these Board meetings, and to provide us any input that you like on the 2023-24 budget and the wholesale financial plan and proposed rates. We would be glad to organize any discussions with you or with any of the Wholesale Customer Agencies on either topic.

Thanks again for your input on the cost allocation plan.

Paul

**From:** Hilary Straus <hstraus@chwd.org>  
**Sent:** Wednesday, April 19, 2023 11:33 AM  
**To:** Paul Helliker <phelliker@sjwd.org>  
**Cc:** Donna Silva <dsilva@sjwd.org>; eandersen@folsom.ca.us; stamagni@folsom.ca.us; Marcus Yasutake <myasutake@folsom.ca.us>; Tom Gray <tgray@fowd.com>; Joe Duran <jduran@orangevalewater.com>; pdyer@mgtconsulting.com; Alan Parks <aparks@mgtconsulting.com>  
**Subject:** SJWD Cost Allocation Plan Follow-Up--Updated

**\*\*\*Updated\*\*\***

Good Morning Paul,

Thank you and to Donna for the follow-up information.

Regrettably, none of the information provided substantially alters Citrus Heights Water District's and Fair Oaks Water District's stated concerns that the Final Cost Allocation Plan does not fairly or reasonably allocate costs between the wholesale and retail agencies, and future wholesale rates based on this plan will not meet legal requirements.

We have documented several defensible alternative methods to allocate costs in our comment letter of March 8, 2023, attached, and Citrus Heights Water District's and Fair Oaks Water District's input has been largely ignored in the Final Draft.

Moreover, our agencies still have not received an answer to our key question included in our attached letter, dated April 5, 2023, about this draft Cost Allocation Plan ... what are the next steps?

- Is this Plan going to the SJWD Board for adoption? If so, when?
- If not, are you simply folding this Plan's assumptions/findings/conclusions into your next Wholesale and Retail budgets?

Please advise.

Thanks,

Hilary

## Hilary Straus

General Manager

Citrus Heights Water District

PO Box 286 Citrus Heights, CA 95611-0286



CITRUS  
HEIGHTS  
WATER  
DISTRICT

Office: (916) 735-7715

Cell: (916) 872-7353

Fax: (916) 725-0345

Email: [hstraus@chwd.org](mailto:hstraus@chwd.org)

Web: [www.chwd.org](http://www.chwd.org)

Hours: **Mon-Thurs** 8:00 am – 5:30 pm

**From:** Paul Helliker <[phelliker@sjwd.org](mailto:phelliker@sjwd.org)>

**Sent:** Tuesday, April 11, 2023 2:19 PM

**To:** Donna Silva <[dsilva@sjwd.org](mailto:dsilva@sjwd.org)>; Hilary Straus <[hstraus@chwd.org](mailto:hstraus@chwd.org)>; Tom Gray <[tgray@fowd.com](mailto:tgray@fowd.com)>

**Cc:** Marcus Yasutake <[myasutake@folsom.ca.us](mailto:myasutake@folsom.ca.us)>; Joe Duran <[jduran@orangevalewater.com](mailto:jduran@orangevalewater.com)>; Alan Parks <[aparks@mgtconsulting.com](mailto:aparks@mgtconsulting.com)>; Patrick Dyer <[PDyer@mgtconsulting.com](mailto:PDyer@mgtconsulting.com)>

**Subject:** RE: Cost Allocation Plan Follow Up Items

Thanks, Donna for the additional information. I hope it clarifies the questions about SCADA expenses. As promised, attached is a sample of subject lines from emails I have sent recently, and categories of cost allocations into which I sorted them. This represents a set of subjects for a window of about a week in early March, and it includes solely unique subject lines – the actual number of emails sent was greater than this set, because many topics had ongoing email conversations.

Also attached is the final cost allocation report from MGT. Many thanks, Patrick and Alan, for your insights and advice, and for the excellent review that you conducted of our cost allocation practices. And my thanks, also, to the rest of you for your participation in the project, and for your thoughtful questions and input.



Paul

**From:** Donna Silva <[dsilva@sjwd.org](mailto:dsilva@sjwd.org)>  
**Sent:** Thursday, April 6, 2023 10:07 AM  
**To:** Hilary Straus ([hstraus@chwd.org](mailto:hstraus@chwd.org)) <[hstraus@chwd.org](mailto:hstraus@chwd.org)>; Tom Gray <[tgray@fowd.com](mailto:tgray@fowd.com)>  
**Cc:** Marcus Yasutaki ([myasutake@folsom.ca.us](mailto:myasutake@folsom.ca.us)) <[myasutake@folsom.ca.us](mailto:myasutake@folsom.ca.us)>; Joe Duran <[jduran@orangevalewater.com](mailto:jduran@orangevalewater.com)>; Paul Helliker <[phelliker@sjwd.org](mailto:phelliker@sjwd.org)>; Alan Parks <[aparks@mgtconsulting.com](mailto:aparks@mgtconsulting.com)>; Paul Helliker <[phelliker@sjwd.org](mailto:phelliker@sjwd.org)>  
**Subject:** Cost Allocation Plan Follow Up Items

Dear Tom and Hilary,

San Juan is in receipt of the letter from CHWD and FOWD regarding the March 23<sup>rd</sup> meeting on SJWD’s Cost Allocation Plan. Per your request we have attached a copy of the power point presentation from that meeting. In your letter you request that we send the cost allocation plans referenced in our March 20<sup>th</sup> response letter. Please be advised that we are not in possession of the cost allocation plans of other local governments. You may wish to reach out to them directly to obtain copies of their plans.

In our meeting on March 23<sup>rd</sup> I committed to investigate how many “SCADA installations” we have. The table below was compiled by Tony Barela, Operations Manager for SJWD:

Division	Number of Main Menu Screens	%
WTP – Whsl	22	29.4%
Meters – Whsl	28	37.3%
Retail	25	33.3%
<b>Total</b>	<b>75</b>	<b>100</b>

This would suggest an allocation of 66% Wholesale and 33% Retail. However, the complexity of the “screens” and the data gathered is much greater at the water treatment plant. The water treatment plant utilizes the SCADA system at a more-complex level, which is why we rounded the allocation up to 75% Wholesale and 25% retail. Not all SCADA expenses are allocated using the split. If there is work done on a specific installation, or screen, it is charged directly to the appropriate division, but when it is a shared cost, like the annual software renewal, we utilities the 75-25 split. We feel this is fair and reasonable.

Please be aware that your minutes of the meeting state that Paul does not have records of the methodology he used to allocate his time between wholesale and retail. That is an inaccurate statement. Paul will be gathering examples of the data he used in his time study and will be providing those to the group by the end of next week. He will advise on next steps at that time.

Sincerely,

**Donna Silva, CPA**  
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Granite Bay, CA 95746  
(916) 791-6907  
[dsilva@sjwd.org](mailto:dsilva@sjwd.org)



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**Excel spreadsheet  
showing Paul Helliker's  
time expenditure**

**Cost Allocation Analysis**

Paul Helliker Time Expenditure

2022 Month	W mtg hrs	S mtg hrs	R mtg hrs	Balance	W emails	S emails	R emails	Tot W hrs	Tot R hrs	W %	R %
Jan	50	25	0	85	312	179	30	128.0	32.0	80%	20%
Feb	76.5	24.5	1	54	293	219	9	130.5	25.5	84%	16%
Mar	66.5	21.5	0	96	575	248	36	155.4	28.6	84%	16%
Apr	54	22	1	71	490	122	54	123.7	24.3	84%	16%
May	70	23	0.5	74.5	497	127	27	145.6	22.4	87%	13%
Jun											
Jul											
Aug											
Sep	81	17.5	0	69.5	310	78	8	151.0	17.0	90%	10%
Total	398	133.5	2.5	450	2477	973	164	834.2	149.8	85%	15%

**Word document  
detailing sample  
subject lines of Paul  
Helliker's outgoing  
emails in March 2023**

## **Paul Helliker Cost Allocation**

Example Subject Lines of Outgoing Emails – March, 2023

### **100% Wholesale**

RE: Feb 8th Meeting Summary  
Water transfer rebate spreadsheet figures  
RE: [EXTERNAL] Location for our monthly meeting on Thursday  
FW: RWA E-Alert for March 2023  
RE: SSWD Water  
RE: NCWA Annual Meeting RSVP  
Water Bank questions  
RE: Tonight: Water Bank Stakeholder Forum #2  
FW: Sacramento Regional Water Bank - Bi Monthly Program  
RE: Approved 2023 Agreement with SSWD  
FW: ACWA Bay-Delta Working Group  
SB 366 amendments?  
Good job at WP&W  
RE: USBR/SJWD/Folsom/Roseville Monthly Meeting  
FW: February Forecast Discussion  
RE: Sacramento Regional Water Bank Program Committee  
Experimental Objective Blend maps  
Re: Thanks for joining us today  
Re: VA Legal Work Group Update  
Fwd: Sacramento Regional Water Bank Program Committee Meeting - Presentation  
and ECOS Letter to DWR  
Re: Budget memo to Plenary  
RE: ChatGPT comment letter  
Re: FOWD & SJWD Collaboration on Integrated Water Management  
Re: RWA Board Meeting: March 9, 2023 – Agenda  
RE: New Invites to the Water Forum SharePoint Site  
Edits to water bank documents  
Agenda and remote participation in RWA Board meeting  
Your new roadmap  
RWA Board packet  
Snow, snow and more snow  
RWA/GSA meetings and teleconferencing  
RE: December 2022 Data  
RE: Thursday's meeting  
RE: [APWG] Re: ARCCA Comments for OPR Regional Resilience Grant Program  
(RRGP) Draft Guidelines  
Water Caucus agenda  
FW: Bay-Delta Task Force Meeting  
RE: Connections counts for Water Forum budgets  
Edit needed in the VA Flow Measure Description document  
PPIC and contracts

RE: Sacramento Regional Water Bank Program Committee Meeting - GOPC and Governance  
RE: GZ re : Water Forum Charges (WSS and ARFO)  
RE: 2022 Transfer Invoices/Payments  
FW: R2 Water Update Meeting  
FW: SSWD 2023 Resumption of PCWA Water Delivery Notice - Proposed SSWD Schedule  
RE: Ashlee Casey is inviting you to collaborate on Water Forum Members  
RE: Reclamation announces public meeting regarding the 2021 Reinitiation of Consultation on the Long-Term Operation of the Central Valley Project and State Water Project  
RE: Additional Advocacy Meeting

**Split – 90% Wholesale/10% Retail (to be 85%/15% in 2023-24 and beyond)**

GM performance review  
GM compensation comparison

**Split – 75% Wholesale/25% Retail**

RE: Letter to Darrin Polhemus - revised draft  
New drought reporting order  
RE: PLEASE VOTE by COB Thursday: Join letter to DDW on improving drought data order?  
Another logo for the letter  
Letter to DDW are new report  
Fwd: Draft Concerns - Technical reporting order  
Follow up letter re: technical reporting order

**Split – 50% Wholesale/50% Retail**

Exec Team Agenda  
Re: Security Awareness Training  
RE: Question for San Juan Water District  
RE: Outlook OWA is fixed  
RE: Retro COLA  
RE: Board Meeting Minutes Ready  
RE: Hold for Cost Allocation Study  
RE: Referral from Manuel Zamorano  
RE: REVIEW: IIPP and Sign  
FW: 2023-24 ACWA JPIA Property Program Schedule Review  
SJWD Engineering Committee meeting - 3/13 at 10 am  
RE: Boardroom Doors/Windows  
Strategic Petroleum Reserve

**100% Retail**

Re: Mid-Year Retail CIP  
RE: Appropriations Request to Senator Padilla  
Fwd: AB 1572 - ACWA Turf Working Group Meeting

FW: Save the date for workshop about Making Water Conservation a California Way of Life

FW: AB 1572 - Amendment Discussion

CII conference- Charlotte Ely comments