

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF SONOMA

BEFORE HONORABLE ELLIOT DAUM

DEPARTMENT 16

BROOKTRAILS TOWNSHIP COMMUNITY,
SERVICES DISTRICT, a Public Agency,

Plaintiff,

CITY OF WILLITS, a General Law City;
DOES 1 through 100, inclusive,

Defendant,

SCV 253175

AND RELATED CROSS ACTION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

MARCH 24, 2015

- - -

Volume VII

Appearances:

For Plaintiff: DANIEL CROWLEY, ATTORNEY AT LAW
PATRICK O'BRIEN, ATTORNEY AT LAW
CHRISTOPHER NEARY, ATTORNEY AT LAW

For Defendant: LEO BARTOLOTTA, ATTORNEY AT LAW
RAY FULLERTON, ATTORNEY AT LAW,
ROBERT HENCKLE, ATTORNEY AT LAW
H. JAMES LANCE, ATTORNEY AT LAW

- - -

Reported by:

Malinda K. Hentz, CSR#12393, BARRIE HART, CSR#6954

I N D E XWITNESSPAGE

JOANNE CAVALLARI

Direct examination by Mr. O'Brien.....1022

E X H I B I T S

<u>Exhibit No.</u>	<u>Exhibit description</u>	<u>Offered</u>	<u>Admitted</u>
169	letter, June 2005 audit	1040	1041
81	letter, Chapman to COW	1049	1060
173		1053	
348	email	1079	1080
349	email	1091	1092
350	request for admissions	1140	
351	response to form inter.	1140	
352	letter, August 24, 2010	1143	
353	billings	1147	1148

1
2 MARCH 24, 2015

8:23 A.M.

3
4 (Whereupon, the following matters were heard in open
5 court, in the presence of the jury.)

6 THE COURT: Good morning, everybody. Welcome back
7 to Department 16.

8 Going on the record in Brooktrails versus Willits,
9 and we have 12 of our regular jurors and two of our
10 alternatives. One of our alternatives has called in sick
11 today, another alternative we have not heard from, and I don't
12 know where she is. She has not checked in with us.

13 So let me please see counsel at side par.

14 (Side bar had, not reported.)

15 THE COURT: All right. Thank you, counsel.

16 Ladies and gentlemen, it is really important that
17 all of our jurors be here and hear everything at the same
18 time. Because of the illness, I am now being forced to excuse
19 one of our alternatives which has us down to three. I have
20 not heard from the other alternative who is not present.

21 We need to take a short break. And if she's not
22 here by a couple of minutes after 9:00, then we'll go ahead
23 and resume Ms. Cavallari's testimony and the trial.

24 But everybody has to hear everything at the same
25 time, which is why everybody has to be here at the same time.
26 And I know you're here and I apologize. Let's just try to go
27 with this for the next few minutes, keeping in mind, we'll see
28 you in shortly after 9:00, we'll start the trial, we'll go

1 ahead and take a break.

2 (Recess taken 8:53-9:04 a.m.)

3 (Whereupon, the following matters were heard in open
4 court, in the presence of the jury.)

5 THE COURT: Good morning, again, ladies and
6 gentlemen. We still have not heard from our one juror and.
7 Who is our alternative juror in the back row? You are?

8 JUROR: Me?

9 THE COURT: Yes.

10 JUROR: Amanda.

11 THE COURT: And you are -- let's see -- Mr. Cane?

12 JUROR: Yes.

13 THE COURT: So at this time, the Court will -- I'll
14 make an order later on, order to show cause regarding that
15 juror.

16 And at this time, coming back to order, Ms.
17 Cavallari is still on the stand, still under oath and ready
18 for continuing 776 exam. So, ladies and gentlemen, welcome
19 back. We will now resume our trial.

20
21 CROSS EXAMINATION (776)

22
23 BY MR. O'BRIEN:

24 Q. Good morning, Ms. Cavallari.

25 A. Good morning.

26 Q. We have to stop meeting like this.

27 I want to direct your attention to what the Court
28 has marked exhibit, Plaintiff's Exhibit Number 346. And

1 that's a binder of cost allocation studies that the parties
2 have stipulated will be admissible in this trial.

3 Do you know what that document is that is in front
4 of you?

5 A. It's the full cost allocation plan for the fiscal
6 year 2011, actual expenses.

7 Q. Okay.

8 MR. BARTOLOTTA: Mr. O'Brien.

9 MR. O'BRIEN: Yes.

10 MR. BARTOLOTTA: Tab six.

11 MR. O'BRIEN: We are at tab seven actually or
12 actually, Mr. Bartolotta.

13 MR. BARTOLOTTA: Thank you.

14 BY MR. O'BRIEN:

15 Q. And you commissioned Matrix to work for the -- or
16 you retained Matrix to do work for the City of Willits, is
17 that correct?

18 A. The City of Willits did, yes, recommend them.

19 Q. Why did you recommend Matrix to come work for the
20 City of Willits?

21 A. I knew that Brooktrails was concerned about the way
22 indirect costs were being allocated, so we wanted to engage a
23 consultant to do that calculation for us as a third party.

24 Q. And when did you -- when did you retain Matrix for
25 the first time? That's not the first one, I don't think.

26 A. I don't remember.

27 Q. Does 2010 sound familiar?

28 A. Sounds reasonable, yeah.

1 Q. And when we left off on Friday, we were looking at
2 an allocation, the 2008 allocation plan, do you remember that?

3 A. I do.

4 Q. And this is a representation of how the allocations
5 have been done before Matrix, right?

6 A. Yes.

7 Q. And so Matrix was put in place to change that
8 procedure?

9 A. Yes.

10 Q. And that was because -- that was to try to address
11 some of the concerns that Brooktrails had about over
12 allocation of administration costs, correct?

13 A. Yes.

14 Q. I want you to turn to page two of the Matrix study.
15 And you'll see there's two bullet points, I believe, in the
16 middle?

17 A. Yes.

18 Q. And Matrix attempts to perform allocation studies in
19 compliance with OMB 87, correct?

20 A. Yes.

21 Q. And OMB 87 is the federal guideline for the best
22 practices on doing cost allocations, correct?

23 A. I don't know if the word "best practice" is anywhere
24 in A 87. It's the guideline to use when you are allocating
25 indirect costs to federally funded programs or awards.

26 Q. Are you aware of any other federal or state
27 documents that provide guidelines for municipalities to
28 allocate administration expenses?

1 A. I don't, no.

2 Q. Is it fair to say that most municipalities that
3 you're aware of, either in your classes or certification
4 courses referred to OMB 87 as the guideline for doing cost
5 allocation?

6 A. I don't recall indirect cost allocations ever being
7 discussed in any of the classes I've taken.

8 Q. As far as you know, it's the only governmental
9 guideline or only guidance that you have as a CFO of a city to
10 do cost allocation, correct?

11 A. That's the only one that I'm aware of.

12 Q. Would that mean that it's probably the best
13 practice, in your opinion?

14 A. I don't know if I can go -- best, yeah. I think it
15 would be the best practice.

16 Q. It's the only one you have, right? The only
17 guideline that you have?

18 A. Yes.

19 Q. The two bullet points, and this follows up on what
20 we talked about on Friday. There's two steps that Matrix
21 refers to when they're doing their cost allocations, correct?

22 A. Yes.

23 Q. And the first step is the central service department
24 expenditures are allocated to other central service
25 departments, do you see that?

26 A. Yes.

27 Q. That means the first thing Matrix does, when you
28 talk about central service departments, are you talking about

1 general fund departments at the City of Willits?

2 A. I believe so.

3 Q. So the first thing Matrix does is allocate the
4 administrative parts of the general fund to the
5 non-administrative parts of the general fund, correct?

6 A. I think that's what that means.

7 Q. And the second step is to then allocate the
8 remainder of the administrative costs and the general fund to
9 the other funds, right?

10 A. Yes.

11 Q. Such as the sewer fund?

12 A. Yes.

13 Q. And when we looked at the 2008 guidelines, what we
14 saw is that at least in that year, the City of Willits had not
15 allocated any general fund administrative costs to general
16 funds services department, correct?

17 A. It looked like it from that worksheet you had.

18 Q. It looks like in 2008, at least, the City of Willits
19 skipped step one?

20 A. It looks like it.

21 Q. When you said there is no right and wrong to doing
22 an allocation study, at least in 2008, it does appear that the
23 City of Willits made an error, isn't that correct?

24 A. I think so.

25 Q. When you got to the City of Willits, you always
26 allocated part of the general fund administrative cost to the
27 general fund services department, correct?

28 A. I recall leaving 30 percent in the general fund and

1 allocating 70 percent.

2 Q. I think you have a very good recollection.

3 I'd like you to turn now, and this is a little
4 confusing because I think the numbering starts again, but I
5 think it's the next page, it says page one, again, I believe.

6 A. Page three.

7 Q. Try the next one then.

8 A. Page four. Mine keeps going.

9 Q. Am I crazy? How about turning back to page one? I
10 am crazy.

11 A. Okay.

12 Q. Executive summary?

13 A. Yes.

14 Q. Okay. And down at the bottom, it talks about
15 methodology, right?

16 A. Okay.

17 Q. And the methodology is that it has to be necessary
18 and reasonable, right?

19 A. Yes.

20 Q. See that bullet point one?

21 A. Yes.

22 Q. And it has to determine by -- determine allocations
23 based on the basis that relate to the benefit received, right?

24 A. Yes.

25 Q. And we've talked about that a little bit already in
26 your testimony on Friday, right?

27 A. Yes.

28 Q. The idea is when you're going to allocate

1 administrative costs, you want to make sure there's a benefit
2 received by the party receiving the allocation, correct?

3 A. Yes.

4 Q. And you agree with that, doing allocations based on
5 necessariness and reasonableness and, also, that be a direct
6 benefit conferred on the receiving fund are best practices
7 when allocating, correct?

8 A. Yes.

9 Q. Going back to the 2008 study, when whoever did this,
10 you didn't do this allocation study, did you, or do you know?

11 A. I did the -- I did not do the '07, '08 budget, which
12 is the title on that first column, but I believe this may have
13 been used in the '08 audit, which was something that I did
14 work on. That's why I -- looking at this document alone, that
15 it's hard for me to tell without something to tie it to.

16 Q. You would have been pretty much brand new at the
17 time, correct?

18 A. Probably the first time I've ever seen anything like
19 that, yes.

20 Q. And you had never done any allocations prior to
21 that, right?

22 A. No.

23 Q. So you would have used whatever form the city had
24 been using prior to 2008?

25 A. Correct.

26 Q. Until you got your feet wet, right?

27 A. Yes.

28 Q. And the net effect -- well, strike that -- this

1 budget allocates nothing to the police department, correct?

2 A. Correct.

3 Q. Or this allocation allocates nothing to the police
4 department. If you can hang with me while we look at two
5 documents at the same time. Let's turn to the Matrix report
6 at page ten.

7 MR. O'BRIEN: Your Honor, I am going to publish this
8 page to the jury. We stipulate it's admitted.

9 THE COURT: You may do so, yes.

10 BY MR. O'BRIEN

11 Q. I'll put that side by side, I know it's a little
12 sideways. But on page ten, just go like this (indicating).
13 On page ten, you'll see there's three allocations to the
14 police department by Matrix, correct?

15 A. Yes.

16 Q. One is for police administration, one is for police
17 dispatch, and one is for field operations, right?

18 A. Yes.

19 Q. And that totals over \$310,000 in administrative
20 costs were allocated to the police department, correct?

21 A. Yes.

22 Q. Was the police department in your recollection, the
23 largest service department at the City of Willits?

24 A. No. Water and sewer were larger.

25 Q. Was it one of the three largest in your
26 recollection?

27 A. Trying to read that screen. It's hard for me to
28 read those fund numbers. But I see another fund there that is

1 over a million dollars. So I would say it's one of the
2 largest four.

3 Q. Okay. What is the net affect -- strike that.

4 The net affect of failing to allocate to departments
5 such as the police department, is that all of the other funds
6 that do receive allocations get more administrative costs,
7 correct?

8 A. Yes.

9 Q. So in 2008, in reality the sewer fund would have
10 been paying for part of administering the City of Willits
11 police department, correct?

12 A. I think so.

13 Q. And ultimately, Brooktrails would have been paying
14 part of the City of Willits administering its police
15 department, correct?

16 A. Yes.

17 Q. And if I asked you the same question with regard to
18 the other general fund administrative -- excuse me -- general
19 fund services department, such as the swimming pool, I'll put
20 this back up there so you -- the swimming pool, didn't get any
21 allocation, right?

22 A. Right.

23 Q. So, ultimately, Brooktrails would have been paying
24 part of the City of Willits administration of its swimming
25 pool, correct?

26 A. Correct.

27 Q. And with regard to the engineering department, the
28 city engineering department, not the sewer engineering

1 department, we would have, Brooktrails would have been
2 contributing to the administration of that as well, correct?

3 A. Correct.

4 Q. And all the other services that existed in the
5 general fund?

6 A. Yes.

7 Q. And Brooktrails was not supposed to contribute to
8 any of those departments, were they?

9 A. No.

10 Q. I'm sorry. I didn't hear your answer.

11 A. My voice isn't very clear today.

12 Q. So getting back to -- getting back to there is no
13 right and wrong way, there's probably multiple right ways to
14 do allocations, correct?

15 A. Correct.

16 Q. And there's multiple wrong ways to do allocations as
17 well, correct?

18 A. I would say so, yes.

19 Q. So getting back to Matrix, you hired Matrix to deal
20 with exactly what we're talking about here, correct?

21 A. Yes.

22 Q. And I haven't -- strike that.

23 And as far as you're concerned by hiring Matrix, you
24 at least fixed the city wide allocation problem, correct?

25 A. I don't know that we considered that we had a
26 problem. I mean, we wanted to find a better way to do the
27 allocations.

28 Q. We just looked at 2008. We know that one was done

1 incorrectly?

2 A. Right.

3 Q. And inaccurately?

4 A. I agree.

5 Q. And didn't follow best practices, right?

6 A. Correct.

7 Q. So Matrix would have caught those errors, correct?

8 A. Yes.

9 Q. And it would have fixed that problem, right?

10 A. Yes.

11 Q. And assuming this worksheet was used for the other
12 years prior to 2008, Matrix would have fixed those years, too,
13 right?

14 A. Yes.

15 MR. BARTOLOTTA: Objection. Calls for speculation.

16 THE COURT: If you know.

17 THE WITNESS: I don't know what those other years, I
18 don't know that the same issue occurred in the other years or
19 not. If it did, then yes. If they had left some in the
20 general fund, then, no.

21 BY MR. O'BRIEN:

22 Q. Well, if they had left the appropriate amount in the
23 general fund then, no, right?

24 A. If you can determine what the appropriate amount is
25 supposed to be.

26 Q. Before Matrix, how did the City of Willits determine
27 what the appropriate amount was to allocate to each service
28 department?

1 A. I don't know. I was told 30 percent by the city
2 manager at the time, that leave 30 percent in the general
3 fund.

4 Q. Isn't it true that the City of Willits prior to
5 Matrix used the individual funds departmental budget or actual
6 expenses in order to determine their percentage share of the
7 administrative charge?

8 A. Yes.

9 Q. That's how they did it for the sewer department,
10 right?

11 A. That's how they did it citywide.

12 Q. For all the departments?

13 A. Correct.

14 Q. And that same logic should have been applied to the
15 police department as well, correct?

16 A. That's why I believe they left the 30 percent in the
17 general fund to cover those general fund programs.

18 Q. And if the 30 percent didn't cover the
19 administration allocation that the police department was
20 supposed to get, then it too would be wrong, correct?

21 A. Well, they are estimated. So we don't know what
22 that number is supposed to be. All we can do is give it our
23 best estimate.

24 Q. If you turn to your allocation binder, tab three of
25 the same exhibit binder they were looking at previously which
26 is three, four, five, I believe, I believe this is an
27 allocation worksheet which is a little different than the one
28 from 2008 and this looks like the one from 2005, 2006,

1 correct?

2 MR. BARTOLOTTA: Objection. Lacks foundation.

3 MR. O'BRIEN: This is admitted into evidence.

4 THE COURT: In any event, if you're familiar with it
5 or if it becomes familiar by looking at it, you can respond,
6 Ms. Cavallari.

7 THE WITNESS: I don't recall ever seeing this
8 personally.

9 BY MR. O'BRIEN:

10 Q. Well, take your time and have a look at it. Tell me
11 when you're ready.

12 A. I am ready.

13 Q. Okay. Have you looked at this document and can you
14 now answer the question as to whether or not this appears to
15 be the 2005, 2006 allocation spreadsheet prepared by the City
16 of Willits?

17 A. It looks like it.

18 MR. O'BRIEN: Okay. I am going to publish this one,
19 your Honor, and chat about it.

20 MR. BARTOLOTTA: Your Honor, this was, this
21 morning --

22 THE COURT: If counsel could meet and confer for a
23 moment.

24 MR. BARTOLOTTA: Sure.

25 MR. O'BRIEN: I am actually going to turn this
26 right-side up. Your Honor, we met and conferred and there was
27 an additional document in counsel's binder that should not
28 have been there, and I removed that from the other binder. So

1 somehow it didn't get out of this. So we're removing that
2 now. On that basis, we have a stipulation.

3 THE COURT: Okay.

4 BY MR. O'BRIEN:

5 Q. Now, in 2006, apparently a different spreadsheet
6 than 2008 was used, correct?

7 A. Yes.

8 Q. And over on the right, you see there's adjustment
9 made on this spreadsheet, correct? 86 percent, see that?

10 A. Yes.

11 Q. So it appears that they kept 14 percent in 2006 in
12 the general fund, correct?

13 A. That's not really clear to me because they have the
14 column that says overhead, that is 906,647. And then down
15 below that they have net overhead the spread of 849.

16 Okay. That's the 57,600, is that the difference?

17 BY MR. O'BRIEN

18 Q. Right.

19 A. Okay. Can you repeat the question?

20 Q. It appears that they actually made some allocations
21 in 2006, for example, to the police department, correct?

22 A. It looks like they did, yes.

23 Q. So they kept some money in 2006 in the general fund,
24 right?

25 A. Yes.

26 Q. But not enough, correct?

27 A. I don't know.

28 Q. Well, you can see that the patrol in this case was

1 \$1.3 million, right?

2 A. Yes.

3 Q. And it doesn't appear the patrol got any overhead
4 allocation, did it?

5 A. No.

6 Q. So they -- that obviously was a mistake, correct?

7 A. I don't know if it was a mistake or not.

8 Q. Well, it would be a mistake not to allocate overhead
9 to the department, right?

10 MR. BARTOLOTTA: Objection. Argumentative.

11 THE COURT: Overruled. You may answer.

12 THE WITNESS: I don't know if it was a mistake or
13 not.

14 BY MR. O'BRIEN:

15 Q. But as far as you can tell from looking at this
16 worksheet and with your experience as a finance director of
17 the City of Willits, overhead didn't get allocated to the
18 police patrol department, correct?

19 A. Yes.

20 Q. And they had over a million dollar budget?

21 A. Yes.

22 Q. They should have received an overhead allocation,
23 correct?

24 A. Yes.

25 Q. So in this year, it appears they kept some overhead
26 in the general fund, just not enough, correct?

27 A. Yes.

28 Q. And the other problem in this year is that there's a

1 few additions to the overhead, correct? So if you look at
2 dispatch, 10 percent, they spread that overhead out, correct?

3 A. Yes.

4 Q. Dispatch is not an administration account, is it?

5 A. No.

6 Q. That should not have been spread out, should it?

7 A. Well, dispatch does respond to any calls related to
8 anything that happens in the city. So I can kind of see their
9 logic behind putting a little bit into the calculation.

10 Q. Did you include dispatch as an administration charge
11 when you spread out overhead as finance manager?

12 A. No.

13 Q. Did Matrix?

14 A. I don't think so.

15 Q. In fact, dispatch received an overhead allocation,
16 correct?

17 A. Correct.

18 Q. And building maintenance also was spread out,
19 correct?

20 A. A little bit, yes.

21 Q. And that's also an operations department, not an
22 administrative department, correct?

23 A. Yes.

24 Q. And you didn't spread out building maintenance,
25 correct?

26 A. Correct.

27 Q. So in 2006, we have two things going on. We have
28 too little administration costs being kept in the general

1 fund, correct?

2 A. Yes.

3 Q. And then we also have department costs being spread
4 out to the enterprise funds that shouldn't have been, correct?

5 A. It depends on why they did it. If they were
6 charging a portion of the maintenance of the buildings at the
7 sewer plant to the general fund, then it would be logical for
8 them to charge a portion of the overhead as well, but I don't
9 know what they were doing. So I can't really say.

10 Q. You didn't spread out build maintenance as a
11 administrative charge when you were finance manager?

12 A. No, I did not.

13 Q. And Matrix didn't either, did they?

14 A. No, they didn't.

15 Q. And the net affect of 2006 spreading out too little
16 administration costs to the police department, etc., ends up
17 putting a higher allocation of administrative costs to the
18 sewer plant, correct?

19 A. Yes.

20 Q. And ultimately a higher administrative charge than
21 what was proper to Brooktrails, correct?

22 A. Correct.

23 Q. And Brooktrails bills go up, right?

24 A. Yes.

25 Q. If you were -- strike that.

26 Did you notice any of these problems when you were
27 finance director of the City of Willits?

28 A. No.

1 Q. If you would have, would you have brought it to the
2 attention of the city council or the city manager?

3 MR. BARTOLOTTA: Calls for speculation.

4 THE COURT: Not only calls for speculation, but it
5 lacks relevance as to whether she would have since it's so
6 speculative. So on both grounds, sustained.

7 MR. O'BRIEN: I agree. I'll move on.

8 BY MR. O'BRIEN

9 Q. I want to talk a little bit about the
10 administration -- the internal allocations as well. We talked
11 about the best practice being that the cost allocation has to
12 match up with the benefit received, do you remember that?

13 A. Yes.

14 Q. When you were looking at the administrative
15 allocation, let me get an example of that out, so we can look
16 at it. I think I already set this up for you, Ms. Cavallari.

17 MR. O'BRIEN: But, your Honor, if I could approach?

18 THE COURT: You may.

19 MR. BARTOLOTTA: Mr. O'Brien, can you tell me the
20 exhibit number?

21 MR. O'BRIEN: I'm turning to Exhibit Number 169 of
22 the big binders.

23 BY MR. O'BRIEN

24 Q. Full service. If you could flip back, Ms.
25 Cavallari, one page, you'll see a letter, correct?

26 A. Yes.

27 Q. And this is a letter that you wrote on February 28,
28 2008, to Mike Chapman. Mike Chapman was the general manager

1 at Brooktrails, correct?

2 A. Yes.

3 Q. And what were you doing in this letter, what were
4 you trying to convey to Mr. Chapman?

5 A. I was -- excuse me -- I am so congested.

6 Q. Take your time and have a glass of water, if you
7 need to.

8 A. I was providing him with the reconciliation of the
9 sewer, annual sewer bill to the audited financial statement.

10 MR. O'BRIEN: If I could ask, Madam Clerk, do you
11 have your exhibit binders?

12 Oh, it would be in the witness's. Okay. Let me
13 grab this for one sec.

14 I am going to mark this exhibit next. I think it's
15 already marked? 168? It should be 168. 169.

16 THE CLERK: Okay. Marking 169 for the record.

17 (Whereupon Exhibit 169 was marked for
18 identification.)

19 BY MR. O'BRIEN:

20 Q. Now it's official. Did you sign this letter?

21 A. I did.

22 Q. And that appears to be a true and correct copy of a
23 letter that you sent to Mr. Chapman?

24 A. It does.

25 Q. In February of 1008?

26 A. Yes.

27 MR. O'BRIEN: I move to admit Exhibit 169, your
28 Honor.

1 MR. BARTOLOTTA: No objection.

2 THE COURT: It is admitted.

3 (Whereupon, Exhibit 169 was admitted.)

4 BY MR. O'BRIEN:

5 Q. So you were attaching in 2008 a computation
6 worksheet that related back to 2005, right?

7 A. Yes.

8 Q. And this would have been very early on in your
9 tenureship of financial director of the City of Willits?

10 A. At this time, I was not the finance director. I was
11 the senior accountant.

12 Q. That's right. That's your title underneath your
13 signature, correct?

14 A. Yes.

15 Q. So this was also earlier on in your employment for
16 the City of Willits, correct?

17 A. Yes.

18 Q. And you were -- strike that.

19 Why were you sending out a 2005 statement in 2008?

20 A. Well, the 2005 audit was received late and I had
21 been trying to reconcile the 2005 audit with the numbers that
22 were provided to us previously as the sewer billing and I
23 couldn't balance the numbers.

24 So that was one of the first tasks I tried to
25 accomplish when I went to the City of Willits was to finalize
26 that 2005 audit, so we could move on to 2006.

27 Q. So I think it's confusing probably for everybody
28 because you wore a couple of hats. I think when you said "us"

1 in that response, you meant Brooktrails?

2 A. I am sorry.

3 Q. And yet you were writing a letter on behalf of
4 Willits?

5 A. This is true.

6 Q. Let's lay the foundation so everybody understands.

7 When you were at Brooktrails, you wrote a letter to
8 the City of Willits on behalf of Brooktrails explaining some
9 frustration with regard to reconciling numbers in the 2005
10 bill, correct?

11 A. Correct.

12 Q. And so one of the first things you did when you went
13 to work for Willits was deal with your own frustration from
14 the other side, right?

15 A. Yes.

16 Q. Smart. And that's what this letter reflects?

17 A. Yes.

18 Q. You figured out the problem?

19 A. Yes.

20 Q. So Brooktrails ended up ultimately getting an
21 adjusted bill two-and-a-half years after the fact, correct?

22 A. Yes.

23 Q. And I am going to publish the first page of the bill
24 and we can talk about that. Okay?

25 A. Okay.

26 MR. O'BRIEN: Is that okay, your Honor?

27 THE COURT: Yes.

28 BY MR. O'BRIEN:

1 Q. Let's do it this way. And this looks like a true
2 and correct copy of the 2005 adjusted bill, correct?

3 A. Yes.

4 Q. And if you look up at the top, I wanted to talk a
5 little bit about what I'll call the internal allocation.
6 Okay?

7 A. Okay.

8 Q. So we just talked about the citywide allocation and
9 now we're talking about the internal allocation.

10 You arrived at these two numbers by combining the
11 operating cost budget with the maintenance budget, and then
12 dividing each by the total to get a percentage, right?

13 A. Yes.

14 Q. So in this year, the operations budget was 77.59 of
15 the total of operations and maintenance combined, right?

16 A. Yes.

17 Q. And you did it this way because that's how you
18 understood it had always been done, correct?

19 A. Yes.

20 Q. You did no independent analysis to determine whether
21 or not these percentages actually reflected the benefits
22 received by either department, correct?

23 A. Correct.

24 Q. And you didn't allocate to the other departments
25 within the sewer fund because that's how it had always been
26 done, correct?

27 A. Correct.

28 Q. For example, engineering, there's a sewer

1 engineering department, do you see that?

2 A. Yes.

3 Q. And it has a \$16,000 budget for -- strike that.

4 It had \$16,000 in actual costs in 2005, right?

5 A. Yes.

6 Q. Based on the Matrix ideas and thoughts and general
7 principles, wouldn't it have made sense to allocate a small
8 percentage of the administrative charges internally to the
9 engineering department?

10 A. Yes.

11 Q. And Matrix actually did that, right?

12 A. They did.

13 Q. And that, the same goes for all of the other
14 departments that exist in the sewer fund, correct?

15 A. Yes.

16 Q. And if you did that, the amount of internal
17 administration that it got allocated to the sewer plant would
18 have gone down, correct?

19 A. Yes, to the operations department, yes.

20 Q. To the operations or the maintenance department,
21 they both would have gone down, correct?

22 A. Yes.

23 Q. And ultimately, since the operation department gets
24 billed to Brooktrails, Brooktrails would have been slightly
25 smaller, their bill, correct?

26 A. Yes.

27 Q. And that's not something you noticed while you were
28 director of finance at the City of Willits, correct?

1 A. Yes.

2 Q. But did you fix it without noticing it by employing
3 Matrix, right?

4 A. I -- I don't know.

5 Q. Is that a silly question? It got fixed by Matrix
6 ultimately, didn't it?

7 A. Pardon?

8 Q. It did get fixed by Matrix ultimately, correct?

9 A. Yes, we did engage Matrix to do a better method of
10 allocating costs.

11 Q. You never spent any time or did any analysis to
12 determine whether using the percentage allocation method used
13 in the 2005 bill actually related in reality to the benefits
14 received by either operations or maintenance, correct?

15 A. I never did an analysis, correct.

16 Q. The sewer operations plant and the sewer maintenance
17 department both had approximately the same number of
18 employees, correct?

19 A. They had a certain number of employees at -- in the
20 sewer fund that were shared between those two departments.

21 Q. And I asked you this in your deposition. I think
22 I'll ask you here, you -- the finance department spent
23 approximately the same time administering the human resources
24 of the sewer plant as it did the maintenance department,
25 correct?

26 A. They were the same people, yes.

27 Q. So the answer is yes, correct?

28 A. Yes.

1 Q. And if you recall, do you recall if there were -- if
2 there was a substantial difference in the number of
3 administrative transactions that occurred with regard to the
4 sewer plant versus the sewer collections system department?

5 A. I don't recall.

6 Q. The sewer plant had certain costs that were very
7 large, correct?

8 A. Yes.

9 Q. One of them was the PG&E bill, right?

10 A. Yes.

11 Q. And the maintenance department also got a PG&E bill,
12 correct?

13 A. Yes.

14 Q. And it was much smaller?

15 A. Yes.

16 Q. In fact, the operations department PG&E bill was
17 about \$120,000 a year, is that about right?

18 A. I don't remember.

19 Q. But it was many times bigger than the maintenance
20 department bill, you know that, right?

21 A. I know it was big. I don't know how much bigger.

22 Q. It doesn't take any longer to write a \$10,000 check
23 than it does a hundred dollar check, does it?

24 A. No.

25 Q. So applying that to this bill, if you just removed
26 the PG&E bill from both the operations department and the
27 maintenance department, the operations department percentage
28 would go down, right?

1 A. I -- I don't understand your question. You're going
2 to remove the PG&E bill from total operations and from total
3 maintenance?

4 Q. Right.

5 A. You're going to reduce both of those numbers by an
6 amount which we're not sure how much that is. I don't know
7 what the effect would be on the percentages without doing the
8 math.

9 Q. All right. We're going to look at them. Give me a
10 second. I'll find the spot, okay?

11 Now what I'll do, I don't want to waste the jury's
12 time, so I'll look for it at break and we'll talk about
13 something else before we get there. Okay?

14 A. Okay.

15 Q. So we'll come back to that.

16 I wanted to look at one other thing that I forgot
17 about on the 2006 allocation.

18 Do you see -- you can look at it up here. I don't
19 know that you need to turn to it. Do you see here at the
20 bottom of the 2006 allocations spreadsheet where it says
21 percentage chargeable to Brooktrails?

22 A. I see that.

23 Q. Do you have any idea why the City of Willits would
24 have been concerned about how much administration Brooktrails
25 was going to receive as a result of its citywide allocation?

26 A. I don't know.

27 Q. Was Brooktrails the only outside department that was
28 contributing to the citywide allocation?

1 MR. BARTOLOTTA: Objection. Calls for speculation.

2 THE COURT: Again, if you know.

3 THE WITNESS: I wasn't involved in this allocation,
4 so I can't comment on it. I don't know.

5 BY MR. O'BRIEN:

6 Q. During your time as finance director, other than the
7 citywide revenue you received from fees and taxes, were there
8 other -- any other outside governments, municipal governments
9 that were contributing substantially to sharing in your
10 administration costs?

11 A. Well, we allocated to the redevelopment agency,
12 which is a separate agency from the city. And we allocated to
13 the gas tax fund, which is funded by state gas tax revenues.

14 So Brooktrails wasn't the only government agency
15 receiving a charge for overhead.

16 Q. Do you have any understanding as to why the percent
17 being allocated to those two entities wasn't culled out in
18 this spreadsheet?

19 A. It didn't do this spreadsheet, so I don't know why
20 they wrote that at the bottom.

21 Q. When you were finance assistant for Brooktrails, put
22 that hat on for a second, do you recall Brooktrails employing
23 an auditor named Terry Krieg?

24 A. Yes.

25 Q. And do you recall Brooktrails employing Terry Krieg
26 on a specific project in one year to go examine the books of
27 the sewer plant at the city?

28 A. Yes.

1 MR. O'BRIEN: I am going to turn to Exhibit 81, Lee.
2 We are going to come back to the binder. So much
3 administration.

4 THE CLERK: Marking 81 for the record.

5 (Whereupon, Exhibit 81 was marked for
6 identification.)

7 BY MR. O'BRIEN:

8 Q. Can you take a few minutes and take a look at
9 Exhibit 81? And specifically, I am going to ask you about
10 page two, starting at paragraph two through paragraph five.
11 Tell me when you're ready.

12 A. Okay. I am not sure how far you want me to read.

13 Q. I was just going to ask about those paragraphs, I
14 think.

15 A. Okay.

16 Q. This appears to be a letter from Mike Chapman to
17 Ross Walker, right?

18 A. It does. It is -- this copy isn't signed.

19 Q. Yeah.

20 A. I could assume that, yes.

21 Q. And Ross Walker was the city manager in September of
22 2004, correct?

23 A. Yes.

24 Q. And did you assist Mr. Krieg in preparing his audit
25 of the 2002 and 2003 city bills?

26 A. The City of Willits or Brooktrails?

27 Q. Did you assist Brooktrails in Mr. Krieg going down
28 and looking at those two bills?

1 A. No.

2 Q. So you employed or Brooktrails employed Mr. Krieg to
3 do that independently?

4 A. Yes.

5 Q. Did you look at the results of that audit?

6 A. I saw the report.

7 Q. And Mr. Chapman here says that --

8 MR. BARTOLOTTA: Objection. Hearsay.

9 THE COURT: At this point, it is.

10 BY MR. O'BRIEN:

11 Q. Do you understand that the verbiage that you just
12 read in paragraph two through three of page two, is that
13 reflective of the report that you read from Mr. Krieg?

14 MR. BARTOLOTTA: Objection. Hearsay.

15 THE COURT: It is. Sustained.

16 BY MR. O'BRIEN:

17 Q. Were you involved in the preparation of this letter?

18 A. No.

19 Q. Mr. Chapman wrote this?

20 A. Yes.

21 Q. Did you, while you were at the city -- strike that
22 -- at Brooktrails, either as part of looking at Mr. Krieg's
23 work or in general determine that the city was -- or
24 systematically over-allocating administrative costs?

25 A. No. I didn't read the Terry Krieg report until I
26 was working for the City of Willits.

27 Q. And why did you review the Terry Krieg report while
28 you were working for the City of Willits?

1 A. I don't remember.

2 Q. Did you ever complain while you were the finance
3 assistant for Brooktrails, did you ever complain that the
4 administrative costs were going up?

5 A. I don't I think I complained. I made note of it.

6 Q. Why did you make note of it?

7 A. Because they were going up, and it was my duty to
8 report what I saw.

9 Q. And Mr. Chapman noted that as well, he was your
10 boss, right?

11 A. Yes.

12 Q. And he noted that as well, correct?

13 A. Yes.

14 MR. BARTOLOTTA: Objection --

15 THE WITNESS: Well -- sorry.

16 MR. BARTOLOTTA: -- hearsay, in reference to the
17 letter.

18 THE COURT: It is. The last question and the answer
19 is stricken to the last question.

20 BY MR. O'BRIEN:

21 Q. Did you have discussions with Mr. Chapman about
22 administrative expenses going up?

23 A. Not that I recall.

24 MR. BARTOLOTTA: Objection. Hearsay.

25 THE COURT: The answer stands. She didn't have
26 those discussions.

27 BY MR. O'BRIEN:

28 Q. Let's look back at the 2005 bill. Do you remember

1 whether Brooktrails took any action against the City of
2 Willits with regard to the Terry Krieg's findings back in
3 2004?

4 MR. BARTOLOTTA: Objection. Vague about, did he
5 take any action.

6 THE COURT: Well, if you understand the question,
7 you may answer it.

8 THE WITNESS: No, that was my question. What do you
9 mean by "took any action"?

10 BY MR. O'BRIEN:

11 Q. We know they wrote a letter, but did they file for
12 arbitration or file a lawsuit?

13 A. I don't know.

14 Q. But you were finance director, are you aware of any?

15 A. I am not aware of any.

16 Q. As finance director of the City of Willits, you're
17 not aware there were any lawsuits regarding 2002 and 2003
18 bills, correct?

19 A. You've lost me as far as what time period we're
20 talking about now or what year are you talking about?

21 Q. 2002, 2003, which were addressed by the Terry Krieg
22 audit, did Brooktrails file a lawsuit that you were aware of
23 or an arbitration demand that you're aware of?

24 A. Not for those years.

25 Q. In 2005, the citywide administration costs coming
26 into the sewer funds were 246,000, correct?

27 A. Yes.

28 Q. And those would have included two -- those would

1 have included all the costs in the administrative department
2 of the sewer fund, correct?

3 A. Yes.

4 Q. So those would have -- those would have included
5 direct administrative allocations and then the citywide
6 indirect administrative allocations we were talking about
7 earlier, correct?

8 A. Yes.

9 Q. One other thing. Just for the record in 2005, the
10 engineering department was charged 100 percent to the sewer
11 plant and ultimately to Brooktrails, correct?

12 A. Yes.

13 Q. And that continued all the way from 2005 until you
14 left the city in 2013, correct?

15 A. Yes.

16 MR. O'BRIEN: 173. Do you have 173 in your binder?

17 MR. BARTOLOTTA: Yep.

18 MR. O'BRIEN: It is missing from this binder. Oh,
19 there it is. This is going to be 173.

20 THE CLERK: 173 for the record.

21 (Whereupon, Exhibit 173 was marked for
22 identification.)

23 BY MR. O'BRIEN

24 Q. I am showing you now a letter written on June 2nd,
25 2008, from George Skezas or Skezas, is that how you say it?

26 A. Skezas.

27 Q. Who is George Skezas?

28 A. He's a longtime Brooktrails board member.

1 Q. Was he at Brooktrails the entire time you worked for
2 Brooktrails?

3 A. No. There was a period of time where he was off the
4 board for, I think maybe two to four years.

5 Q. Was he on the board while you were at Brooktrails?

6 A. Yes.

7 Q. And do you recognize Mr. Skezas' signature?

8 A. Yes.

9 Q. Is that his signature?

10 A. Yes.

11 Q. This document is a letter from Brooktrails to the
12 city council of Willits, correct?

13 A. Yes.

14 Q. Where were you working, because I don't know at this
15 point in June of 2008?

16 A. City of Willits.

17 Q. And how long had you been working at the City of
18 Willits?

19 A. About six months.

20 Q. And do you recall receiving this letter when you
21 worked at the City of Willits?

22 A. I've seen this letter before when I worked at the
23 City of Willits.

24 Q. And does this look like a copy of the letter that
25 you saw when you worked for the City of Willits that was from
26 George Skezas --

27 A. Yes.

28 Q. -- to the City of Willits? Yes?

1 A. Yes.

2 MR. O'BRIEN: I move 173 into evidence.

3 MR. BARTOLOTTA: Hearsay.

4 THE COURT: Any exception you would point to,
5 counsel?

6 MR. O'BRIEN: It is an official document. It's a
7 business record.

8 THE COURT: That hasn't been established, so that
9 objection is sustained.

10 BY MR. O'BRIEN:

11 Q. Do you recall in 2008 Mr. -- or Brooktrails
12 complaining about the lack of audits provided by the City of
13 Willits?

14 A. It was an ongoing concern.

15 Q. If you could look at page three of Mr. Skezas'
16 letter. Do you recall reading in the letter from Brooktrails
17 to the City of Willits that there was a continued concern
18 about lack of audits?

19 A. Yes.

20 MR. BARTOLOTTA: Objection. Hearsay.

21 THE COURT: Sustained.

22 MR. O'BRIEN: Why? Can I approach, your Honor?

23 THE COURT: Why don't we do it this way, we'll go
24 ahead and take our morning break with you and we'll have you
25 back at 10:20, please. Remember the admonition and we'll stay
26 in session briefly after you leave, but we'll see you at
27 10:20.

28 (Whereupon the following matters were heard in open

1 court, outside the presence of the jury.)

2 THE COURT: We're now convened outside the presence
3 of our jurors. And Mr. O'Brien?

4 MR. O'BRIEN: Yeah, your Honor, this is an official
5 record. So it falls under the official record exception. It
6 also is a document by a party, it's a statement by the party
7 which is outside of the hearsay rule. So a statement by one
8 party to another party.

9 MR. BARTOLOTTA: But it's being offered by the
10 party --

11 MR. O'BRIEN: It doesn't matter.

12 THE COURT: Just a moment, please. This is the
13 several page letter from Mr. Skezas dated June 2nd, 2008?

14 MR. O'BRIEN: Correct, your Honor.

15 THE COURT: And further argument about that?

16 MR. BARTOLOTTA: It's hearsay and it hasn't been
17 stated an exception that applies.

18 THE COURT: And I don't see a foundation that it's
19 an official record. It's a letter written by Mr. Skezas. But
20 I don't know that that then earns the designation.

21 So at this point, the objection is sustained.

22 MR. O'BRIEN: Okay. I'll lay more foundation.

23 THE COURT: All right. We'll see you at 10:20. Any
24 reason if we can get the jurors to agree to stay in session
25 until 2 o'clock today to make up for our lost time, if we can?

26 MR. CROWLEY: Your Honor, I was going to meet with
27 one of our witnesses.

28 (Off the record discussion, and recess taken.)

1 THE COURT: We are back on the record in
2 Brooktrails versus the City of Willits. All counsel and
3 jurors are here. And Ms. Cavallari is here and ready for
4 further direct examination under 776. If counsel would
5 please approach.

6 (All counsel approach the bench.)

7 THE COURT: Thank you, counsel. When you're
8 ready, Mr. Brian.

9 BY MR. O'BRIEN:

10 Q. The letter we've been looking at, the June 2008
11 letter from Brooktrails to the City of Willits, Mr. Skezas
12 wrote this letter in his official capacity as a board
13 member, right?

14 MR. BARTOLOTTA: Objection. Calls for
15 speculation. Lacks foundation.

16 THE COURT: Without foundation, sustained.

17 BY MR. O'BRIEN:

18 Q. Was Mr. Skezas on the board of directors of
19 Brooktrails in June of 2008?

20 A. I don't remember.

21 Q. When you left Brooktrails, that was in 2000 --
22 late 2007, correct?

23 A. I worked at Brooktrails through the end of
24 2007.

25 Q. Was Mr. Skezas on the board of directors when
26 you left?

27 A. I don't remember exactly. I know there was a
28 time period where he was not on the board, and I don't

1 remember what time period that was.

2 Q. In looking at this letter, do you believe he
3 wrote it as a private -- this letter as a private citizen?

4 MR. BARTOLOTTA: Objection. Calls for
5 speculation. Lacks foundation.

6 THE COURT: Sustained.

7 BY MR. O'BRIEN:

8 Q. When you were the finance director of the City
9 of Willits -- excuse me.

10 When you were the assistant finance person for
11 Brooktrails, was it your practice to keep letters from
12 board members to the City of Willits as -- or in a file?

13 A. That would have been the function of the city
14 administrative -- or the district's administrative
15 assistant.

16 Q. So that wasn't you?

17 A. No.

18 Q. Did you keep separate copies for yourself of
19 letters like this?

20 A. I probably kept some copies of letters myself.
21 I don't know if this specific one was one of them.

22 Q. In any case, you do remember receiving this
23 letter when you started working for Willits, correct?

24 A. I know I've seen the letter before, I just
25 don't recall exactly when the first time I saw it was. It
26 was more than likely when it went to the City Council, but
27 I'm not positive.

28 Q. And that would have been while you were working

1 at the City of Willits, correct?

2 A. Yes.

3 Q. Did you have a practice as the -- both as the
4 senior accountant and then as the finance director at the
5 City of Willits of keeping copies of letters that related
6 to accounting issues from Brooktrails in a file at the
7 City of Willits?

8 A. I was not the finance director at this time,
9 and as senior accountant I did not keep files like that.

10 Q. As a finance director, did you?

11 A. Yes.

12 Q. Do you recall whether you had this letter in
13 your file of official Brooktrails' records when you were
14 finance director for the City of Willits?

15 A. I believe I did, yes.

16 Q. And was that because it was important to your
17 job function to have all -- any and all complaints or
18 letters from Brooktrails to Willits related to accounting
19 in your file?

20 A. Yes.

21 Q. And where did you keep that file cabinet?

22 A. Um, in my office.

23 Q. And you had a specific file with official
24 correspondence from Brooktrails to the City of Willits?

25 A. Yes.

26 Q. And this was in that file, correct?

27 A. I believe so.

28 Q. And this looks like a true and correct copy of

1 that letter, right?

2 A. It does.

3 MR. O'BRIEN: Your Honor, at this time I'd like
4 to move this document into evidence again.

5 MR. BARTOLOTTA: Objection. Hearsay.

6 THE COURT: All right. The Court will accept
7 this document as, in effect, a business record kept in the
8 regular course of business with the custodian being
9 Ms. Cavallari in her duties. So objection is overruled.
10 It is admitted.

11 (Plaintiff's Exhibit 81
12 was received in evidence.)

13 BY MR. O'BRIEN:

14 Q. Ms. Cavallari, if you could turn to page 3 of
15 Mr. Skezas' letter. I can't believe I have to say that
16 over and over again.

17 The first category that was addressed by
18 Brooktrails to the City of Willits was a lack of audits,
19 correct?

20 A. That's fairly far down on the page, but lack of
21 audits is in this letter.

22 Q. It's a big heading, right?

23 A. Yes.

24 Q. Right in the middle of the page, yes.

25 And in June of 2008, when you were beginning
26 your duties at the City of Willits, there was a backlog of
27 audits due to Brooktrails, correct?

28 A. Yeah. We were two years behind.

1 Q. And was that one of your primary functions when
2 you started working for Willits was to try to get those
3 audits caught up?

4 A. Yes.

5 Q. I believe we discussed on Friday how important
6 those audits were to Brooktrails, right?

7 A. Yes.

8 Q. Because that's how Brooktrails set its rates
9 for its customers, right?

10 A. Yes.

11 Q. They -- Brooktrails also needed it so they
12 could complete their audits every year as required by law,
13 right?

14 A. Yes.

15 Q. Do you recall Brooktrails while -- either while
16 you were at Brooktrails or at Willits, extending to the
17 City of Willits an offer to accept audits by February of
18 the following year instead of October, which is in the
19 contract?

20 A. Yes.

21 Q. And did you attempt to comply with at least the
22 February offer by Brooktrails?

23 A. I did.

24 Q. And had that -- prior to you arriving at the
25 City of Willits, had the City of Willits been even meeting
26 the February extension that Brooktrails granted?

27 A. I don't know.

28 Q. You knew when you got there in '08 you were

1 several years behind, correct?

2 A. We -- when I left Brooktrails we had the audit
3 for 2005, but not 2006 or 2007.

4 Q. So at least for 2006, 2007 the City of Willits
5 was not even complying with the extension that Brooktrails
6 was granting them, right?

7 A. Right.

8 Q. And the concern expressed by Mr. Skezas was a
9 valid concern for Brooktrails, because this information
10 was very important to Brooktrails, right?

11 A. Yes.

12 MR. BARTOLOTTA: Objection, asked and answered.

13 THE COURT: It has now been answered twice,
14 but...

15 MR. O'BRIEN: I apologize, your Honor.

16 THE COURT: Go ahead.

17 BY MR. O'BRIEN:

18 Q. So Mr. Skezas was conveying that to you in this
19 letter, correct?

20 A. This letter was not to me.

21 Q. To the City of Willits, correct?

22 A. To the City Council, yes.

23 Q. And you took actions to fix that problem?

24 A. I did my best to get the audits up to date.

25 Q. If you turn to page five, to the next big
26 heading in the middle. It says "context of accounting
27 issues," you see that?

28 A. Yes.

1 Q. And it says:

2 "It should be called to your direct
3 attention that these issues have persisted
4 for a substantial period of time. To date
5 Brooktrails has placed a greater value
6 upon a productive relationship with the
7 city, which Brooktrails views as a partner.
8 In doing so the city" --

9 MR. BARTOLOTTA: Your Honor, is there a
10 question?

11 MR. O'BRIEN: I'm going to ask her a question
12 about this language.

13 THE COURT: All right. You could publish this
14 as well.

15 MR. O'BRIEN: Sure.

16 BY MR. O'BRIEN:

17 Q. Ms. Cavallari, I'm reading from the first
18 couple sentences here. It says -- I think I've stopped
19 at --

20 "Brooktrails viewed as a partner. In
21 doing so the district has discovered
22 and called to the city's attention
23 various accounting irregularities without
24 demand for correction or reversal of
25 questionable charges." And it goes on to
26 discuss a number of accounting issues. Do you recall
27 those sentences when you read this letter?

28 A. I don't know how to answer that question. I'm

1 reading the words now. I'm sure I read them in the letter
2 at the time. I don't think about it.

3 Q. Mr. Skezas considered that the Willits staff
4 was impermissibly utilizing provisions requiring
5 Brooktrails to contribute to the share of sewer plant
6 operation costs. Do you see that?

7 A. Okay.

8 Q. And it finishes up by saying: "By way of
9 background, it's important to note that the agreement does
10 provide for Brooktrails to contribute for administrative
11 costs," right?

12 A. Yes.

13 Q. And did you interpret, when you read this, that
14 Mr. Skezas was telling you that Brooktrails would pay for
15 its share of the operations administration costs but
16 didn't want to pay for the other city administrative
17 costs?

18 A. I think the language in this paragraph is very
19 confusing. I'm not sure what Mr. Skezas was trying to
20 say.

21 Q. Let's look at the next page, page six. And it
22 provides an example. He says, "provide an idea of the
23 extent of abusive allocation" --

24 MR. CROWLEY: Nobody can see.

25 BY MR. O'BRIEN:

26 Q. Sorry. "Abusive" -- sorry. There it is.
27 "To provide an idea as to the extent
28 of abusive allocation of administrative

1 expenses, it appears that at times the city
2 apportioned an undocumented and very high
3 percentage of the utility director's salary
4 to the sewer administration fund." Do you see
5 that?

6 A. Yes.

7 Q. So Mr. Skezas was complaining about
8 administrative allocations, correct?

9 A. Yes.

10 Q. And this is in 2008, right?

11 A. Right.

12 Q. What did you do as finance director, or as
13 senior accountant and then finance director, to respond to
14 the allegation being made by Brooktrails that the city was
15 abusively over allocating administrative costs?

16 A. We hired Matrix.

17 Q. And you did that in 2011, correct?

18 A. I don't remember when exactly we hired Matrix.

19 Q. Is it your understanding that from the time, as
20 finance assistant for Brooktrails, and continuing through
21 the time of your time as finance director of the City of
22 Willits, that Brooktrails continued to complain about over
23 allocation of administrative costs?

24 A. I think that's a vague question. Continued to
25 complain? I know that there was concerns about it.

26 Q. On an ongoing basis, right?

27 A. Yes.

28 Q. We looked at a letter from 2004 and now one

1 from 2008, right?

2 A. Right.

3 Q. In order that we have everything in evidence, I
4 wanted to look through the various invoices just to
5 confirm that each year the same issues existed with regard
6 to the invoices.

7 So we looked at -- this is the 2005 revised
8 invoice you prepared. And in that year the administrative
9 costs were \$246,000 that were allocated 77 percent to the
10 sewer plant, right?

11 A. Yes.

12 Q. And we also know that the engineering was
13 allocated 100 percent to the sewer plant, right?

14 A. Yes.

15 Q. And we've talked Friday about how part of the
16 engineering at least should have been allocated to the
17 maintenance slash collection department, correct?

18 A. Yes.

19 Q. I also on the 2005 invoice don't see the
20 septage receiving department. Why is that?

21 A. It didn't exist at the time.

22 Q. But you were receiving septage in 2005,
23 correct?

24 A. I wasn't there in 2005.

25 Q. When you started in 2007, 2008 for the City of
26 Willits, was the City of Willits receiving septage?

27 A. I think so.

28 Q. So they were receiving revenue from septage,

1 correct?

2 A. Yes.

3 Q. But they didn't have a way to capture the costs
4 of the septage receiving, correct?

5 A. Correct.

6 Q. So those costs of the septage receiving
7 department were paid by the sewer plant operations
8 department, correct?

9 A. Yes.

10 Q. And that's something you changed when you took
11 over as finance director, right?

12 A. Not me personally. It was the people that
13 worked in the sewer department. We all wanted to separate
14 those costs. It was a collaborative effort.

15 Q. Was that done in response to this lawsuit?

16 A. No.

17 Q. I'm going to get you a binder, and we'll flip
18 through page by page, okay.

19 Just to follow up the same question with regard
20 to Matrix. You said you hired Matrix in response to the
21 complaints about administrative allocations from
22 Brooktrails, right?

23 A. Yes.

24 Q. In 2010 Brooktrails filed this lawsuit,
25 correct?

26 A. Yes.

27 Q. Was Matrix hired in response to Brooktrails
28 filing this lawsuit?

1 A. I don't remember if it was because of that. It
2 was mostly because we wanted to make a comparison of what
3 the allocation was like under the old methods versus what
4 a consultant would come up with.

5 Q. So your answer is I don't know?

6 A. I guess that's a good answer, yeah.

7 Q. We're looking at tab number 2 in the -- we're
8 looking at tab 42 in Exhibit 343, which contains the
9 invoices sent from the City of Willits to Brooktrails. We
10 just talked about 2005, the administration was 246,000,
11 you remember that?

12 A. Yes.

13 Q. And now in 2006 the administration is now
14 271,305, correct?

15 A. Yes.

16 Q. And the plant in this year is getting 73
17 percent of that, correct?

18 A. Yes.

19 Q. And none of the other departments in the sewer
20 fund that year received any administrative allocation,
21 correct?

22 A. Correct.

23 Q. And the engineering is 16,000 this year, right?

24 A. Yes.

25 Q. And again, that's all charged over to the
26 operations department plant and ultimately to Brooktrails,
27 correct?

28 A. Yes.

1 Q. So the same issues exists with regard to
2 engineering, and with regard to administration and the
3 internal allocations that we discussed about before,
4 right?

5 A. Yes.

6 Q. Just as a point, there's no septage receiving
7 on this bill yet. It's not a department yet?

8 A. Correct.

9 Q. If you could turn to the next tab. And we're
10 always going to look at actual amounts, okay. The next
11 document we're going to look at is tab 3 of this same
12 exhibit, okay?

13 A. Okay.

14 Q. And this appears to be the actual amounts for
15 fiscal year ending June 30th, 2007. Do you see that?

16 A. Yes.

17 Q. And there's a stamp up at the top, it says
18 "received Brooktrails December 9th, 2008." So that this
19 bill wasn't received on time by Brooktrails, was it?

20 A. It doesn't appear to be.

21 Q. It should have been received by October of
22 2007, correct?

23 A. Or February 2008.

24 Q. If you use Brooktrails' extension?

25 A. Yes.

26 Q. So this would have been a year when Brooktrails
27 couldn't have used this to set its rates. When are
28 Brooktrails' rates set?

1 A. I think they try to set them to be effective
2 July 1st, at the beginning of the fiscal year.

3 Q. They have to be set prior to June by law,
4 right?

5 A. They have a 45-day public hearing notice, I
6 believe, so they would have to be set during the budget
7 process in the spring.

8 Q. So getting audited information in December of
9 the year after is not helpful to Brooktrails in setting
10 the rates, correct?

11 A. Correct.

12 Q. Now we looked at 2005, administration was 240,
13 2006 it was 270. Administration by 2007 is up to 343,000,
14 right?

15 A. Yes.

16 Q. And this is even after the city had received a
17 letter from Brooktrails complaining about this in 2004,
18 correct?

19 A. 2004?

20 Q. You looked at two, 2004 and 2008?

21 A. Um, I don't remember what the letter in 2004
22 said without looking at it again.

23 Q. But the administrative costs now have gone up
24 over \$100,000 in a period of two years, correct?

25 A. Correct.

26 Q. And this is your first year, full year working
27 at Willits, correct?

28 A. I would have -- yeah. 11 months,

1 approximately.

2 Q. 2008 was the first year you worked for the City
3 of Willits, correct?

4 A. Correct.

5 Q. And now engineering is \$50,000, correct?

6 A. Correct.

7 Q. So it went from 15, 16, now 50, right?

8 A. Yes.

9 Q. And this is simply an allocation of the city
10 engineer. We talked about that, right?

11 A. Yes.

12 Q. There are no sewer engineers specifically,
13 correct?

14 A. Correct.

15 Q. So this is also an administrative allocation,
16 correct?

17 A. At least partially. I'm not sure if there were
18 engineering expenses directly charged there also. I would
19 think there would be.

20 Q. So the labor included in this number would be
21 another administrative allocation?

22 A. The labor can. Then there were probably
23 supplies and tools and that type of thing.

24 Q. That would specifically apply to the sewer?

25 A. Right.

26 Q. Fair enough.

27 And again, the entire engineering was charged
28 to the sewer plant and then Brooktrails, correct?

1 A. Yes.

2 Q. And just to note, you're still using 23.62 in
3 each these years, correct?

4 A. Correct.

5 Q. And that was because the meter was broken at
6 the sewer plant, correct?

7 A. Yes.

8 Q. And in each one of these invoices you make a
9 note that there was a letter on February 8th, 2005, that
10 consummated an agreement between Brooktrails and the city
11 about that 23.62, right?

12 A. Yes.

13 Q. And that's the letter we haven't been able to
14 find, correct?

15 A. If you say so.

16 Q. Okay. Turn to tab 4.

17 We're looking now at tab 4 from the same
18 exhibit. And this is the actual amounts for fiscal year
19 ending 2008, correct?

20 A. Yes.

21 Q. And this would have been the first year that
22 you were in charge entirely for this bill, correct?

23 A. Yes.

24 Q. And we see up at the top again 518,000. Those
25 are the sewer operation expenses, right?

26 A. Yes.

27 Q. And I haven't asked you any questions about the
28 sewer operations expenses, correct?

1 A. I think that's correct.

2 Q. And again, the sewer operation is going to get
3 75 percent of the total administrative allocation in 2008,
4 right?

5 A. Yes.

6 Q. And now the year before the administrative was
7 340,000, now it's up to 409,000, right?

8 A. Yes.

9 Q. And that's almost as much as the operations
10 department itself, correct?

11 MR. BARTOLOTTA: Objection. Relevance.

12 THE COURT: Sustained. And that document
13 speaks for itself.

14 BY MR. O'BRIEN:

15 Q. And the engineering is now up to \$133,000,
16 correct?

17 A. Yes.

18 Q. And in 2005, that one we just looked at it was
19 at 15,000, right?

20 A. Yes.

21 Q. So that's gone up 118,000 since 2005, correct?

22 A. Yes.

23 Q. And administration has gone from 240,000 to
24 409,000, right?

25 A. Yes.

26 Q. And this is approximately the same time that
27 Mr. Skezas writes his letter saying there's an abuse of
28 allocation procedure being done by Willits to Brooktrails,

1 right?

2 A. Yes.

3 Q. And 75 percent of that 409,000 is carried into
4 the plant costs and then billed to Brooktrails, right?

5 A. Yes.

6 Q. And we talked about earlier included in that
7 administration in 2008, because we looked at the
8 allocation costs, we know that part of the police
9 department administration and the swimming pool
10 administration was included in that cost, right?

11 A. Could you repeat that question, please?

12 Q. We earlier looked at the 2008 allocation
13 worksheet, do you remember that?

14 A. Yes.

15 Q. And we determined that because there was no
16 administration allocated to the police department or the
17 swimming pool, that Brooktrails would ultimately be paying
18 part of the administration of the police department and
19 the swimming pool; do you remember that?

20 A. Yes.

21 MR. BARTOLOTTA: Objection. Lacks foundation.

22 THE COURT: I believe the witness has the same
23 qualification and has evaluated it to a degree. So
24 overruled, and the answer stands.

25 BY MR. O'BRIEN:

26 Q. So 2008 included in that 409,000 dollars is at
27 least some allocation to pay for the administration costs
28 of both the police department for the City of Willits and

1 the City of Willits' swimming pool, correct?

2 A. Yes.

3 Q. And Brooktrails is not supposed to pay for
4 those two departments, are they?

5 A. No.

6 Q. Turn to the next tab, Ms. Cavallari. Are you
7 there?

8 A. Yes.

9 Q. Okay. We're going to look at the 2009 bill now
10 from Willits to Brooktrails, okay. We looked at the last
11 administration was 409,000, 2008, now the administrative
12 costs are up to 494,596; do you see that?

13 A. Yes.

14 Q. So from 2005 to 2009, the administrative
15 allocations ultimately being passed through to Brooktrails
16 by this bill more than doubled, correct?

17 A. From 2005 to 2009?

18 Q. Correct.

19 A. Yes.

20 Q. And during this time, Brooktrails had sent
21 Willits two letters complaining about this, correct?

22 A. Yes.

23 Q. And this year again, Brooktrails is getting 73
24 percent, approximately 73 percent of those administrative
25 charges in this department, right?

26 A. Yes.

27 Q. And the only other department sharing in those
28 costs is maintenance, right?

1 A. Yes.

2 Q. And there's no allocations for administrative
3 charges to any of the other departments, right?

4 A. Yes.

5 Q. And we've already talked about how Matrix fixed
6 that, correct?

7 A. Yes.

8 Q. And in this year, in 2009 you still don't see a
9 septage receiving department, correct?

10 A. Correct.

11 Q. So still by 2009, the sewer plant is still
12 paying for a share of all the expenses -- strike that.

13 It's still paying for all the expenses of the
14 city's septage receiving operation, right?

15 A. Yes.

16 Q. And ultimately Brooktrails is paying for part
17 of the expenses of septage receiving as well, correct?

18 A. Yes.

19 Q. And in this year the engineering is 111,000; do
20 you see that?

21 A. Yes.

22 Q. And again, this year, just like the other year
23 is 100 percent of that is charged to the plant and
24 ultimately Brooktrails pays a share of 100 percent, right?

25 A. Yes.

26 Q. And we've talked about, I think, that
27 maintenance should have received part of that, correct?

28 A. Part of the engineering?

1 Q. Yes.

2 A. Yes.

3 Q. And we just have no documents to determine what
4 part that should be, correct?

5 A. I believe that's correct.

6 Q. And again, 23.62 is still being used based on
7 the February letter, right?

8 A. Yes.

9 Q. Just next tab. Now we're looking at tab 6 of
10 the same exhibit. We're now looking at the 2010 bill. Do
11 you see that?

12 A. Yes.

13 Q. And this, again, is a bill that was sent from
14 the City of Willits while you were finance director to
15 Brooktrails, right?

16 A. Yes.

17 Q. And the administrative charges have kind of
18 leveled out here at 471,000, right?

19 A. Yes.

20 Q. Approximately 50,000 less than it costs to
21 actually operate the entire plant, right?

22 A. Yes.

23 Q. When you looked at that ratio as finance
24 director, seeing an administrative charge that's 90
25 percent of the total budget of the department, did that
26 raise any red flags to you?

27 A. No.

28 Q. Is there any set percentage that you look at

1 for administration of a department and think, wow, if it
2 gets over that percentage that's getting a little high?

3 A. I never thought about it.

4 Q. Does the City of Cloverdale where you work now,
5 have any such bench mark that they use for administration
6 as it relates to an operations budget?

7 A. No.

8 Q. In this bill engineering has gone down a little
9 bit to 77,000, right?

10 A. Yes.

11 Q. And same percentage is still being used, 23.62,
12 right?

13 A. Yes.

14 Q. And it's still based on that February 8, 2005
15 letter, right?

16 A. Yes.

17 Q. And in this year, Brooktrails got -- strike
18 that.

19 In this year, the sewer plant got 70 percent of
20 the total administration, right?

21 A. Yes.

22 Q. And engineering is 100 percent charged to the
23 plant, right?

24 A. Yes.

25 Q. There's still no septage receiving account on
26 this bill, correct?

27 A. Right.

28 Q. And the administration is still not split apart

1 across all the departments like it should have been,
2 right?

3 A. Right.

4 MR. O'BRIEN: If we could mark this next in
5 line.

6 THE CLERK: Marking 348 for the record.

7 (Plaintiff's Exhibit 348 was
8 marked for identification.)

9 BY MR. O'BRIEN:

10 Q. I wanted to take a second and talk about
11 Exhibit 348 while we're talking about the 2009 and 2010
12 bill. And I have in front of you an e-mail that I believe
13 you sent to Greg -- another difficult name. Aanestad,
14 A-a-n-e-s-t-a-d.

15 Where did Mr. Aanestad work?

16 A. USDA.

17 Q. Do you recall sending this letter to
18 Mr. Aanestad?

19 A. I do.

20 Q. Does this look like a true and correct copy of
21 a letter you sent as finance director of the City of
22 Willits to the USDA individual?

23 A. It does.

24 Q. And why were you sending an e-mail at this time
25 to the USDA?

26 A. We were trying to close the loan for the
27 treatment plant project.

28 Q. So this would have been loan number 7, correct?

1 A. I think so.

2 Q. Or the 8.3 million dollar loan, the second loan
3 we'll call it?

4 A. I think it was loan number 7.

5 Q. Not that we could be any more confusing with
6 two loans and it's number 7.

7 Okay. So you were making -- explaining some
8 financial information to Mr. Aanestad, right?

9 A. Yes.

10 MR. O'BRIEN: Your Honor, I'd move to admit
11 348.

12 MR. BARTOLOTTA: Stipulated.

13 THE COURT: It is in.

14 (Plaintiff's Exhibit 348
15 was received in evidence.)

16 BY MR. O'BRIEN:

17 Q. Ma'am, can you look at your letter and just
18 make sure you don't have highlighting on your letter? I
19 have a habit of that.

20 A. No, there's no highlighting.

21 Q. Okay. I don't want to get in trouble.

22 I'd like you to turn to page -- it says page 3
23 of 4, but it's really page 2 of this exhibit.

24 A. Okay.

25 Q. And if you go down to the word beginning, --
26 and I'll publish this. It says "Beginning in 2007 there
27 was a trend to allocate a greater percentage of general
28 fund expenses such as insurance and audit costs to

1 enterprise funds," right?

2 A. Yes.

3 Q. And that was reflected in the invoices that
4 we've looked at so far from 2005 to 2009 of the
5 administrative costs doubling, right?

6 A. Yes.

7 Q. And why were you explaining that to
8 Mr. Aanestad?

9 A. I think he was questioning why the -- I don't
10 know. It would be speculation. I don't recall my
11 conversation with him.

12 Q. But you were certainly able, through research
13 or otherwise, to identify this trend, right?

14 A. Yes.

15 Q. Do you recall going back and looking at the
16 Brooktrails bills to identify that escalating trend?

17 A. I don't recall.

18 Q. Do you recall if it gave you any concerns when
19 you saw the administrative costs had doubled over the
20 period of four years?

21 A. I don't remember. I know there were a lot of
22 costs increasing at the time, and health insurance and
23 property insurance. There were a lot of costs that were
24 escalating during that time period, retirement percentages
25 as well were going up.

26 Q. Did you tell Mr. Aanestad that you were going
27 to make efforts to reverse that trend?

28 A. Yes.

1 Q. And you did make efforts to reverse that trend,
2 didn't you?

3 A. Yes, we did.

4 Q. And you cut the administrative costs almost in
5 half again, didn't you?

6 MR. BARTOLOTTA: Objection. Calls for
7 speculation. Lacks foundation.

8 BY MR. O'BRIEN:

9 Q. I'll withdraw the question and we'll look at
10 the rest of the invoices in a second, okay.

11 You also refer to the engineering department,
12 right?

13 A. Yes.

14 Q. And you say that in 2008, additional staffing
15 was added to the engineering department primarily charged
16 to sewer, right?

17 A. Yes.

18 Q. And the city also completed three audits,
19 right?

20 A. Yes.

21 Q. It was important for you to tell the USDA or
22 to -- strike that.

23 It was important for you to explain the
24 escalating costs in the sewer fund to the USDA because you
25 were trying to obtain financing from them, right?

26 A. Yes.

27 Q. And they wanted to make sure that you weren't
28 overspending in that fund, right?

1 A. Yes.

2 Q. And that there would be money left to pay the
3 loan payment, right?

4 A. Right.

5 Q. And so you were telling him we're going to cut
6 those costs, right?

7 A. Yes.

8 Q. Did you tell the City Council at the time you
9 were writing the letter to Mr. Aanestad that there was a
10 trend of spiraling administrative costs in the sewer plant
11 fund?

12 A. I don't remember.

13 Q. We're now looking at the bill from 2011, right?
14 And this is tab number 7, I believe. Is that it?

15 A. Yes.

16 Q. We're still in the same exhibit. And this is
17 after you wrote the total or the e-mail to Mr. Aanestad,
18 right?

19 A. Yes.

20 Q. And if we look at the administrative charges,
21 they are now down to 281,000, right?

22 A. Yes.

23 Q. And this is about the time you brought Matrix
24 in to look at this issue as well, right?

25 A. Yes.

26 Q. And in this year, the plant got 77 percent of
27 those administrative costs, right?

28 A. Yes.

1 Q. And by this point, you had taken over the
2 allocations of the city-wide administration, right?

3 A. What do you mean by "taken over"?

4 Q. Well, you were now doing those allocation
5 worksheets that we looked at, right?

6 A. Yes.

7 Q. Or somebody under your direction?

8 A. Yeah. I'm just not sure when we started using
9 the Matrix report and when we stopped using --

10 Q. Prior to Matrix --

11 THE COURT: Just a moment, please. Let her
12 finish the answer.

13 MR. O'BRIEN: Absolutely.

14 THE WITNESS: Or when we stopped using the
15 city's simpler method.

16 BY MR. O'BRIEN:

17 Q. But you did say when you took over the city's
18 simpler method you allocated 30 percent of the admin to
19 the police department and the other general fund services,
20 right?

21 A. Yes.

22 Q. And that was ultimately one of the effects was
23 that Brooktrails by 2011 probably wasn't paying for the
24 city's police department anymore, right?

25 A. Right.

26 Q. The engineering is now at 65,000, right?

27 A. Yes.

28 Q. And that's still being allocated 100 percent to

1 the plan in 2011 -- to the plant in 2011, right?

2 A. Yes.

3 Q. And ultimately Brooktrails is paying 100
4 percent of the engineering, right?

5 A. Yes.

6 Q. And in 2011 you never did any analysis to
7 determine how much or what percentage of that engineering
8 charge should have gone to the collections slash
9 maintenance department, right?

10 A. Right.

11 Q. But we know it should have been something,
12 right?

13 A. Yes.

14 Q. And still in 2011, at least on this bill,
15 there's not a septage receiving department, right?

16 A. Right.

17 Q. And we'll look at the budgets in a minute and
18 see when that appeared.

19 Oh, and this bill still refers to the 2/8/2005
20 letter where there was supposedly an agreement for 23.62
21 percent, right?

22 A. Yes.

23 Q. Just a couple more years.

24 THE COURT: That's how long this exam is going
25 to take?

26 MR. O'BRIEN: Yeah.

27 THE COURT: Okay. Just checking.

28 MR. O'BRIEN: By then we'll have no jurors and

1 it will just be me talking.

2 THE COURT: I couldn't resist.

3 MR. O'BRIEN: Thank you, your Honor. That
4 makes me feel very good.

5 BY MR. O'BRIEN:

6 Q. The next invoice we're looking at is 2012,
7 right?

8 A. Okay.

9 Q. And by this time the city-wide administration
10 is now down to \$197,000, right?

11 A. Yes.

12 Q. So I think we looked at it and the
13 administration had peaked in 2009 at 497,000, right?

14 A. Yes.

15 Q. And Brooktrails was paying ultimately its share
16 of that, right?

17 A. Yes.

18 Q. And now it's back down to 197,000, right?

19 A. Yes.

20 Q. And did you take positive or affirmative steps
21 to attempt to reign in this administrative trend like you
22 talked about in your e-mail?

23 A. Yes.

24 Q. One of those was hiring Matrix, right?

25 A. Right.

26 Q. And now in 2012 we see septage receiving has
27 become its own separate account within the sewer
28 accounting system, right?

1 A. Yes.

2 Q. And it's now its own official department in the
3 city, right?

4 A. Yes.

5 Q. And you created that account in order to
6 capture the expenses associated with septage receiving,
7 right?

8 A. Yes.

9 Q. And this year it only got 128 bucks, right?

10 A. Right.

11 Q. Do you know why it only got \$128?

12 A. Well, we created the septage receiving
13 department because it was the -- one of the goals was to
14 build a capital asset, a septage receiving station, and
15 that was the purpose of establishing that department. But
16 it never really got off the ground. They never really had
17 time to focus on the building of that station.

18 Q. And we'll look at it in a minute, but in 2012
19 you were still receiving septage, right, at the plant?

20 A. I believe so.

21 Q. You were still charging fees to people like
22 Roto-Rooter and those kind of people to receive their
23 septage, right?

24 A. Yes.

25 Q. And there were expenses associated with that,
26 right?

27 A. Yes.

28 Q. And this account was also intended to separate

1 out those expenses; is that fair to say?

2 A. No, that's not what that account was for.

3 Q. Okay.

4 A. That account was strictly to develop and build
5 the septage receiving station.

6 Q. So the only reason for that is -- correct --
7 was to capture capital expenses?

8 A. Right.

9 Q. And we'll look more at the budget in a minute.
10 And the engineering is still being charged 100
11 percent to the plant, right?

12 A. Yes.

13 Q. And this bill still refers to this February
14 2005 letter where the agreement on 23.62 is, right?

15 A. Yes.

16 Q. If you could just turn over to tab 9.

17 I have to go through this. You have to look
18 through to find the actual amounts for 2013 on this, okay.
19 This is the 2013 invoice from Willits to Brooktrails,
20 right?

21 A. Yes.

22 Q. Was this prepared when you were at the City of
23 Willits or afterwards?

24 A. Afterwards.

25 Q. So you weren't involved in preparing this
26 invoice, correct?

27 A. No, I was not.

28 Q. Did you prepare a draft of this invoice, do you

1 recall?

2 A. I don't recall.

3 Q. When did you leave Willits in 2013?

4 A. September. September 6th, I think was my last
5 day.

6 Q. And this invoice has administration at 205,000,
7 right?

8 A. Yes.

9 Q. And the plant is getting 80 percent of that
10 this year, right?

11 A. Yes.

12 Q. And there's still nothing being allocated to
13 the other departments within this -- strike that.

14 There's still no administration being allocated
15 to the other departments within the sewer fund, right?

16 A. Right.

17 Q. And septage receiving is here with \$296, right?

18 A. Yes.

19 Q. And engineering is still being charged in 2013
20 100 percent to the plant, right?

21 A. Yes.

22 Q. Again, it still refers to that letter in
23 February of 2005 regarding the 23.62 percent, right?

24 A. Yes.

25 Q. I'm going to show you now the estimated amounts
26 for 2014, okay? It's that same packet with that same
27 letter.

28 A. Okay.

1 Q. And this is similar to the estimated amount you
2 would send out with your invoice every year while you were
3 finance director, right?

4 A. Yes.

5 Q. And why did you send out this estimated -- so
6 you would send out the actuals for the previous year,
7 right? And the estimated for the upcoming year, right?

8 A. Yes.

9 Q. And was that so Brooktrails could calculate its
10 monthly payment for the coming year?

11 A. Yes.

12 Q. And then at the end of the year you would do
13 the actual amount and reconcile the estimated, right?

14 A. Yes.

15 Q. And Brooktrails would either do a credit or
16 they'd get -- or they'd have to pay more money, right?

17 A. Right.

18 Q. In this invoice you see that the flow has now
19 gone up to 27.3 percent, right?

20 A. Right.

21 Q. And are you aware while you were at the City of
22 Willits, the bills ever being sent out based on actual
23 flows?

24 A. Not while I was there.

25 Q. Because the entire time you were there the
26 meter was broken, right?

27 A. Right.

28 Q. Are you aware of any agreement ever made by

1 Brooktrails to use the meter related to the outgoing flows
2 of the plant to bill Brooktrails?

3 MR. BARTOLOTTA: Objection. Calls for a legal
4 conclusion.

5 THE COURT: That's overruled. It would not be
6 a legal conclusion, but in her opinion was such an
7 agreement made.

8 You can answer that question if you have it in
9 mind, Ms. Cavallari.

10 THE WITNESS: I was not aware of any such
11 agreement.

12 BY MR. O'BRIEN:

13 Q. You understood that flows at the plant should
14 be measured incoming not outgoing, right?

15 A. Right.

16 Q. Just to finish up with Matrix.

17 THE CLERK: Marking Exhibit 349 for the record.

18 (Plaintiff's Exhibit 349 was
19 marked for identification.)

20 BY MR. O'BRIEN:

21 Q. In your work getting Matrix up to speed, you
22 exchanged a lot of e-mails with them, isn't that right?

23 A. Right.

24 Q. And we're looking here at an e-mail you
25 exchanged in February of 2012, right?

26 A. Yes.

27 Q. And Courtney Ramos worked for Matrix, right?

28 A. Yes.

1 Q. And do you recall sending this e-mail?

2 A. Not really.

3 Q. You sent a lot of e-mails to Matrix, right?

4 A. Exactly.

5 Q. But does this look like a true and correct copy
6 of one of your e-mails from the City of Willits?

7 A. It does.

8 MR. O'BRIEN: I'd like the admit 349.

9 MR. BARTOLOTTA: No objection.

10 THE COURT: It is admitted.

11 (Plaintiff's Exhibit 349
12 was received in evidence.)

13 BY MR. O'BRIEN:

14 Q. In this e-mail you made a comment that you
15 wanted to make sure that the sewer administration is
16 taking its fair share of costs. Do you see that?

17 A. Yes.

18 Q. Why did you make that comment to Courtney Ramos
19 at Matrix?

20 A. I'm not sure.

21 Q. Were you concerned that through the Matrix
22 method the administrative costs being charged to the sewer
23 fund had gone down dramatically?

24 A. I don't remember why I was concerned. It would
25 help if the attachment was part of this e-mail, but it's
26 not included.

27 Q. Did you send any letters like this regarding
28 any other fund expressing concerns that enough

1 administration charges be allocated to any other funds
2 besides the sewer fund?

3 A. I don't remember.

4 Q. If I looked through all your e-mails that you
5 sent to and from Matrix, you don't know whether or not I'd
6 find something like that, right?

7 A. I really don't know.

8 Q. And you don't recall as you sit here today why
9 you were worried about administration, sewer
10 administration getting enough admin, right?

11 A. Right.

12 Q. Do you remember conversations between you and
13 the City Council regarding the sewer bill to Brooktrails
14 going down?

15 A. No.

16 Q. Do you remember discussions like that with any
17 of your other staff members about the fact that
18 administration had gone down that was being billed to the
19 sewer fund by so much when Matrix took over?

20 A. I recall discussing that with the city manager.

21 Q. And what did the city manager say?

22 A. Well, the reason that we discussed it is
23 because it -- when Matrix did the costing allocations
24 there was less of a charge to sewer administration, but
25 there was also a charge to the other departments within
26 the sewer fund, which was something we had never done.

27 Q. So they spread out and charged individually to
28 each of the departments within the sewer fund some of the

1 administration?

2 A. Correct.

3 Q. And that was one of the reasons it went down?

4 A. Yes.

5 Q. Did the city manager direct you to send this
6 e-mail to Matrix?

7 A. Probably not.

8 Q. Why was the city manager concerned that the
9 administration costs being allocated to the sewer
10 department had gone down?

11 MR. BARTOLOTTA: Objection. Misstates her
12 testimony. Lacks foundation.

13 THE COURT: And it's speculative. Sustained.
14 BY MR. O'BRIEN:

15 Q. Did the city manager explain to you why she
16 was -- she or he, I don't know who it was at that time.
17 Why he or she was concerned regarding the administrative
18 costs being charged to the sewer fund by Matrix?

19 A. I don't recall what we talked about in 2012,
20 that was a long time ago. I asked some questions. I
21 wanted to make sure that sewer administration was taking
22 its fair share of costs.

23 Q. And you don't recall -- strike that.

24 Did the city manager express concerns that any
25 of the other funds were taking their fair share of costs?

26 A. I don't remember.

27 Q. So as far as you can recall, the only
28 conversation regarded the sewer administration, right?

1 A. I don't remember.

2 Q. Do you remember the city manager said to you,
3 when she expressed to you issues related to Matrix
4 administration allocation to the sewer fund, whether she
5 wanted to make sure the administration was substantial to
6 the sewer administration account so that Brooktrails would
7 share in it?

8 A. You totally lost me on that question.

9 Q. That was the longest question I ever asked.
10 Sorry.

11 Did the city manager express to you that she
12 was worried about sewer administration costs because she
13 wanted to make sure Brooktrails paid a substantial portion
14 of the city's administration?

15 MR. BARTOLOTTA: Objection. Calls for
16 speculation.

17 THE WITNESS: No.

18 THE COURT: The answer stands.

19 MR. O'BRIEN: General journal ledger tab 7, and
20 I'm looking at page 25 and page 43, which are the PG&E
21 bills.

22 MR. BARTOLOTTA: I don't have that binder.

23 MR. O'BRIEN: Here's an extra one.

24 BY MR. O'BRIEN:

25 Q. Ms. Cavallari, earlier we were talking about
26 the internal allocation and what would happen if you moved
27 the PG&E bill from both of the numbers, so if you removed
28 it from 452 and 130, right?

1 A. Right.

2 Q. And you said you didn't remember what the PG&E
3 bills were, correct?

4 A. Correct.

5 Q. And I presented you with some general ledgers
6 from the city, right?

7 A. Yes.

8 Q. And on page 25, that's the general ledger for
9 the sewer maintenance department, correct?

10 A. Yes.

11 Q. And how much were -- was the sewer maintenance
12 department charged for PG&E in -- this is the 2009 general
13 ledger?

14 A. I think it's 185,12; is that correct?

15 Q. It's not 707.14?

16 A. Well I'm not sure why there's a minus 307.14.
17 Oh, that's the remaining balance in the budget. So the
18 amount 707.14.

19 Q. Okay. And then turn to page 43. The actual
20 amount -- this is the sewer operations general ledger,
21 right?

22 A. Yes.

23 Q. Was the actual amount of PG&E in 2009 of the
24 sewer plant \$126,848?

25 A. Yes.

26 Q. And so if you just removed that one bill out of
27 the two -- the one bill out of the operations department
28 and the one bill out of the maintenance department in any

1 given year, and I can put 2009 up there, that's what
2 you're going to say, right? If you remove that one bill
3 from both the budgets that would decrease the percentage
4 of the administrative allocation internally being
5 allocated to the plant, right?

6 A. Right.

7 Q. And it would be substantial. It would be about
8 10 percent, right? Correct?

9 A. I can't read that number either.

10 Q. There's 2009, okay.

11 A. Okay.

12 Q. And that corresponds with that general ledger,
13 correct?

14 A. Okay.

15 Q. And of the 531,000 in costs of the plant,
16 130,000 was just a PG&E bill, right?

17 A. Yes.

18 Q. And of the maintenance budget only \$700 of that
19 188,000 was PG&E, right?

20 A. Yes.

21 Q. So if you remove the PG&E bill from the plant
22 and you removed it from the maintenance department, the
23 plant's percentage of administration would drop down
24 substantially, wouldn't it?

25 A. Yes.

26 Q. It would drop down 20 percent, wouldn't it?

27 A. I don't like to do math in my head, I'm sorry.

28 Q. All right.

1 A. I just don't.

2 Q. But it would be no more than 10 percent,
3 correct?

4 A. Let's see.

5 THE COURT: We have a calculator.

6 THE WITNESS: So what you want to know is if
7 the administration allocation percentage would drop more
8 than 10 percent?

9 BY MR. O'BRIEN:

10 Q. That's right.

11 A. So we'd have to take 531,000 and subtract 125
12 from it.

13 Q. Okay. I'm doing it. That's 406?

14 A. Okay. And then you'd have to take -- well, add
15 188,000 to it. Oh, wait. No. That's -- that's not
16 right, because you have to subtract the 700 from the 188.

17 Q. Right. So it would be 187, how about that?

18 A. Okay.

19 Q. And you get 593, right?

20 A. Okay.

21 Q. The total of those two. And then what would I
22 do?

23 A. You would divide the 406 by the --

24 Q. By 593, right?

25 A. Yes.

26 Q. And you get 68 percent. So it went down five
27 percent, okay. Sorry. Thank goodness we did that, I
28 would have been lying to the court.

1 So the administrative, just by taking out one
2 bill, the charge that's to the plant for administration
3 goes down five percent, right?

4 A. Yes.

5 Q. And that means Brooktrails would have saved
6 that five percent on its bill ultimately, right?

7 A. Well, why would they not pay for electricity to
8 run the plant?

9 Q. Well, they would. That's not my question. I
10 don't think you followed it, so let me rephrase.

11 We discussed earlier that it takes the same
12 amount of time to write the \$14,000 PG&E bill as it does
13 to write the \$100 PG&E bill, right?

14 A. Okay.

15 Q. You remember that?

16 A. Yes.

17 Q. So it didn't take any extra administrative time
18 to pay that extra \$120,000 in bills, right?

19 A. Right.

20 Q. So if you removed it from both, the five
21 percent -- the administrative allocation would go down
22 five percent, right?

23 A. Right.

24 Q. And ultimately Brooktrails' bill would go down,
25 right?

26 A. Right.

27 Q. Did you ever look at the charges within the
28 operations department before making this allocation?

1 A. I inherited this billing formula; it had been
2 used for 40 years. It was not something I was going to
3 change.

4 Q. Okay. Now we're going to move to the budgets.
5 Fairly briefly.

6 I'm starting in the 2005 budget. So now we've
7 moved onto binder 331 and we're going to start at tab 2.
8 This is the 2005 budget, correct, Ms. Cavallari?

9 A. Yes.

10 Q. And the first thing I wanted to look at was the
11 sewer administration budget; do you see that?

12 A. Yes.

13 Q. So this is that department we've been looking
14 at in the invoices, right, where it went from 200,000 up
15 to almost 500,000?

16 A. Yes.

17 Q. And the first page shows us some direct
18 allocations as well, right?

19 A. Yes.

20 Q. And these allocations were dumped into that
21 fund and ultimately charged to Brooktrails through the
22 bill, right?

23 A. Right.

24 Q. And to start out with, you simply had the
25 finance director and the city manager and the utility
26 director, right?

27 A. Yes.

28 Q. And we talked about earlier that the finance

1 director, at least in 2005, wasn't conducting direct
2 activities for the sewer plant, correct?

3 A. I wasn't there in 2005.

4 Q. When you were there, the finance director,
5 other than working on the USDA loan, wasn't doing direct
6 activities for the sewer plant, correct?

7 A. Correct.

8 Q. If you could just turn to the next one, which
9 is tab 3. And we're going to try to go very quickly
10 through these so we can finish this discussion. I won't
11 even publish them. Note this is the 2006 budget, correct?

12 A. Yes.

13 Q. And turn to page 135, okay.

14 A. Okay.

15 Q. And on page 135 you have a similar direct
16 allocation of the finance director, right?

17 A. Yes.

18 Q. And also the city manager and the utility
19 director, correct?

20 A. Yes.

21 Q. And if you could turn to page 141.

22 A. Okay.

23 Q. You have the basic functions of the sewer
24 engineering department, right?

25 A. Yes.

26 Q. And the last sentence it says "prepare sewer
27 line and appurtenant standard details and specifications,
28 right?

1 A. Yes.

2 Q. And that related only to the collection system,
3 correct?

4 A. Correct.

5 Q. And so Brooktrails should not have been charged
6 part of that, right?

7 A. Right.

8 Q. And yet the 100 percent of this department was
9 billed to the plant and ultimately Brooktrails, right?

10 A. Right.

11 Q. Let's move to the next budget. We're going to
12 try to move through this. Tab 7. Excuse me, tab 4. And
13 I'll direct you to the page -- page 121.

14 A. Okay.

15 Q. Now we're looking at the sewer administration
16 for 2007, correct? Should be on that. Tab 4, page 121?

17 A. Yes.

18 Q. Okay. And the allocated positions, the
19 directly allocated positions have changed a little bit,
20 right? You've added office assistant?

21 A. Right.

22 Q. And what did the office assistant do, do you
23 know?

24 A. Primarily -- well, I'm not sure who that is in
25 2007. I didn't prepare this budget. It isn't utility
26 billing clerk, so I'm not sure who that is.

27 Q. Yeah, I understand that. So this -- this
28 person, though, was somebody that worked in the city

1 administration department, right?

2 A. Yes.

3 Q. They didn't work directly for the sewer plant,
4 right?

5 A. Right.

6 Q. And they weren't performing functions directly
7 for the sewer plant, were they?

8 A. I wasn't there, so I don't know what they were
9 doing.

10 Q. We'll look at the next year and you will have
11 been there, right?

12 A. Well, I didn't do the budget for '07/'08. The
13 first budget I worked on was the '08/'09 budget.

14 Q. Perfect, thank you.

15 The finance director is still being allocated
16 in 2007, right?

17 A. Yes.

18 Q. And if you just turn to page 127. This is the
19 engineering department again?

20 A. Yes.

21 Q. And it still says that they're preparing sewer
22 line appurtenances details and specs, right?

23 A. Yes.

24 Q. And again, that didn't apply -- Brooktrails
25 shouldn't have paid part of that, right?

26 A. Right.

27 Q. But they were being charged part of it?

28 A. Right.

1 Q. Go to the next budget, tab 5. I didn't mark
2 this one, so if you want to look we'll -- first one gets
3 it calls it out. Okay. It's tiny. It's page -- I can't
4 even read the number.

5 A. Looks like it's 130 something. It's sewer
6 administration down on the bottom right-hand corner.

7 Q. So we're looking at tab 5, which is the 2008
8 budget. The sewer administration account we're looking at
9 again, right?

10 A. Yes.

11 Q. And now we've added some more allocated
12 positions to sewer administration, correct?

13 A. Yes.

14 Q. We added utility billing coordinator, right?

15 A. Yes.

16 Q. So we still have the finance director, they
17 were doing city-wide functions, correct?

18 A. Yes.

19 Q. And we had the office assistant that was doing
20 city-wide functions, right?

21 A. Yes.

22 Q. And the sewer fund was already getting an
23 allocation of their salary through the city-wide
24 administration allocation, right?

25 A. Yes.

26 Q. And then we have the utility billing
27 coordinator is added in 2008, right?

28 A. Yes.

1 Q. And the utility billing coordinator's primary
2 function was sending out bills to the 2,500 sewer
3 customers in the City of Willits, right?

4 A. No.

5 Q. No?

6 A. No.

7 Q. What was the utility billing coordinator's job?

8 A. Wasn't the sewer bills. She primarily sent out
9 water bills, monthly water bills.

10 Q. And once a year -- so her primary job was
11 sending out water bills?

12 A. Right.

13 Q. One of her other tasks was sending out an
14 annual sewer bill, correct?

15 A. Correct.

16 Q. And so that was why she appears in this
17 department, right?

18 A. I believe so.

19 Q. Okay. And part of her salary is being directly
20 allocated to the plant through the sewer administration
21 department and ultimately to Brooktrails, right?

22 A. Yes.

23 Q. So Brooktrails was paying part of somebody
24 sending the sewer bills to the citizens of Willits, right?

25 A. Yes.

26 Q. And that's not right, is it?

27 A. Right, it's not right. I'm sorry.

28 Q. That's something that needs to be corrected,

1 correct?

2 A. Yes.

3 Q. And the sewer engineering department is here
4 again, and in tiny writing it still says the same thing,
5 preparing sewer line appurtenance details, right?

6 A. Yes.

7 Q. And then it also says it's going to do inflow
8 and infiltration analysis; do you see that?

9 A. Yes.

10 Q. And neither of those things relate directly to
11 the sewer plant, do they?

12 A. No, they don't.

13 Q. They both relate to the pipes in the streets in
14 the City of Willits, right?

15 A. Yes.

16 Q. And Brooktrails shouldn't be paying any part of
17 that, right?

18 A. Right.

19 Q. But 100 percent of this account is billed
20 directly to the sewer plant in 2008, correct?

21 A. Yes.

22 Q. And Brooktrails paid part of that, didn't they?

23 A. They did.

24 Q. That should be fixed too, right?

25 A. Yes.

26 Q. Turn to page 128 of tab 6, please. Sorry, 127.

27 MR. BARTOLOTTA: Counsel, where are we?

28 MR. O'BRIEN: Page 128 of tab 6 of the budget

1 binder.

2 MR. BARTOLOTTA: Is this 2008/2009?

3 MR. O'BRIEN: I think 127 is the --

4 MR. BARTOLOTTA: 126 is before.

5 MR. O'BRIEN: Yeah, 126 is before 127 always,
6 right.

7 BY MR. O'BRIEN:

8 Q. This is the 2008/2009 City of Willits budget,
9 right?

10 A. '08/'09, yes.

11 Q. Yeah. I'll publish this page. And now at this
12 point we've got -- we started with three, I believe, and
13 now we have six people being directly allocated to the
14 sewer administration, right?

15 A. Yes.

16 Q. And this is the year in 2009 when we saw
17 earlier on the invoices that the administrative costs had
18 peaked at 490,000, right?

19 A. I think so.

20 Q. And part of the reason for that is we just keep
21 adding people to these direct allocations, right?

22 A. Right.

23 Q. And at this point you've got the finance
24 director, who has already been allocated through the
25 city-wide allocations, right?

26 A. Yes.

27 Q. You got the utility billing coordinator sending
28 out the bills to the sewer customers, right?

1 A. Yes.

2 Q. You've got an administrative assistant where we
3 don't know what she or he did, right?

4 A. I -- right. I don't know what he or she did.

5 Q. But we know they didn't work directly for the
6 sewer plant, right? They weren't sitting over at the
7 plant, correct?

8 A. I believe the administrative assistant that's
9 billed here was working at the public works trailer.

10 Q. Okay. And then you've got the engineering
11 technical writer, right?

12 A. Yes.

13 Q. And why was the engineering technical writer
14 being billed to the sewer administration fund?

15 A. I'm not sure.

16 Q. Shouldn't they have been billed to the
17 engineering department?

18 A. I'm not sure.

19 Q. So we don't know what they were doing either,
20 right?

21 A. I'm not sure.

22 Q. And there's no documents to support any of
23 those allocations, are there?

24 A. Not that I know of.

25 Q. There would be no way we could go back now and
26 check in 2009 if any of these people actually worked this
27 percentage of time for the sewer fund, right?

28 A. I don't think they were keeping track of their

1 time on projects.

2 Q. You understand that part of the contract the
3 City of Willits has with Brooktrails is that the City of
4 Willits keep competent supporting data for every charge
5 that they billed to the City of Willits, right?

6 MR. BARTOLOTTA: Objection, calls for a legal
7 conclusion.

8 MR. O'BRIEN: Excuse me. Brooktrails.

9 THE COURT: Yes, that and it becomes
10 argumentative as phrased, so sustained.

11 BY MR. O'BRIEN:

12 Q. We'll go back and look at the contract in a
13 little bit.

14 Let's finish what we're doing here.

15 If you turn the page 135.

16 MR. BARTOLOTTA: Tab 7?

17 MR. O'BRIEN: No, still tab 6. We're just
18 going to look at engineering and move on.

19 THE WITNESS: Okay.

20 BY MR. O'BRIEN:

21 Q. And this is 2009's budget for sewer
22 engineering, right?

23 A. Yes.

24 Q. Prepared by the City of Willits, correct?

25 A. Yes.

26 Q. This is the first budget you worked on, right?

27 A. Yes.

28 Q. And at this point we looked earlier that

1 engineering was up to \$111,000, right?

2 A. It's hard to remember.

3 Q. You remember it started in 2005 at around
4 15,000?

5 A. I remember it, I just don't remember which year
6 was how much.

7 Q. Okay. I'll represent to you it was 111,000 for
8 the purposes of this discussion, okay?

9 A. Okay.

10 Q. And at this point you've added more people to
11 the sewer engineering staff, right?

12 A. Yes. Looks like it.

13 Q. So now there's four people being allocated
14 here, right?

15 A. Right.

16 Q. And you have the engineering technical writer
17 show up here again, right?

18 A. Yes.

19 Q. You have any idea why 60 percent of his salary
20 was showing up in the administrative allocation and then
21 another 20 percent here?

22 A. No.

23 Q. And again, they're working on sewer line
24 appurtenances, specifications inflow and infiltration
25 analysis among other things, right?

26 A. Yes.

27 Q. And the last sentence of task doesn't apply to
28 the sewer plant, correct?

1 A. Correct.

2 Q. And so Brooktrails shouldn't have been paying
3 part of that, right?

4 A. Right.

5 Q. If you could turn to the next tab, which is tab
6 7, page 125, I believe. This is a sewer administration
7 budget prepared by the City of Willits under your
8 direction at this point for the years 2009, 2010, correct?

9 A. Yes.

10 Q. And we're up to seven people now being directly
11 allocated to the sewer administration, correct?

12 A. Yes.

13 Q. And of these people, were all of these people
14 also at this point being allocated through the city-wide
15 allocation?

16 A. Some of them were.

17 Q. Which ones weren't?

18 A. I don't know without seeing who was charged
19 where.

20 Q. Well, this is still pre Matrix, right?

21 A. I think so. Nine, ten. I don't think the
22 sewer director or city engineer would have been part of
23 the indirect costs.

24 Q. Did you, prior to Matrix, still charge the city
25 engineer as part of the administrative allocations that
26 you spread out amongst the funds?

27 A. I don't think so.

28 Q. Okay. The rest of them, besides him, would

1 have been charged in the city wide as well, correct?

2 A. Not the utility billing coordinator, she would
3 not have been in the general fund. I don't think
4 administrative assistant either, because she was in public
5 works. And I don't think the engineering technical writer
6 would be either.

7 Q. So just the finance director and the senior
8 accountant, correct?

9 A. And the city manager.

10 Q. And the city manager?

11 A. Yes.

12 Q. That's why you're here, because I don't know
13 this as well as you do. All right.

14 So, three of these people had already been
15 charged once to the sewer administration fund, correct?

16 A. Yes.

17 Q. And now they're being charged again, right?

18 A. Yes.

19 Q. And the utility billing coordinator is still
20 showing up on this -- on this allocation, correct?

21 A. Yes.

22 Q. And we know that Brooktrails should not have
23 been paying part of that, right?

24 A. Yes.

25 Q. And they were, right?

26 A. Right.

27 Q. If you just turn over to the engineering page,
28 it's -- I think it's 130, but I'm not sure. 132, maybe.

1 133. So page 133 of tab 7, for the record.

2 A. Okay.

3 Q. And it looks like they have in the engineering
4 department, you've added 104 hours of part-time
5 engineering tech three two, right?

6 A. In '08, '09, but not in '-9, '10.

7 Q. That was already there in '-9, '10?

8 A. No, it's zero hours in '-9, '10.

9 Q. Oh, okay. So it's added in '09, but not 2010?

10 A. Right.

11 Q. And the engineering is still doing the work on
12 the collection system and work on the plant, right?

13 A. Yes.

14 Q. And it's still being charged 100 percent to the
15 plant?

16 A. Yes.

17 Q. Okay. Turn to tab 8. If you would look at
18 page 121.

19 A. Okay.

20 Q. And this is the 2010/2011 Willits city budget,
21 right?

22 A. Yes.

23 Q. And it was prepared while you were the finance
24 director of the City of Willits, correct?

25 A. Yes.

26 Q. And in 2011, in the administration department
27 you removed the utility billing coordinator, right?

28 A. Yes.

1 Q. Do you know why you did that?

2 A. I'm not sure. I think it's because I started
3 doing the annual sewer billing to the county. I went
4 through that county and through the -- through the city's
5 parcel, list of parcels and prepared the billing that I
6 would send to the county that they would put on the tax
7 roll to pay for sewer charges in the city.

8 Q. And we still -- but we're still charging the
9 city manager, the finance director and the senior
10 accountant directly to the sewer plant, correct?

11 A. Yes.

12 Q. And those had already been allocated on a
13 city-wide basis, right?

14 A. Yes.

15 Q. And if you turn to page 129, the engineering
16 department is still working for both the collection system
17 and the plant, right?

18 A. Yes.

19 Q. But it's still being billed 100 percent to the
20 plant, right?

21 A. Yes.

22 Q. And that wasn't correct, was it?

23 A. Right.

24 Q. Turn to the next tab, page 9 -- or tab 9,
25 sorry. Page 104. And you've got the sewer administration
26 fund again there, right?

27 A. I'm not there yet.

28 Q. Oh, sorry.

1 A. 103?

2 Q. Yeah, 103 looks like --

3 A. Okay.

4 Q. And this is the City of Willits 2012 budget,
5 correct?

6 A. Yes.

7 Q. And were you still finance director?

8 A. Yes.

9 Q. And you added in a new full-time administrative
10 assistant to the sewer administration direct allocation,
11 right?

12 A. Yes.

13 Q. Still have the city manager, the finance
14 director, the senior accountant being billed as well,
15 right?

16 A. Yes.

17 Q. And those positions had already been billed
18 through the city-wide allocation, right?

19 A. Yes.

20 Q. And if you could just flip over to tab 9.
21 Again, we're on tab 9 of the budget binder.

22 A. Okay.

23 Q. Now the city -- the sewer engineering has
24 actually listed out its program goals for this year,
25 right?

26 A. Right.

27 Q. And let's look at those. Those are the program
28 goals established by the sewer engineering department of

1 the City of Willits for 2011, 2012, right?

2 A. Yes.

3 Q. And the first one is develop a septage
4 receiving station right?

5 A. Yes.

6 Q. And we talked about that, right?

7 A. Right.

8 Q. And that was a straight operation of the City
9 of Willits?

10 A. Right.

11 Q. And Brooktrails wasn't supposed to be paying
12 the expenses floor, right?

13 A. Right.

14 Q. And we also have provide plans, specs and
15 recommendations for the installation of a maintenance
16 building, right?

17 A. Yes.

18 Q. And I think we talked about in your deposition,
19 even though it says maintenance building, you think that
20 was shard by the plant and the collections department,
21 right?

22 A. Right.

23 Q. So the plant got some benefit out of that one,
24 right?

25 A. Yes.

26 Q. The next one is sewer mapping, by converting
27 the sewer system map to ArcView for comparability with the
28 sewer truck, do you see that?

1 A. Yes.

2 Q. And that was 100 percent related to your pipes
3 and your streets, right?

4 A. Yes.

5 Q. So that was Willits' collection system?

6 A. Correct.

7 Q. And Brooktrails shouldn't have been paying any
8 part of that, right?

9 A. Right.

10 Q. And do we know at this point what a hydraulic
11 model is?

12 A. I'm not sure.

13 Q. Okay. I'll ask somebody.

14 The last one is complete the Holly Street sewer
15 line replacement, right?

16 A. Yes.

17 Q. And that's 100 percent Willits' project, right?

18 A. Right.

19 Q. Nothing to do with the plant or Brooktrails,
20 right?

21 A. Right.

22 Q. And Brooktrails shouldn't have shared in that?

23 A. Right.

24 Q. So we know that Brooktrails may be benefitting
25 partially from this maintenance building, but other than
26 that doesn't look like they're benefitting from any of the
27 other goals, right?

28 A. Right.

1 Q. And yet 100 percent of 2012 of this department
2 was charged to the plant, right?

3 A. Right.

4 Q. Nothing was charged to collections?

5 A. Right.

6 Q. And Brooktrails ended up paying 100 percent of
7 its share and that wasn't right, was it?

8 A. It depends on if they actually spent their time
9 on those goals. Sometimes you can set goals and that
10 might not be what you have the opportunity to work on, so
11 you would really have to look at what they actually did.

12 Q. But these are the documents we have now,
13 correct?

14 A. Right.

15 Q. And we don't have any documents that show us
16 what they actually did, right?

17 A. I think that's probably true. I don't know
18 what you have.

19 Q. So as we sit here today, the budget's the best
20 we have, right?

21 A. Okay.

22 Q. Do you know of anything else?

23 A. No.

24 Q. Okay. Turn to the next tab, tab 10. Just as
25 best practices, before we look at tab 10. When you're
26 sending a bill to a customer of the City of Willits, as
27 finance director was it your best practice to keep some
28 sort of documentation or records supporting that bill?

1 A. Yes.

2 Q. And that was so if the customer called and had
3 a question, you could show them the documentation, right?

4 A. Yes.

5 Q. So with regard to all these charges that were
6 sent to Brooktrails, there should have been some sort of
7 data supporting them, right?

8 A. Yes.

9 Q. That would have been best practices?

10 A. Yes.

11 Q. Turn to page 99 of tab 10. And the sewer
12 administration is now getting eight direct allocations,
13 right?

14 A. Yes.

15 Q. Now just to be clear for everybody, the direct
16 allocations weren't done by Matrix, were they?

17 A. No.

18 Q. So did Matrix even know that in addition to the
19 allocations they were doing pursuant to OMB-87 that the
20 City of Willits was also coming back and doing these
21 direct allocations?

22 A. I don't know what Matrix knows.

23 Q. Did you ever inform them of that?

24 A. Yes.

25 Q. Do you know if there was an e-mail to that
26 effect?

27 A. I don't remember.

28 Q. So -- but when we're looking at this, we're not

1 talking about the Matrix allocation we're talking about a
2 specific direct allocation, right?

3 A. Yes.

4 Q. And when we looked at -- strike that.

5 In compliance with OMB-87, when you're doing a
6 direct allocation those people have to be directly working
7 for the fund or department being charged, correct?

8 A. Yes.

9 Q. And do you know if in 2013, the finance
10 director was doing any direct functions for the sewer
11 plant to justify direct allocation?

12 A. I'm trying to remember what I did that year. I
13 did their budgets. I reviewed all of the transactions
14 that went through the sewer fund to make sure that they
15 were correct when they produced the audit. So there was
16 some direct work that I did for the sewer plant.

17 Q. That's the same stuff you do for every other
18 department, right?

19 A. It is.

20 Q. It's the same stuff you do for the police
21 department and for the water department, right?

22 A. Yes.

23 Q. And those functions are paid for through the
24 Matrix city-wide allocations, right?

25 A. Right.

26 Q. So other than those functions there was no
27 direct activity that you were doing for the sewer plant in
28 2013, right?

1 A. I was a finance person. I didn't work at the
2 sewer plant.

3 Q. So you don't know why there's a direct
4 allocation being made, right?

5 A. That's a hard question to answer. It seemed
6 justified to me at the time. It didn't seem like there
7 would be a problem charging it directly to the sewer fund
8 when I was doing tasks associated with the sewer fund.
9 PG&E, for example.

10 Q. Did you directly -- you were doing the same
11 jobs you were doing for every other department, right?

12 A. Right. And I was charging directly to those
13 departments as well.

14 Q. To every department you charged -- directly
15 charged a portion of your --

16 A. To the different funds, not necessarily the
17 departments but to the funds.

18 Q. The police department had the most employees in
19 the City of Willits, right?

20 A. Right.

21 Q. And the police department had the most
22 financial transactions in the City of Willits, right?

23 A. Right.

24 Q. And you worked for the city police department,
25 right?

26 A. I worked -- yes.

27 Q. Well, you did their budget, right?

28 A. I did their budget.

1 Q. You reviewed their general ledgers, right?

2 A. Yes.

3 Q. You do all the same things you do for the sewer
4 fund, right?

5 A. Yes.

6 Q. Did you directly allocate part of your position
7 to the police department?

8 A. No, but to the general funds I did.

9 Q. Why didn't you directly allocate some of your
10 position to the police department?

11 A. Never occurred to me to do that.

12 Q. So that wouldn't have been consistent or
13 reasonable, would it?

14 A. What wouldn't be consistent or reasonable?

15 Q. It wouldn't be consistent or reasonable to
16 allocate part of your salary directly to the sewer fund
17 and not the police department, would it?

18 A. It would be because it was -- was -- it's all
19 the same pot of money, the general fund. Part of my
20 salary was general fund, which pays for the police
21 department. Part of my salary was sewer fund, that's a
22 different revenue source, and that's why there's a
23 different allocation.

24 Q. I get that, and that's --

25 A. Okay.

26 Q. We know we have the Matrix indirectly
27 allocating part of your salary to all the funds, right?

28 A. To all the departments?

1 Q. All the departments and funds, right?

2 A. Yes.

3 Q. Including the police department?

4 A. Yes.

5 Q. My question is different than that, okay. My
6 question is, why are you then coming back and directly
7 allocating part of your salary to the sewer fund when you
8 didn't directly work for the sewer fund, and not coming
9 back and directly allocating the police department?

10 A. We didn't allocate on a departmental basis.
11 Well, apparently we did in the enterprise fund, so I don't
12 have a good answer for you, I'm sorry.

13 Q. And that's fair enough.

14 A. I really don't know.

15 Q. Okay. If you just turn to page 105, briefly.
16 If you look at the program goals for 2013 under the
17 engineering department.

18 A. Okay.

19 Q. They're the same as 2012, right?

20 A. Yes.

21 Q. So that's what you're talking about earlier,
22 they might not finish all their tasks, right?

23 A. Right.

24 Q. So they were still working on the same five
25 projects.

26 A. Right. They still had the same five goals.

27 Q. Same five goals, whether they were working on
28 them or not.

1 A. Right.

2 Q. But again, this is the best we have as far as
3 what the sewer engineering department was doing in 2013,
4 right?

5 A. Okay.

6 Q. And the only one that had any benefit to the
7 plant was possibly part of the maintenance building,
8 right, still?

9 A. Yes.

10 Q. So again, in 2013, part of the engineering
11 should have been allocated to the other departments,
12 right?

13 A. Yes.

14 Q. And it wasn't?

15 A. Right.

16 Q. Turn to the next tab, number 11. I'm sorry,
17 could you turn back to the last one we were looking at for
18 one second. The administration for 2013. Tab 10, page
19 99.

20 MR. BARTOLOTTA: Page?

21 MR. O'BRIEN: 99.

22 MR. BARTOLOTTA: Thank you.

23 THE WITNESS: Okay.

24 BY MR. O'BRIEN:

25 Q. In the allocated positions, do you see there
26 whether utility billing clerk has been returned into the
27 administration department? UB clerk?

28 A. On page 99?

1 Q. Yeah.

2 A. Of 1213?

3 MR. BARTOLOTTA: I think it's 103.

4 BY MR. O'BRIEN:

5 Q. The sewer administration department, the direct
6 allocated positions it should be page 99 of the '12/'13
7 budget?

8 A. It's office assistant three in parentheses UB
9 clerk. I see that.

10 Q. So sewer utility billing clerk found its way
11 back into the administration fund, correct?

12 A. Correct.

13 Q. Part of the City of Willits billing its
14 customers, right?

15 A. Yes.

16 Q. So it left for a couple years and came back,
17 right?

18 A. Yes.

19 Q. Do you know why?

20 A. I don't remember why.

21 Q. Turn to 2014. Page 97.

22 THE COURT: With that we're going to go ahead
23 and keep your tab placement there, but we're going to take
24 our lunch break, ladies and gentlemen. We will resume
25 with you at 12:25. Please remember the admonition and
26 we'll continue with Ms. Cavallari at 12:25.

27

28

1 MR. CROWLEY: Your Honor, we have a stipulation
2 regarding that letter.

3 THE COURT: Okay.

4 MR. CROWLEY: We don't have any copies of it yet.
5 But it is signed by both parties. And what plaintiff's would
6 request is that the Court, if the stipulation is agreeable to
7 the Court, that the Court read that stipulation to the jury
8 regarding the letter, so there's no confusion.

9 THE COURT: That's fine with the Court. Just read
10 the stipulation and --

11 MR. CROWLEY: Thank you, your Honor.

12 (Whereupon the following matters were heard in open
13 court, in the presence of the jury.)

14 THE COURT: Back on the record in Brooktrails versus
15 City of Willits. All of our jurors are present. All of our
16 counsel are present. And, ladies and gentlemen, there's been
17 a stipulation regarding a particular letter that has been
18 referenced during this trial that has been reached between the
19 parties, and I am going to read it to you at this time.

20 And remember, when there's a stipulation between the
21 parties, it's evidence that must be accepted by the jury as
22 opposed to comparing whether a witness is credible or that
23 sort of thing, and it's certainly no reference on that to Ms.
24 Cavallari's testimony. I am just saying this is something
25 that must be accepted as a fact by the jury.

26 Parties have entered into a stipulation regarding
27 the February 8th, 2005, letter. The parties have stipulated
28 and agreed that the February 8th, 2005, letter cannot be

1 located. Both parties have conducted a diligent search of
2 their records and neither can locate a copy of the letter.
3 And this has been accepted by all sides, correct, counsel?

4 MR. BARTOLOTTA: Yes.

5 MR. CROWLEY: Yes.

6 THE COURT: That is the stipulation.

7 With that, still under oath and ready for further
8 776 examination, Ms. Cavallari. When you are ready, Mr.
9 O'Brien.

10 BY MR. O'BRIEN:

11 Q. Ms. Cavallari, just to follow up on this stipulation
12 that you just heard, other than the note that appears on the
13 bottom of every invoice, you can't tell us one way or the
14 other whether you've ever seen the February 8th letter,
15 correct?

16 A. Honestly, I thought it existed, but I don't know
17 where it is at this point in time.

18 Q. Okay. I think we left off on page 97 of the 2013,
19 2014 budget. Are you there?

20 A. Yes.

21 Q. Okay. And, again, the sewer administration
22 department, it's got some different goals now, right?

23 A. Yes.

24 Q. And some of those goals relate to the maintenance
25 department, right?

26 A. Yes.

27 Q. And some to the plant, right?

28 A. Yes.

1 Q. And the allocated positions, you still have the
2 utility billing clerk in there, right?

3 A. Yes.

4 Q. And you still have the finance director and the
5 senior accountant being directly allocated to the admin
6 account, right?

7 A. Yes.

8 Q. Can you turn to page 103, please? And at page 103
9 you have the sewer engineering department, right?

10 A. Yes.

11 Q. And still in 2014, that's still being billed
12 100 percent to the sewer plant, right?

13 A. Well, I didn't do that bill, but I think we looked
14 at that bill and I think it was.

15 Q. I wanted you to look briefly at the next page which
16 is page 106. 105 and 106 and that's septage receiving.

17 This is the septage receiving account from 2013,
18 2014 correct?

19 A. Yes.

20 Q. And you see in this account, that's not just
21 budgeted to accept capital costs, correct?

22 A. Correct.

23 Q. It's also budgeted to accept operational expenses,
24 right?

25 A. Yes.

26 Q. So at least by 2014 the septage received account is
27 supposed to be receiving both the expenses, operationally and
28 the expenses in the capital basis from the septage receiving

1 operation, right?

2 A. Yes.

3 Q. And for some reason, at least in this budget they
4 didn't go back and allocate the actual expenses from 2013 into
5 it, right? See where the zeros are?

6 A. Yes.

7 Q. So they budgeted expenses, but didn't allocate any,
8 right?

9 A. Right.

10 Q. And you don't know why that is, right?

11 A. No, I don't know.

12 Q. It could be a mistake, you're not sure?

13 A. More than likely, not meeting their goals.

14 Q. Okay. But we do know that the septage receiving
15 department was receiving revenue at this time, right?

16 A. It was.

17 Q. And so there were employees benefiting this
18 department, correct?

19 A. Yes.

20 Q. And that's probably why they had employees allocated
21 at this point for this department, right?

22 A. I think the allocation of the employees was to be
23 working on the design and -- well, the design of the septage
24 receiving station.

25 Q. Let's look at that. Over here you can see what
26 those people are. Right?

27 A. Right.

28 Q. So these are the allocated positions that make up

1 that \$8,000 we just looked at, right?

2 A. Yes.

3 Q. And one of them is the plant operator, right?

4 A. Yes.

5 Q. And he'd be the person meeting the trucks at the
6 gate and letting them in, right?

7 A. I don't really know if he would be the person
8 meeting them at the gate to let them in.

9 Q. Somebody has to do that job, right?

10 A. Yes.

11 Q. You don't think he's working on the design or
12 drawings for the building, do you?

13 A. No, I don't think he's working on the design.

14 Q. And same thing with operator number three?

15 A. Right.

16 Q. It's likely that those positions were being
17 allocated actually with regard to the expenses associated with
18 septage receiving, right?

19 A. Yes.

20 Q. So going back to that \$8,000 number, now that we
21 know who those people are, it appears that in 2000 -- for the
22 2012, '13 budget, that the city was actually trying to
23 allocate some operational expenses to its septage receiving
24 operation, right?

25 A. Yes.

26 Q. For some reason, it just didn't get carried over,
27 correct?

28 A. It looks that way.

1 Q. And Brooktrails again should not be paying any part
2 of the city's septage receiving department expenses, correct?

3 A. Correct.

4 Q. And at this point if no costs were being allocated
5 to the septage receiving department, they would all still be
6 being charged to the plant, correct?

7 A. Correct.

8 Q. Thus, Brooktrails would be paying a share of it,
9 correct?

10 A. Yes. Yes.

11 Q. If you could just turn, just to close the loop to
12 tab 12, and page 104.

13 First, with regard -- this is the 2014, 2015 City of
14 Willits budget that existed at tab 12 in the accounting
15 binder.

16 There are now, as of 2015, there's nine positions
17 administrative positions being directly allocated to the sewer
18 fund, right?

19 A. Yes.

20 Q. And those still include the utility billing clerk,
21 right?

22 A. Yes.

23 Q. And the senior accountant, right?

24 A. Yes.

25 Q. Finance manager, right?

26 A. Finance director, yes.

27 Q. And now we've added the community development
28 director, right?

1 A. Yes.

2 Q. What does the community development director do?

3 A. Planning. Community development.

4 Q. Any reason why the community development director
5 would be included in the sewer administration?

6 A. I don't know.

7 Q. I'd have to ask whoever prepared this budget, right?

8 A. Yes.

9 Q. Who is the current finance director for the City of
10 Willits?

11 A. Susie Holmes.

12 Q. Page 110. This is a sewer engineering development
13 budget, right?

14 A. Yes.

15 Q. At this point, we're in 2015, fiscal year 2015
16 hasn't closed yet, has it?

17 A. No.

18 Q. So this budget really wouldn't inform us whether or
19 not the City of Willits was going to bill us 100 percent of
20 engineering in 2015, would it?

21 A. It would not.

22 Q. With regard to septage receiving, we have the same
23 situation, right? We have regular employees being budgeted
24 for 2013, 2014, but no actual charges being put into the
25 septage receiving expense account, do we?

26 A. Right.

27 Q. The same thing with regard to the other expenses,
28 right?

1 A. Yes.

2 Q. Those are all employee-related expenses, right?

3 A. Up above?

4 Q. Up above?

5 A. Yes.

6 Q. Kind of a "beautiful mind" thing going on up here.

7 Let's see. Let's look at this for one second.

8 A. Are we done with this one? (Indicating)

9 Q. Yeah, we're totally done with that one.

10 We're going to be looking back at the 2010, City of
11 Willits invoice for Brooktrails, which is at tab six. What is
12 the number on that binder, Ms. Cavallari? Up front, the
13 sticker?

14 MR. BARTOLOTTA: 343.

15 MR. O'BRIEN: Okay.

16 THE WITNESS: Wait a minute.

17 BY MR. O'BRIEN:

18 Q. We're at tab six of Exhibit 343.

19 A. Actual amount for 2010?

20 Q. Correct.

21 A. Okay.

22 Q. I wanted to circle back and just close our
23 discussion about this, Ms. Cavallari, with a few questions
24 going back up to this bill.

25 We know on this bill as of June 30th, 2010, that
26 \$471,781 was not the correct amount that Brooktrails should
27 have been charged with regard to its share of administration,
28 correct?

1 A. Brooktrails was charged a percentage of that dollar
2 amount.

3 Q. Right. We know there's problems with the
4 allocations, correct?

5 MR. BARTOLOTTA: Objection. Vague with respect to
6 allocations.

7 THE COURT: If the witness understands, you may
8 answer.

9 THE WITNESS: I don't really understand.
10 BY MR. O'BRIEN:

11 Q. We know that -- let's see -- I am sorry. Let's use
12 a different invoice, so it can be clearer.

13 MR. O'BRIEN: I'll withdraw the last question, your
14 Honor.

15 BY MR. O'BRIEN:

16 Q. If you could just turn to tab four instead of six.
17 This is a better invoice you used because we look at
18 the allocation worksheet, okay, Ms. Cavallari?

19 A. Okay.

20 Q. You recall we looked at the 2008 allocation
21 worksheet, right?

22 A. Yes.

23 Q. That's where there's no allocation for police
24 department?

25 A. Yes.

26 Q. For administration charge?

27 A. Yes.

28 Q. When we look at the 2008 invoice for the City of

1 Willits to Brooktrails, do we know that 409,000 administrative
2 charge includes improperly allocated administrative charges,
3 correct?

4 A. Yes.

5 Q. And ultimately, Brooktrails paid part of those
6 improper allocations, right?

7 A. Yes.

8 Q. We also know that \$133,000 in the engineering
9 included -- strike that -- was improperly allocated
10 100 percent to the sewer plant, correct?

11 A. Yes.

12 Q. And Brooktrails paid its share of 100 percent of
13 that improper allocation, correct?

14 A. Yes.

15 Q. We also know that there was septage receiving going
16 on at the time this invoice was issued, correct?

17 A. Yes.

18 Q. And we know that Brooktrails paid a part of that
19 septage receiving expenses, correct?

20 A. Yes.

21 Q. And that was improper as well, correct?

22 A. Yes.

23 Q. And that's included in the operation number up here,
24 isn't it?

25 A. Yes.

26 Q. We also know that there are concerns about the
27 allocations percentages, specifically with regard to the fact
28 that there's a major bill, the PG&E bill, which is a large

1 part of the sewage operations budget, right?

2 MR. BARTOLOTTA: Objection. Argumentative.

3 THE COURT: It can be rephrased. Sustained, not
4 foreclosed.

5 BY MR. O'BRIEN:

6 Q. We looked -- do you remember the questions regarding
7 the PG&E bill, right?

8 A. Yes.

9 Q. And we did the calculation with the calculator, if
10 you took out the PG&E bill from both departments, the plant's
11 share of administration, the percentage went down by five
12 percent, do you remember that?

13 A. Yes.

14 Q. And so we know that that also should be looked at,
15 correct, for this bill?

16 A. Yes.

17 MR. BARTOLOTTA: Objection. Argumentative.

18 THE COURT: That's overruled, and the answer stands.

19 BY MR. O'BRIEN:

20 Q. And then lastly, when you look at note number four,
21 we've heard the stipulation from the Judge that nobody can
22 find this February 8th, 2005, letter that supposedly was the
23 agreement for 23.62 percent, right?

24 A. Right.

25 Q. So of the amount charged to Brooktrails, there were
26 five elements, right?

27 A. Five elements.

28 Q. Correct? That ultimately make up the 195,688 that

1 was charged to Brooktrails, right?

2 A. Can you be more specific? What do you mean by five
3 elements?

4 Q. Sure, I'll go through them. We know that in the
5 operations department, septage receiving expenses were
6 included, and that wasn't right, correct?

7 A. Yes.

8 Q. There's a concern about the percentage use for the
9 internal allocation, correct?

10 A. Okay.

11 Q. We know that engineering was 100 percent allocated
12 to the plant, and that wasn't right, right?

13 A. Right.

14 Q. We know that the flow percentage is based on a
15 letter that nobody can find, right?

16 A. Right.

17 Q. And we also know that there were improper
18 allocations of the administrative charges itself, right?

19 A. Right.

20 Q. Okay. So there was five parts that make up this
21 195,688, right?

22 A. Yes.

23 Q. And as we sit here today and look at this bill, at
24 least, we know that all five of those had inaccuracies in
25 them, correct?

26 A. Yes.

27 Q. We're looking at Exhibit 342 for a second.

28 MR. BARTOLOTTA: Your Honor, may I approach for a

1 second with Mr. O'Brien?

2 MR. O'BRIEN: Sure.

3 (Side bar had, not reported.)

4 MR. O'BRIEN: We're on Exhibit 342, your Honor.

5 THE COURT: I believe so, yes.

6 BY MR. O'BRIEN:

7 Q. Ms. Cavallari, I just wanted to look at -- I wanted
8 to look at Exhibit 342 very quickly to close another loop. If
9 you turn to the last page -- page five of six of the exhibit,
10 I want to refer you back to your earlier USDA e-mail. And I
11 want to show it to you. You don't have to flip to it.

12 This is the e-mail to Greg Aanestad that we talked
13 about earlier. When you e-mail, you're talking about setting
14 up the engineering department and you said startup for were
15 items such as computer and drafting equipment, do you see
16 that?

17 A. Yes.

18 Q. Those were incurred by the city engineering
19 department, right?

20 A. Yes.

21 Q. If you look at this general ledger on page five, if
22 you look down to line 1695 and 1696, there's a couple of
23 equipment charges, do you see that?

24 A. Yes.

25 Q. There's a Dell flat panel and a Dell notebook,
26 right?

27 A. Yes.

28 Q. These are being charged to the city admin account,

1 correct?

2 A. Engineering --

3 Q. Excuse me. The sewer engineering account, correct?

4 A. Yes.

5 Q. And also if you look down to line 1772 and 1773 you
6 see the surveying data loggers?

7 A. Yes.

8 Q. One of them was \$13,000?

9 A. Yes.

10 Q. And that was also charged to the sewer engineering
11 department, correct?

12 A. Yes.

13 Q. Is that the -- are those the computers and the
14 surveying equipment that you were discussing in your e-mail to
15 Greg Aanested?

16 A. I think so.

17 Q. And those are used by the city engineer, correct?

18 A. Yes.

19 Q. And they should have been charged to the city
20 engineer account, not to the sewer engineer account, correct?

21 MR. BARTOLOTTA: Objection. Lacks foundation.

22 THE COURT: If you're able to answer that, and you
23 know, you may.

24 THE WITNESS: I believe those were costs shared with
25 other funds.

26 BY MR. O'BRIEN:

27 Q. So for them to appear in the sewer engineering fund,
28 that was incorrect, right?

1 A. I think that was a part of the costs that was
2 charged to sewer. Without seeing the other reports for the
3 other funds, I wouldn't know if another fund got a share of
4 the cost or not.

5 Q. Fair enough.

6 THE CLERK: Marking Exhibit 350 for the record.

7 (Whereupon, Exhibit 350 was marked for
8 identification.)

9 THE CLERK: And 351.

10 (Whereupon, Exhibit 351 was marked for
11 identification.)

12 BY MR. O'BRIEN:

13 Q. Do you have a recollection during your time at the
14 City of Willits of cutting back on your I & I program?

15 A. No. I wasn't involved with that. I think that was
16 an engineering department task.

17 Q. I & I, is inflow and infiltration?

18 A. Correct.

19 Q. That's something that has to do with your collection
20 system?

21 A. Correct.

22 Q. That's water that's not supposed to be in your pipes
23 that gets in your pipes, right?

24 A. Right.

25 Q. And the city, one of their obligations is to try to
26 limit that, correct?

27 A. Yes.

28 Q. Do you recall ever telling the USDA, specifically

1 Greg Aanestad, that you were going to cut back on your I & I
2 funding in order to increase revenue?

3 A. Was that in my e-mail?

4 Q. I don't know. It might be.

5 A. It might be.

6 Q. Yeah. Paragraph two of 348.

7 A. Okay. Looks like there were some projects that they
8 had planned and they were hoping to use loan money for, but
9 those projects were removed.

10 Q. So it says the plant I & I projects have been
11 reduced, right?

12 A. Yes.

13 Q. Do you recall how much money per year the City of
14 Willits spent during your tenure on inflow and infiltration
15 issues?

16 A. No.

17 Q. Do you recall at the end of the sewer plant project
18 that there was money left over, that there was grant money
19 left over?

20 A. Yes.

21 Q. Do you recall about, approximately how much grant
22 money was left over?

23 A. Not exactly.

24 Q. Over \$500,000?

25 A. No, I don't think so. I don't really remember.

26 Q. Do you recall what -- do you recall Brooktrails
27 coming to the city and saying, let's use the extra money --
28 coming to you and saying, let's use the extra money from the

1 project to pay for Niesen Ranch?

2 MR. BARTOLOTTA: Objection. Hearsay.

3 THE COURT: If you know the answer, you may give it,
4 but if the answer is yes, ladies and gentlemen, it's not to
5 indicate that anything other than that she received this
6 information, not that it was true. So with that limitation,
7 you may consider whether you can answer the question or not,
8 Ms. Cavallari.

9 THE WITNESS: I remember them making that suggestion
10 that we approach USDA about using some of that money for the
11 land, but I believe that had already been discussed with them
12 and they had already said no.

13 BY MR. O'BRIEN:

14 Q. When you say say "they," you mean the city council?

15 A. No, I mean the USDA.

16 Q. What was that money ultimately used for?

17 A. Well, I know we used part of it to pay for a piece
18 of equipment that was purchased. That's all I can recall
19 off --

20 Q. Do you recall that part of it was used to pay for
21 the paving of Sewer Plant Road?

22 A. I do. I remember them paving the Sewer Plant Road,
23 I don't remember the funding source.

24 Q. And does Bruce Burton have a business on Sewer Plant
25 Road?

26 A. At one end of it, but I don't believe it was paved
27 in front of his property.

28 Q. But you don't know whether or not the pave extended

1 all the way to his woodchip operation, right?

2 A. I do not know that.

3 THE CLERK: Marking Exhibit 352 for the record.

4 (Whereupon Exhibit 352 was marked for
5 identification.)

6 MR. O'BRIEN: Your Honor, Mr. Crowley made these
7 copies and we're short one again. Do you mind? That's called
8 selling your guy out.

9 THE COURT: Kind of.

10 MR. O'BRIEN: He should not be permitted near the
11 copier.

12 BY MR. O'BRIEN

13 Q. If you could look at the exhibit, the letter I just
14 put in front of you. Really, all I wanted to do was direct
15 your attention -- strike that -- this is a letter dated
16 August 24, 2012, correct?

17 A. Yes.

18 Q. From Paul Caylar? Who is Paul Caylar?

19 A. He was the city manager at that time.

20 Q. And you're cc'd on this letter, right?

21 A. Yes.

22 Q. And it's to Mike Chapman, right?

23 A. Yes.

24 Q. And Mike Chapman was the GM of Brooktrails at this
25 time, right?

26 A. Yes.

27 Q. Do you recall receiving this letter?

28 A. I received a lot of letters in my mind. I don't

1 remember specifically receiving this letter, but I probably
2 did.

3 Q. Did you provide -- is it likely that your department
4 provided Mr. Caylar with the financial information contained
5 in this letter?

6 A. Let me read it closer. I probably gave him the
7 amount that was, remaining USDA grant balance of \$546,898.

8 Q. Great. And that's what I was going to ask you
9 about.

10 MR. O'BRIEN: First of all, I ask to admit this.

11 MR. BARTOLOTTA: At this time, we object. There's
12 multiple attachments from other third parties that likely
13 include opinions.

14 THE COURT: All right. At this --

15 MR. BARTOLOTTA: And hearsay.

16 THE COURT: -- only those portions that have been
17 referenced would be provisionally admitted may not be
18 published. Except for those specific portions, is that your
19 intent, Mr. O'Brien?

20 MR. O'BRIEN: Yes, the letter is in evidence, just
21 not the attachment.

22 THE COURT: Yes.

23 MR. O'BRIEN: Fair enough.

24 BY MR. O'BRIEN

25 Q. Does this refresh your recollection as to how much
26 grant money was left at the end of the project?

27 A. Yes.

28 Q. How much was left?

1 A. 546,898.

2 Q. And your recollection is, among other things, that
3 money was used for a paving project on Sewer Plant Road,
4 correct?

5 A. Well, at this letter it said, considering a contract
6 change order. So I think it was used for that, yes.

7 Q. The sentence you're referring to, just for the
8 record, is paragraph two, at the beginning it says, "City of
9 Willits is concerning a construction" --

10 THE COURT: Slowly.

11 MR. O'BRIEN: Yes.

12 Q. "-- a construction contract change order with the
13 construction contractor Overaa, O-V-E-R-A-A, for additional
14 sewer treatment plant site paving," right?

15 A. Yes.

16 Q. And this paving actually was going to happen on
17 Sewer Plant Road, right?

18 A. This was actually on the sewer plant site, not just
19 the road, but around the various components of the plant
20 itself.

21 Q. So both inside the plant and Sewer Plant Road?

22 A. Now, I remember -- I remember them discussing paving
23 Sewer Plant Road. I don't recall whether it ever happened or
24 not, but I know they paved the sewer plant site.

25 Q. So we'd have to ask another witness whether Sewer
26 Plant Road actually got paved?

27 A. Yes.

28 Q. Are there other businesses besides the sewer plant

1 on Sewer Plant Road?

2 A. I believe there are other businesses.

3 Q. So that road would benefit both Sewer Plant Road and
4 the citizens of Willits in general, repaving it, right?

5 A. Yes.

6 MR. CROWLEY: Your Honor, the record should reflect
7 that Mr. O'Brien made these copies.

8 MR. O'BRIEN: And that we have four.

9 THE CLERK: Marking 353 for the record.

10 (Whereupon Exhibit 353 was marked for
11 identification.)

12 MR. O'BRIEN: Your Honor, here is your copy.

13 THE COURT: Thank you.

14 MR. O'BRIEN: No problem.

15 THE COURT: I appreciate it.

16 BY MR. O'BRIEN:

17 Q. Do you recognize the document that is in front of
18 you?

19 A. It looks familiar.

20 Q. What is it?

21 A. It's a City of Willits biweekly timecard.

22 Q. And the timecard that is in front of you, do you
23 have Tom Mannatt's timecard?

24 A. Yes.

25 Q. Who is Tom Mannatt?

26 A. City engineer.

27 Q. And he signed the document, right?

28 A. Yes.

1 Q. And how long did you use these type of timecards at
2 the City of Willits?

3 A. For as long as I worked there.

4 Q. Okay. And this is a fair example of the timecards
5 that you used the entire time you were there?

6 A. Yes.

7 MR. O'BRIEN: Your Honor, I move to admit this
8 document.

9 THE COURT: Any legal objection?

10 MR. BARTOLOTTA: No, your Honor.

11 THE COURT: 354 is admitted.

12 BY MR. O'BRIEN:

13 Q. This is Tom Mannatt's --

14 THE COURT: Excuse me, counsel. I marked this 354.
15 This is 353, Tom.

16 THE WITNESS: 353.

17 THE COURT: Thank you. Thank you. 353.

18 (Whereupon, Exhibit 353 was admitted.)

19 BY MR. O'BRIEN:

20 Q. This is Tom Mannatt's sewer administration billing;
21 is that right?

22 A. This is his timesheet for the two-week period. It's
23 not just for the sewer administration.

24 Q. This is supposed to represent everywhere he worked
25 during that time, right?

26 A. Yes.

27 Q. And over on the fund department, there's some
28 percentages. Let me publish this, so everybody can see it.

1 THE COURT: It may be.

2 BY MR. O'BRIEN:

3 Q. Over here, there's some percentages, do you know
4 what those are?

5 A. I believe that's what -- how his salary was
6 allocated.

7 Q. A direct allocation, correct?

8 A. Yes.

9 Q. And in 2013, were you working on a water project?

10 A. I believe we were.

11 Q. Building a new water plant, right?

12 A. Yeah, improvement to the existing water plant.

13 Q. So an upgrade?

14 A. Yes.

15 Q. A major project for the city?

16 A. Yes.

17 Q. And Mr. Mannatt, obviously, was spending a fair
18 amount of time on that project, right?

19 A. Yes.

20 Q. And that project had its own account, right?

21 A. Yes.

22 Q. And it doesn't look it got any direct allocation,
23 did it?

24 A. Down below, he's billing to 409, which is the water
25 project fund.

26 Q. But there's no direct allocation in the budget,
27 right?

28 A. I don't know without seeing the budget for that

1 fund.

2 Q. Okay. Is there any way from looking at this
3 document to determine how Mr. Mannatt was spending his time
4 within the sewer engineering department?

5 A. No.

6 Q. So when he bills to the sewer engineering, is that
7 PW or is that not on here? Sorry. 501, sewer admin.
8 14 hours, right?

9 A. Yes.

10 Q. And then it has a sewer engineering department on
11 here?

12 A. No.

13 Q. So at least in this time period, he wasn't working
14 at all for sewer engineering, right?

15 A. I don't know what he was doing. He didn't charge
16 any time there.

17 Q. But when he did bill the sewer engineering
18 department, he wouldn't bill to sewer engineering, slash,
19 collections and then sewer engineering, slash, operations,
20 right?

21 A. I don't know without seeing a timesheet to what he
22 would have done.

23 Q. You can't tell from this timesheet at least if he
24 was spending any time in the sewer engineering department,
25 right?

26 A. Right.

27 Q. If you look at the next -- next page?

28 MR. CROWLEY: Pat.

1 MR. O'BRIEN: I know, I am going to get there.

2 BY MR. O'BRIEN

3 Q. This is Jeremy Blanco's (phonetic) timesheet, right?

4 A. Yes.

5 Q. Is he an employee for the City of Willits?

6 A. Yes.

7 Q. Where does he work?

8 A. Engineering department.

9 Q. And this bill does have sewer engineering and water
10 engineering divided out, right?

11 A. Yes.

12 Q. And this pay period at the top, at least, he worked
13 4.2 hours for the sewer engineering, right?

14 A. Yes.

15 Q. There's no way to tell from this timesheet whether
16 he was working at the sewer plant or on the city collection
17 system, right?

18 A. Yes.

19 Q. This would not provide us any documentation,
20 assuming this a representative of all the timesheets, this
21 wouldn't provide us any documentation to try to divide out
22 that sewer engineering charge that's improperly billed to
23 Brooktrails, right?

24 A. Right.

25 Q. Ms. Cavallari, we're going to switch binders. The
26 invoice binder.

27 A. This one? (Indicating)

28 Q. Yes.

1 MR. BARTOLOTTA: Mr. O'Brien, can you tell me the
2 document?

3 MR. O'BRIEN: We're looking at the 2008 audit
4 provided by the City of Willits.

5 BY MR. O'BRIEN

6 Q. What is the binder number, what is the exhibit
7 number on that binder?

8 A. 343.

9 Q. Okay. We're looking at tab number five of
10 Exhibit 343.

11 MR. BARTOLOTTA: Thank you.

12 BY MR. O'BRIEN:

13 Q. Did you find the sewer department in this audit?

14 A. I did.

15 Q. What page is it on?

16 A. Nineteen.

17 Q. You're now a paralegal.

18 MR. BARTOLOTTA: Mr. O'Brien?

19 MR. O'BRIEN: Yes.

20 MR. BARTOLOTTA: I am not following which document
21 you're on.

22 MR. O'BRIEN: If you go to the audits, in the back
23 of this binder.

24 MR. BARTOLOTTA: Exhibit 343, Section C, tab five?

25 MR. O'BRIEN: Correct.

26 MR. BARTOLOTTA: Thank you.

27 BY MR. O'BRIEN:

28 Q. We're looking at a page -- strike that -- in 2008,

1 you prepared this audit, didn't you?

2 A. No.

3 Q. Did you work on this audit?

4 A. I worked on this audit. It was prepared by the
5 auditor.

6 Q. Sorry. So Riccardi, the Riccardi Firm prepared the
7 audit, correct?

8 A. Correct.

9 Q. You provided or assisted the Riccardi Firm by
10 providing them the information needed for the audit, right?

11 A. Yes.

12 Q. And you worked on this 2008 audit in providing
13 information to your accountants, correct?

14 A. Yes.

15 Q. And we had talked about, I believe on Friday that
16 the auditors audited the -- or we were talking about the
17 connection between the audit and the Brooktrails bill. Do you
18 remember that?

19 A. Yes.

20 Q. And I wanted to ask you specifically with regard to
21 2008, the sewer fund is in the first column, correct?

22 A. Yes.

23 Q. And what in this audit would inform Brooktrails as
24 to what expenses were incurred on behalf of the sewer
25 operations department?

26 A. You'd have to split the numbers out into different
27 departments. He added the categories together.

28 Q. So this -- this audit doesn't provide Brooktrails

1 with any information as to the auditing numbers that appear on
2 their bill, right?

3 A. Right.

4 Q. So when you said that the audit should provide us
5 with the numbers that go to the bill, the audit doesn't do
6 that, does it?

7 A. Not without some extra steps. The bottom line total
8 operating expenses should balance to the Brooktrails bill, but
9 it's not broken out in the same category. That was another
10 thing that I asked the auditors to change.

11 Q. So you fixed that later, right?

12 A. Yes.

13 Q. So if we look back at the 2008 invoice, the \$518,000
14 for operations, we can't find that number anywhere on this
15 bill, right?

16 A. Right.

17 Q. So Brooktrails has no way or had no way prior to you
18 changing things, they had no way -- strike that -- Brooktrails
19 had no audit report from an independent accountant that verify
20 any of the numbers on its bill, right?

21 A. I guess that's true. Wasn't depreciation on there
22 at all?

23 Q. It was, but Brooktrails didn't charge it, right?

24 A. Right. I know, but it's on the bill. It's there.

25 Q. Just explaining what you're saying. Depreciation
26 appears on the bill?

27 A. Right.

28 Q. But Brooktrails didn't charge depreciation, right?

1 A. Yes.

2 Q. They pay for the capital expenses in advance?

3 A. Right.

4 Q. Just to prove you're right, that does appear in the
5 audit, right?

6 A. Yes. Thank you.

7 Q. But nothing that matters to Brooktrails actually
8 appears in the audit, does it?

9 A. No, not the items that are on their bill.

10 Q. So you understand that the section -- excuse me --
11 you understand that the Second Amendment to the contract
12 requires the accounts of the sewer plant to be audited, right?

13 A. Yeah.

14 MR. BARTOLOTTA: Objection. Calls for legal
15 conclusion.

16 MR. CROWLEY: It is in evidence.

17 THE COURT: Actually, overruled. It can be subject
18 to redirect and in terms of this witness's background
19 experience, but overruled, and you may answer, if you haven't
20 already.

21 THE WITNESS: Can you repeat the question?

22 BY MR. O'BRIEN:

23 Q. You understand that the second amendment to the
24 contract the city issued in this case requires the city to
25 audit separately the accounts of the sewer plant, correct?

26 A. I don't believe it said that it had to be audited
27 separately. It had to be reported separately, the expenses of
28 the sewer plant.

1 MR. CROWLEY: It is Exhibit 3.

2 BY MR. O'BRIEN:

3 Q. I am turning your attention to Exhibit 3 in this
4 trial, which is the Second Amendment to the Brooktrails and
5 Willits contract. Do you see that?

6 A. Yes.

7 MR. O'BRIEN: Your Honor, can I publish this?

8 THE COURT: You may.

9 MR. O'BRIEN: It's in evidence. It's 14.

10 BY MR. O'BRIEN

11 Q. At clause 14, it says, "the city shall annually
12 cause to be made an audit of its accounts for the previous
13 fiscal year, which shall separately create therein the
14 accounts related to the city's sewage treatment plant."

15 A. Right.

16 Q. You see that?

17 A. Yes.

18 Q. This audit that we just looked at in 2008 didn't do
19 that, did it?

20 A. No.

21 Q. So the city was not in compliance with section 14
22 with regard to the 2008 audit, right?

23 A. Right.

24 Q. Did you change that?

25 A. What we actually did what they called an agreed upon
26 procedures report for that year, so they did receive that
27 separate report broken out in that manner.

28 Q. So that's a system that you put in place after you

1 become finance director, right?

2 A. It was something that we all agreed to, Brooktrails
3 and the City of Willits staff.

4 Q. Can you turn to tab nine of the audit section. So
5 tab nine of section C of the same exhibit.

6 A. Section C?

7 Q. If you look at page 37, please.

8 A. I am not sure if I am in the right place.

9 Q. Oh, let me help.

10 A. Okay.

11 MR. O'BRIEN: This, your Honor, again, this is in
12 evidence. I am going to publish it, if it's okay.

13 THE COURT: You may.

14 MR. BARTOLOTTA: Yeah.

15 BY MR. O'BRIEN:

16 Q. This document outlines the long-term obligations of
17 the sewer fund, isn't that correct?

18 A. Yes.

19 Q. And there's a couple of things listed on here,
20 right? There's a 1993 loan, correct?

21 A. Yes.

22 Q. And the interest in 2013 for that should have been
23 \$183,000, right?

24 A. Yes.

25 Q. And then down below is what we're really talking
26 about in this case. These are the USDA loans, right?

27 A. Yes.

28 Q. And there's three of them, correct?

1 A. Yes.

2 Q. The first two were taken out in 2007, right?

3 A. Yes.

4 Q. Those total almost \$10 million, correct?

5 A. Yes.

6 Q. And in this case we kind of refer to those as USDA,
7 the first USDA loans, right?

8 A. Yes.

9 Q. And the interest in 2013 on the first two USDA loans
10 should have been \$120,000, right?

11 A. In 2013, the interest on the first two loans?

12 Q. I am sorry. It should have been \$415,000, right?

13 A. We've got about 52,000 plus about 364.

14 Q. 415.

15 A. Okay.

16 Q. Is that about right?

17 A. Sounds right.

18 Q. Okay. And then the last loan shown in this column
19 is the loan that was taken out in 2011, we refer to it kind of
20 as the second USDA loan, right?

21 A. Okay.

22 Q. That was about 8.1, it says here, million dollars
23 right?

24 A. Yes.

25 Q. And the city was supposed to pay \$202,000 in
26 interest on that in 2013, right?

27 A. Yes.

28 Q. So in 2013 if you look at this audited financial --

1 I am sorry -- if you look at the audited financials from 2012,
2 in 2013, the city was due to pay \$183,000 in old loans, and
3 then \$415,000 in interest on the first USDA loan and another
4 \$202,000 interest on the second USDA loan, right?

5 A. Yes.

6 Q. Turn to the next financials, the 2013 financials,
7 the next tab, tab ten, same exhibit. I think we're turning to
8 page 20, if I have the number right in my notes.

9 Page 20 shows the interest expense that the city
10 actually paid in 2013 in the sewer fund, right?

11 A. Yes.

12 Q. How much was the interest expense?

13 A. 187,092.

14 Q. That appears to be the number for the old loans, the
15 1993 loans, right?

16 A. 183 plus 52. Yes, it looks like it.

17 Q. Why did the city not pay any interest on the USDA
18 loans in 2013?

19 A. I am not sure.

20 Q. They were scheduled to pay over \$500,000, right?

21 A. Well, they paid interest on the money as it was
22 drawn, so they certainly would have paid the interest on the
23 2007 loans. So I don't know. I didn't work on this audit,
24 unfortunately.

25 Q. So there's \$500,000 in interest that on the USDA
26 loans that isn't accounted for in this \$187,000 number, right?

27 A. It looks like it.

28 Q. We know they were supposed to pay it because the

1 auditor audited the loan documents in 2012 and showed it on
2 the schedule, right?

3 A. Repeat that, please.

4 Q. The auditor audited the loan document to come up
5 with this schedule of interest that we just looked at in 2012
6 and it showed that there were over \$500,000 in interest due on
7 the USDA loans in 2013, right?

8 A. Yes.

9 Q. It's just missing off the financials in 2013, right?

10 A. Yes, apparently so.

11 Q. Brooktrails was billed for that interest, wasn't it?

12 A. I don't know. I wasn't -- this was after I left.

13 Q. If you turn to tab nine of the invoice part, the
14 beginning of your binder there. There's some handwriting on
15 this document. So it came from with our document. I am not
16 going to publish it until we find out where the handwriting
17 came from. I am just going to ask you questions about it,
18 okay, Ms. Cavallari?

19 A. Okay.

20 Q. This was part of the bill that was sent to
21 Brooktrails, correct?

22 A. I didn't do this bill, so I can't answer questions
23 about it.

24 Q. Does it appear to be part of a bill?

25 A. It looks like it.

26 Q. Did you, when you sent out bills, send out bills
27 similar to this to charge Brooktrails for capital payments?

28 A. It's a little different format but --

1 Q. And does this bill reflect that Brooktrails, down at
2 the bottom it says debt service, right?

3 A. Yes.

4 Q. And Brooktrails is being billed \$802,000 for
5 interest in 2013, correct?

6 A. No.

7 Q. How much are they being billed?

8 A. It looks like they scribbled over the number, 320
9 something. Brooktrails share on the far right-hand column.

10 Q. So they're being billed their share which is
11 37 percent --

12 A. Uh-huh.

13 Q. -- of the total interest, correct?

14 A. Yes.

15 Q. And their share of the total interest was \$328,000?

16 A. Yes.

17 Q. And we know from the audited financials that the
18 city only paid \$187,000 in interest in 2013, right?

19 A. That's what it look.

20 Q. Brooktrails is being charged at least by these
21 documents, two times as much as the city actually paid, and
22 that's just for their share, right?

23 A. It looks like --

24 MR. BARTOLOTTA: Objection. Argumentative.

25 THE COURT: "Just for their share" is argumentative.

26 Sustained. The answer is stricken. You can
27 rephrase the question.

28 MR. O'BRIEN: Yes, your Honor.

1 BY MR. O'BRIEN

2 Q. Brooktrails -- if the city only paid \$187,000, which
3 is what it says on the audited financials, right, for interest
4 in 2013?

5 A. That's what it said. It doesn't sound right to me.
6 That number doesn't sound right to me.

7 Q. Me, neither.

8 A. The first time I've ever seen this audit and I would
9 certainly question that number if I was the finance director
10 of the City of Willits.

11 Q. So it could be a mistake by the auditor?

12 A. It could be.

13 Q. And Brooktrails share of that \$187,000 would have
14 been 37.69 percent, right?

15 A. Yes.

16 Q. So about \$70,000, somewhere in there, is that fair
17 to say?

18 A. Approximately.

19 MR. BARTOLOTTA: Objection. Calls for speculation.

20 THE COURT: Apparently.

21 THE WITNESS: We're talking --

22 THE COURT: You could certainly do the math with the
23 calculator and quickly come to a closer number.

24 MR. O'BRIEN: Can I borrow your calculator?

25 BY MR. O'BRIEN

26 Q. \$72,350?

27 A. Okay.

28 Q. Is 37.69 percent of 187,000. Okay?

1 A. Okay.

2 Q. And yet here Brooktrails is being billed 37 percent
3 of \$800,000, right?

4 A. It looks like it.

5 Q. So either there's an error in the bill to
6 Brooktrails or there's an error in the audit, right?

7 A. Right.

8 THE COURT: If you can wrap this up with your next
9 question.

10 MR. O'BRIEN: Yeah, I am. Real quick. This will be
11 my last question.

12 BY MR. O'BRIEN

13 Q. During your time at Brooktrails -- she's still
14 trying to figure out -- she's a finance director.

15 A. It bothers me that the auditor would say that and
16 there's a comment at the bottom of the page that refers to the
17 note and the financial statements, so I thought maybe there's
18 something in the notes. I'll quit looking. I'll just quit
19 looking.

20 Q. We'll hire you after this case.

21 During your time at Brooktrails, did Brooktrails
22 always pay its bill to the City of Willits?

23 A. Yes.

24 Q. They always paid them in advance, correct?

25 A. They paid on their estimated amount, yes.

26 Q. Which means that they were paid in advance every
27 year, right?

28 A. In advance of what?

1 Q. In advance of the actual audited bill getting to
2 them?

3 A. Yes.

4 Q. And during your time at the City of Willits,
5 excluding issues related to this lawsuit, did Brooktrails
6 continue to pay its bill?

7 A. Up to a certain point in time.

8 Q. And at a certain point in time in 2013, they started
9 paying an estimated \$20,000 a month, right?

10 A. No. I don't remember what they paid in 2013. But I
11 remember they stopped paying for the last loan.

12 Q. And that's at issue in this lawsuit, right?

13 A. Apparently so.

14 Q. So excluding issues relating to this lawsuit, up
15 until the time you left, did Brooktrails always pay its bill?

16 A. I think they did.

17 Q. And they always paid it in advance, correct?

18 A. Yes.

19 Q. And, in fact, at certain times they built up
20 credits, right?

21 A. Yes.

22 Q. In anticipation of potential capital costs, right?

23 A. I don't know what it was in anticipation of. That
24 would be a question for someone else.

25 Q. And is your understanding of the contract between
26 Willits and Brooktrails, that Willits had to do all the things
27 we've talked about and Brooktrails had to pay its bill, right?

28 A. Yes.

1 Q. And Brooktrails lived up to that obligation, right?

2 A. Yes.

3 MR. O'BRIEN: No further questions.

4 THE COURT: And will there be a redirect based on
5 that for Ms. Cavallari?

6 MR. BARTOLOTTA: Yes, your Honor.

7 THE COURT: And you want to do that essentially at
8 this time or first thing tomorrow morning?

9 MR. BARTOLOTTA: Yes, your Honor.

10 THE COURT: You're available to come back tomorrow
11 morning at 8:30?

12 THE WITNESS: Yes.

13 THE COURT: Ladies and gentlemen, we'll take our
14 break this afternoon. Remember the admonition, do not form or
15 express an opinion about this case, do not talk about the
16 case, do not let anyone talk to you or use the Internet for
17 any purpose connected to the case.

18 Ladies and gentlemen, we lost two of our alternates
19 today. This is not where we want to be, and I need to look
20 into one of the alternates failure to appear today and issue
21 an order to show cause for that person to come in to answer
22 why they weren't here.

23 But the other one did have an excuse and we did need
24 to honor it, but I really urge you to please be back on time
25 tomorrow and probably more important than anything, please
26 take care of your health.

27 We'll see you tomorrow morning at 8:30. Thank you.

28 (Concluded: 1:33 p.m.)

REPORTER'S CERTIFICATE

COUNTY OF SONOMA)
) SS:
STATE OF CALIFORNIA)

I, Malinda K. Hentz, an Official Court Reporter of
the Superior Court of the State of California, County of
Sonoma, do hereby certify that I correctly reported the
within-entitled matter and that the foregoing is a full, true
and correct transcript of my shorthand notes of the testimony
and other oral proceedings had in the said matter.

Dated this 25th day of March, 2015 at Santa Rosa,
California.

Malinda K. Hentz, CSR No. 12393

