

Chalkyitsik Village

Assessment of Management Capacity Indicators

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Introduction

The Chalkyitsik Village report was by Rural Utility Business Advisor program staff Jeffrey Congdon as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. *Sustainable Indicators* identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The Chalkyitsik Village operates and manages the following utility services:

- Water treatment plant
- Washeteria
- Piped water and sewer
- Landfill
- Electricity supply and distribution
- Equipment rentals
- Building rentals

Capacity Indicators

On December 16, 2013, RUBA staff Jeffrey Congdon met with Chalkyitsik Village staff to complete a RUBA Assessment of Management. Chalkyitsik Village staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Employer's Notice of Insurance
- Profit & Loss statement
- Chart of Accounts
- Collection Policy
- Accounts Receivable Report
- Accounts Payable Report
- Copy of Bill Statement
- Purchasing System Policy/Procedures
- Last 4 IRS quarter reports

Finances

Essential Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making board. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is current in paying all water/wastewater electric bills. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses. |

Sustainable Indicators

Yes No

- | | | |
|--------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair & Replacement (R) costs. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | YTD revenues are at a level equal to or above those budgeted. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | YTD expenditures are at a level equal to or below those budgeted. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | A monthly manager's report is prepared. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Budget amendments are completed and adopted as necessary. |

The Chalkyitsik Village Council has not adopted or passed a budget for the overall organization or for the water and wastewater utility. The Village Council has decided not to bill customers for water usage from the watering point, or to bill village council owned facilities. The water utility only bills one customer, the school. The watering point and washeteria operate at a financial loss, this loss is subsidized by the electric utility which is also owned and operated by the Chalkyitsik Village Council, Many of the tribal programs or services provided by the village council have budgets, but there is no overall organizational budget. Financial reports based on profit and loss statements, and including accounts payable and accounts receivable reports are generated, however, these do not compare against a budget, and therefore do not meet RUBA requirements for financial reports. Chalkyitsik Village Council purchases fuel as needed, usually a DC6 load (4200 gallons), every month or two. This fuel is used primarily for the electric plant, but also for heating oil. The utility does receive revenues, through payments from the school, income from the washeteria, and subsidies from the electric utilities to cover known operating expenses; however, without a budget in place and being followed, there is no guarantee of the utilities expenses being met.

Accounting Systems

Essential Indicators

Yes No

- The utility has adopted a collection policy and actively follows it.
- The utility bills customers on a regular basis.
- An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
- An accounts payable system is in place.
- The payroll system correctly calculates payroll and keeps records.
- A cash receipt system is in place that records incoming money and how it was spent.
- The utility has a cash disbursement system that records how money was spent.

Sustainable Indicators

Yes No

- A chart of accounts is used that identifies categories in a reasonable, usable manner.
- Monthly bank reconciliations have been completed for all utility accounts.
- The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

Chalkyitsik Village Council does have a collection policy, but the policy is not actively followed. The village council uses QuickBooks for accounts receivable, payable, payroll, and for cash recording. QuickBooks accurately tracks past due accounts and amounts receivable. Accounts payable are entered into QuickBooks when paid; accounts payable are paid as they are received. The chart of accounts correctly identifies categories. The accounts are reconciled monthly. Nearly all purchases are made by check. Funds are verified against the balance available in the checking account, rather than against the budget. Occasionally, on an as needed basis, the administrator does pay cash payments for local freight from the airport at a rate of \$10/utility trailer load. Cash payments are written in the cash ledger, recording cash expenditures. Cash received as payment is stored in the safe, and then deposited to the bank. The utility does not have a budget to compare expenses against.

Tax Problems

Essential Indicators

Yes **No**

- The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- The utility is current on filing tax reports.
- The utility is current on making tax deposits.
- If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

The Chalkyitsik Village Council utilizes QuickBooks to calculate and track payroll liabilities. Chalkyitsik utilizes electronic fund deposits for 941 reporting and deposits. Bookkeeping staff utilize this paper record as well as electronic records through QuickBooks to ensure timely preparation and payment of federal and state tax reports and deposits. The utility is current with all IRS reports and payments for federal tax reporting and deposits. The utility is current with Alaska DOL quarterly reporting.

Personnel System

Essential Indicators

Yes No

- The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

Yes No

- The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- The utility has adequate written job descriptions for all positions.
- The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- The utility has an adequate written hiring process.
- The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- The utility provides training opportunities to staff as needed and available.

The Chalkyitsik Village Council has a posted workers compensation insurance policy in effect provided through Alaska National Insurance which is valid until 7/17/14. The village council utilizes a personnel policy handbook wherein adequate job descriptions are written for all positions, the utility hiring process and job evaluation process are included in the handbook. Job notices are posted with the job description and are advertised locally at least 14 days. RUBA staff verified contents of personnel folders and confirmed an I-9, job application, and letter of acceptance in the folders. Employees are supposed to be evaluated annually with a process that reviews their job description, this has not taken place in some time. The Chalkyitsik Village Council has a 90 day probationary period for all new hires; orientation, oversight, and job training are provided during the probationary period. Training opportunities are provided as needed and available.

Organizational Management

Essential Indicators

Yes No

- The entity that owns the utility is known; the entity that will operate the utility is set.
- The policy making body is active in policy making of the utility.
- The policy making body enforces utility policy.
- The utility has an adequately trained manager.
- The utility has an adequately trained bookkeeper.
- The utility has an adequately trained operator or operators.
- The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

Yes No

- The utility has adopted an organizational chart that reflects the current structure.
- The policy making body meets as required.
- The utility complies with the open meeting act for all meetings.

The Chalkyitsik Village Council is the owner of the utility; the utility is public water system 2300183. The village council is the policy making body, the village council is also the utility board. The utility is managed by the tribal administrator, Tamara Henry. Tamara has been in the position of first chief in the past, has an associate's degree in Tribal Management, and has been the tribal administrator for over a year. Kayleen Carroll is the bookkeeper for the utility, she has approximately eight months experience with the tribe, and is new to the position of bookkeeper. She recently attended a RUBA Financial Management training. Larry Henry is the main water operator for the utility; he is currently certified at Water Treatment level 2 and Wastewater Lagoon and Wastewater Collection Provisional. Training is available to all personnel. Training opportunities are offered to staff when available and attendance of training is encouraged. The utility has an organizational chart that reflects the current structure; this chart is located on page 5 of the Chalkyitsik Community Plan. The utility body, as a village council, is not required to comply with the Open Meetings Act.

Operation of Utility

Essential Indicators

Yes No

- The utility operator(s) are actively working towards necessary certification.
- The utility has a preventative maintenance plan developed for the existing sanitation facilities.

Sustainable Indicators

Yes No

- The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
- The utility has a safety manual and holds safety meetings.
- Utility facilities have not suffered any major problems/outages due to management issues that are unresolved.
- The utility is operating at the level of service that was proposed.
- The operator provides status reports to the manager on a routine basis.
- The utility has completed and distributed its "Consumer Confidence Report".
- The utility is not on the "Significant Non-Complier" (SNC) list.
- The utility maintains an inventory control list.
- The utility maintains a critical spare parts list.

The utility operator continues to keep his certifications compliant. Mr. Henry is certified at a level 2, the system is a class 2. The Remote Maintenance Worker (RMW) has developed a preventative maintenance plan for Chalkyitsik that Mr. Henry follows. The manager and the utility operator communicate on a routine basis, however, spot checks are not done. Chalkyitsik Village Council personnel do hold safety meetings. There are currently no unresolved major problems or outages within the utility facilities or distribution system. The water treatment plant is producing potable water, and is currently not on the Significant Non-Compliance list. The last Consumer Confidence Report on file is from 2012. RUBA staff was not provided with an inventory control list or a critical spare parts list.

Essential Recommendations

The Chalkyitsik Village has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- RUBA recommends that the Chalkyitsik Village Council:
- Pass an overall budget listing all revenues and expenses. This will greatly assist the organization with financial planning and financial management,
- Create monthly financial reports in a budget vs actual format,
- Ensure the utility is receiving revenue sufficient to cover operating expenses,
- Actively follow the existing collection policy to ensure customers pay for services they are receiving.

Sustainable Recommendations

The Chalkyitsik Village has not met all of the sustainable capacity indicators. The Chalkyitsik Village can work to improve sustainable indicators as follows:

- Ensure the utility is receiving revenues sufficient to cover operating expenses and R&R costs,
- Keep YTD revenues equal to or above budgeted amounts,
- Keep YTD expenditures at or below budgeted amounts,
- Prepare a monthly managers report for the council,
- Complete and adopt budget amendments as necessary,
- Compare proposed purchases to the amount budgeted (as well as to the amount available),
- Perform employee evaluations on a regular basis,
- Routinely spot check the washeteria and water treatment facility,
- Create or maintain an inventory control list,
- Create or maintain a critical spare parts list.

Conclusion and Next Step

By implementing the above recommendations, the Chalkyitsik Village will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The Chalkyitsik Village staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.

By implementing the above recommendations, the Chalkyitsik Village Council will put itself into position to better meet unanticipated financial costs, plan and track facility expenses, provide important

feedback to employees, and ensure a continuation of checks and balances throughout the organization. The Chalkyitsik Village Council staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability. RUBA staff will continue to provide assistance with any Essential Indicator and Sustainable Indicator not met, and with any issue or concern the utility may have.