

City of Alakanuk

Assessment of Management Capacity Indicators

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Introduction

The City of Alakanuk report was by Rural Utility Business Advisor program staff Ken Berlin 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 Bethel 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 City of Alakanuk operates and manages the following utility services:

- Piped water and wastewater system
- Washeteria
- Landfill
- Self haul garbage haul
- Harbor/dock

Capacity Indicators

On 7/23/2014, RUBA staff Ken Berlin met with City of Alakanuk staff to complete a RUBA Assessment of Management. City of Alakanuk staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY15 budget
- June 2014 Financial reports
- AVEC electric bills
- VITUS Marine fuel order quotation
- Bulk fuel revolving loan repayment agreement
- City council meeting minutes July 8, 2014
- Chart of accounts
- Accounts receivable report dated July 17, 2014
- Accounts payable report July 17, 2014
- Copy of a billing statement
- IRS notices/letters
- Omni financial check draft authorization form
- IRS form 433-B collection information statement for businesses
- Taxpayer Advocate Service notice/letter June 19, 2014
- Employer's Notice of Insurance from Alaska Public Entity Insurance
- Alaska Public Entity Insurance Worker's Compensation Declaration Page from July 1, 2014 to July 1, 2015
- City of Alakanuk organizational chart
- Analytica Group, LLC-Anchorage water test results June 13, 2014

Finances

Essential Indicators

Yes **No**

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input checked="" type="checkbox"/> | <input 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. |

- The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

Yes No

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

The city adopted a balanced realistic budget for FY15, which includes all the revenues and expenditures for the utility. The finance reports are up-to-date to May 2014 with meeting minutes. The city is current with electric bills to May 2014 based on AVEC billings. The city ordered and received fuel for the spring 2014 season. The city applied for a new bulk fuel loan for the delivery in fall 2014 season and the order of 30,000 gallons of heating fuel and 2,000 gallons of gasoline was received on July 12, 2014. The fuel should be enough to last until the next barge delivery in 2015. The city is receiving revenues sufficient to cover operating expenses for the water and wastewater system and other city facilities. The city administrative and finance staff reports to the city council during their regular city council meetings every first Tuesday of every month. Budget amendments are completed and adopted when necessary. The city is planning to set up an R&R account in FY15.

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.

The city has a water and wastewater ordinance passed in 2008 with a collection policy. Recently, RUBA staff sent new water and wastewater ordinance sample was sent to update the 2008 policy. The accounting system is set up with QuickBooks but the previous administrative and finance staff did not upkeep the system properly. However, the new administrative and finance staff is working on updating the system and set up the billing system, accounts receivables and payables, payroll system, cash receipts and disbursement system. Bills are sent out monthly and delinquent accounts are dealt with according to the collections policy, in which, some customers are disconnected. Currently, the city has a contract with Automatic Data Processing to do their payroll, payroll tax deposits, and quarterly reports. The finance staff just attended a QuickBooks training in March 2014 and RUBA staff recommend that she work with Turnagain Press in making corrective entries in order for QuickBooks to produce accurate finance reports. Turnagain Press is contracted by DCRA to provide QuickBooks technical assistance. The accounts will be reconciled to close out the FY14. The city uses a purchase order system.

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 city was not in compliance with the IRS as of June 12, 2014. Taxpayer owes federal taxes for the first and second quarter of 2013. The city has a notice of Federal Tax Lien recorded against them for the first, third, and fourth quarters of 2012 and a civil penalty for the tax period 2009. The city is non-compliant with the state DOL/ESC up to March 2014. Currently, the city's payroll is contracted out to Automated Data Procedures. The city is working with Automated Data Procedures, OMNI Financial and the IRS on the IRS liens. Once settled the city will start doing it's own payroll. The state DOL/ESC 2014 first quarter report and tax payment had not been received as of June 25, 2014, but according to the city administrator the 2014 first quarterly report was filed and taxes were paid by Automatic Data Procedures and as recorded in the city's bank statement for that period. Apparently, the city has two state I.D. numbers and the city is working to eliminate one of the I.D. numbers with DOL.

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 city has workers compensation insurance coverage through Alaska Public Entity Insurance 7/1/13 to 7/1/14. The city has personnel policies which was reviewed by AML. The utility has written job descriptions for all positions and follows a written personnel evaluation process based on the job description. The recruitment and hiring of personnel are on the basis of merit principles only. Job openings are posted in three public places for a minimum of fourteen days.

All applicants must file a job application for all positions in the city. The city council makes all appointments of all city staff. The probationary period is three months and evaluations are done annually thereafter. Training is provided to staff as training opportunities become 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 city of Alakanuk owns and operates the piped water and wastewater system. The city council is the policy making body for the utility and is actively involved in policy making and enforcement of the policies. The city manager is the manager of the utility and was hired in May of 2013. He has over twenty years of experience operating his own personal business and is familiar with QuickBooks. The bookkeeper was hired in May of 2014 and has experience as a bookkeeper and recently attended training in QuickBooks. The city has two water and wastewater operators and they continue to attend trainings. The city has an organizational chart which is updated annually. The policy making body meets on first Tuesday of each month and complies with the open meeting act for all meetings.

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 city went through two floods in November 2013 and in May 2014. FEMA is working with the city to repair and elevate the water and wastewater pipes during this construction season and possibly the next summer. The city has a water treatment class 2, water distribution class 2, wastewater collection class 1, and wastewater lagoon. The city has two utility operators one of which holds a certificate for Small Water System Treated. Both operators are actively working towards certification. The primary operator has the following certification: Alakanuk, City of - Alakanuk Water Treatment System Water Treatment Class 2 Alakanuk, City of - Alakanuk Water Distribution System Water Distribution Class 2 Alakanuk, City of - Alakanuk Wastewater Collection System Wastewater Collection Class 1 Alakanuk, City of - Alakanuk Wastewater Treatment System Wastewater Lagoon The utility is on the April 2014 SNC list. A current CCR was sent to DEC on April 2, 2014.

Essential Recommendations

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

- Become current with tax deposits.
- Get current on filing tax reports.
- Work with the IRS to sign a repayment agreements for any tax liens.

Sustainable Recommendations

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

- Receiving revenues (through user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R&R) costs.
- Complete monthly bank reconciliations for all utility accounts.
- Work to resolve any major problems/outages of the utility due to management issues that are unresolved.
- Work to meet all drinking water regulations and be removed from the SNC list.

Conclusion and Next Step

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

The City of Alakanuk 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.