

City of Chefnak

Assessment of Management Capacity Indicators

Ken Berlin, LGS
Rural Utility Business Advisor (RUBA) Program
Division of Community and Regional Affairs
Department of Commerce, State of Alaska
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Introduction

The City of Chefnak report was completed 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 Chefnak operates and manages the following utility services:

- CoWater flush and haul
- Honeybucket haul
- Piped water and wastewater
- Watering points
- Washeteria
- Solidwaste and landfill
- Naterkaq Light Plant

Capacity Indicators

On May 21-22, 2014, RUBA staff Ken Berlin met with City of Chefnak staff to complete a RUBA Assessment of Management. City of Chefnak staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY14 city budget adopted June 25, 2013.
- Monthly finance reports up to April 2014.
- City council meeting minutes dated April 11, 2014.
- Bank statement from AlaskaUSA for April 2014.
- QuickBooks Profit and Loss statements July 2013 to April 2014.
- Electric billings from Naterkaq Light Plant for April 2014.
- Alaska Municipal League Joint Insurance Association certificate of insurance.
- SNC listing for April 2014.
- City Organizational Chart.
- Ordinance 09-10 Water and Wastewater ordinance, adopted January 2009.
- Ordinance 09-02 Personnel Policies, adopted January 2009.
- Lien Watch March-April 2014.
- CCR 2012.
- IRS Taxpayer Advocacy January 2014.
- State DOL/ESC December 2013.

Finances

Essential Indicators

Yes **No**

- All revenues and expenses for the utility are listed in the utility budget.
- The utility has adopted a balanced realistic budget.
- Monthly financial reports are prepared and submitted to the policy making board.
- The utility is current in paying all water/wastewater electric bills.
- 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 of Chefornek adopted its FY14 budget on June 25, 2013 a copy of the budget is available in DCRA's website. The city's water and wastewater and the garbage and landfill services have a combined expenditure budget, but the revenues are listed separately. The budget is balanced and realistic. The washeteria, water and wastewater, and garbage and landfill services are subsidized by gaming, sales tax, and community revenue sharing. The city clerk/bookkeeper provides the city council with monthly financial reports that begin with a bank balance for the beginning of the month, deposits made, deposits to be made, expenditures, and an ending balance for the month. The reports do not have budgeted amounts or year to date balances and this makes it hard to determine exactly where the city is financially. The Naterkaq Light Plant is owned by the city and the latest monthly billings were current. The Naterkaq Light Plant bulk fuel storage capacity is not adequate and it usually runs out by early spring and

has to purchase fuel from a local distributor until the next barge delivery. The city is trying to get more bulk fuel storage capacity. The city administration and finance, water and wastewater, and the Naterkaq Light Plant are all on different QuickBooks systems, which make it hard to produce finance reports. It is recommended that the city network the computers and use one QuickBooks system. The city purchases fuel for the water and wastewater facilities on an on need basis from the local fuel distributor. Based on the city's budget and current operations and finance reports the city appears to have sufficient funds to operate. The city does not have a Repair and Replacement account. The city administrator's position is vacant and the manager's reports have not been done.

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.

Ordinance 09-01: Title II Village Water and Sewer Department, adopted on January 21, 2009, includes the city's collection policy. Utility bills are sent to customers on a monthly basis on or before the last week of each month. All bills not paid within 40 days are considered delinquent. The city provides an option for deferred payment agreements for customers demonstrating an

economic hardship; a signed agreement and one-third of the outstanding bill is required up front. The remaining outstanding balance, in installments, is required to be paid within 12 months of the signed agreement. This policy is actively adhered to. The city uses QuickBooks Pro 2012 for its accounting and payroll. An accounts receivable system is in place that tracks customers and past due accounts. The city's accounts payable is accurate and invoices are paid as received. Separate manual cash receipt booklets are used for different services provided by the city. A manual cash disbursement log is kept by month indicating the date of transaction, description, amount withdrawn or deposited and an ending balance. The city maintains a written and electronic chart of accounts for all budgeted revenue and expense categories. The city's accounting clerk completes monthly bank reconciliations. A sample purchase order system sample was sent to the city.

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 uses QuickBooks Pro 2012 to accurately calculate, track and report payroll liabilities. IRS release form dated January 9, 2014 listed the Chefnak Water and Sewer Utility compliant, but due to the lack of a more recent signed Authorization to Request Federal Tax information form by the city of Chefnak RUBA could not confirm compliance for this indicator. The state DOL/ESC deemed the city compliant up to March 2014. The city is not listed on the March-April 2014 Lien Watch. It was recommended to close the water and sewer utility EIN since it is operated under the city of Chefnak and the city has it's own EIN.

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 is covered through Alaska Municipal League Joint Insurance Association (AMLJIA) workers compensation insurance coverage through July 1, 2014. Ordinance 09-02: Title II Chapter 2.8 Personnel Policy Requirements, adopted on January 21, 2009, outlines personnel policies for the City of Chefnak including topics such as merit system; classification and compensation; promotion; discrimination; nepotism; recruitment and hiring of personnel; work and pay schedules; evaluations; leave and holidays; resignation, layoff, and dismissal; and grievance procedures. Pursuant to the adopted personnel policy Chapter 2.84 Section 8, every original appointment and promotional appointment of a permanent employee is subject to a probation period of three months from date of appointment. RUBA staff reviewed detailed job descriptions for the water/pump house operator, water utility clerk, refuse hauler, sanitarian, and alternates for each position. Pursuant to Chapter 2.86 of the city's adopted personnel policy, all employees shall receive a written performance evaluation at the end of their probationary period and thereafter on their anniversary date. The city has a detailed personnel evaluation report and requires employees to also complete a self-evaluation. The city manager conducts quarterly staff meetings to discuss current issues with employees. Chapter 2.84 of the city's personnel policy outlines the recruitment and hiring of personnel. Pursuant to policy, notice of permanent and temporary job openings of more than 2 weeks in duration shall be posted in at least three public

places within the city. Notice shall include at a minimum the job title, rate of pay, duration of the job, and ending date of the recruitment period. Notice shall be posted for a minimum of three days. Review of three employee files indicated the city maintains personnel folders containing I-9's, job applications, and a letter of acceptance. The utility provides training opportunities to its staff on an as needed and available basis. City staff has successfully completed QuickBooks, Financial Management for Rural Utilities, and Small Water System and Distribution certifications.

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.

Ordinance 98-01 adopted in 1998 established the Chefnak Public Water and Sewer Department whereby deeming the city as the owner and operator of the utility. Ordinance 09-01 adopted on January 21, 2009, amends the original ordinance deeming the city council as the utility's authority further setting rates and regulations. The utility clerk/bookkeeper was hired in 2008 and is trained in QuickBooks and accounting. Currently, the administrator's position is vacant. The city needs assistance in networking the computers and accurately setting up the QuickBooks

accounting system. Both water treatment operators are certified to the class of the city's utility system. Council adopted the city's organizational chart in September 2011. Pursuant to state statute, the city council meets the first Thursday of each month and conducts special meetings to address city business as needed. The city complies with the Open Meetings Act by posting for council meetings in advance allowing for public participation and prepares meeting minutes of council proceedings.

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.

Both water treatment operators are certified to the class of the city's utility system. Due to the system being 30 years old, there is no written and relevant maintenance plan; however, the operators are using checklists as a preventative maintenance plan to maintain their system. Monthly operation and maintenance reports from the utility operator are being completed, and routine spot checks of the facilities are conducted by the city mayor. Regular safety meetings are

held, documented, and sent to RUBA staff for review. The community was not on the April 2014 Significant Non-Complier (SNC) list. A copy of the community's 2012 CCR is on file at DEC. The city was not able to provide RUBA staff with an inventory control list or a critical spare parts list.

Essential Recommendations

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

- Implement a monthly financial report that includes at least a year to date figures for revenues and expenditures compared to the budget.
- Hire a new city administrator to manage the water and wastewater system.
- Ensure that the utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.
- Fill out and submit the Authorization to Request Federal Tax information to confirm the utility is current on filing tax reports and making tax deposits.

Sustainable Recommendations

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

- Establish a Repair and Replacement account for the utility, and budget for R&R expenses.
- Prepare utility manager reports to the city council on a monthly basis.
- Develops, adopt and implement a purchase order system.
- Create and maintain an inventory control list.
- Establish a critical spare parts list.
- Ensure revenues are equal to or above, and expenses are equal to or below those budgeted.

Conclusion and Next Step

By implementing the above recommendations, the City of Chefnak 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 Chefnak 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 City of Chefnak 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 Chefnak 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 capacity indicators that are not being met.