

# City of Chuathbaluk

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## Assessment of Management Capacity Indicators

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Department of Commerce, State of Alaska  
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# Introduction

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The City of Chuathbaluk 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 Chuathbaluk operates and manages the following utility services:

- Piped water and sewer systems
- Water treatment plant
- Washeteria
- Sewer lagoon
- Landfill
- Fuel distribution/sales

# Capacity Indicators

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On 1/15/2015, RUBA staff Ken Berlin met with City of Chuathbaluk staff to complete a RUBA Assessment of Management. City of Chuathbaluk staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY15 budget
- Monthly finance reports November 2014
- Meeting minutes December 2014
- Electric billings November 2014
- Fuel supply
- Accounts payables
- Accounts receivables
- Chart of accounts
- Billing statement
- Purchase order request form
- IRS release 12/17/14
- IRS Form 941 report for 2012/12; 2013/12; 2014/03; 2014/06; 2014/09
- IRS letters dated 11/3/2014
- State DOL/ESC 12/12/2014
- AML/JIA insurance coverage July 1, 2014 to July 1, 2015
- Accord Certificate of Liability Insurance April 1, 2014 to April 1, 2015
- Organizational chart
- CCR 2013
- Critical spare parts list
- Water operator certificates

## 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.            |

- 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 FY15 budget is balanced and has been formally adopted. Monthly financial reports are current to November 2014 with meeting minutes. The finance reports compare budgeted amounts, previous month amounts, monthly figures, year-to-date actuals, and balances. The city is current in paying its electric bills to the Middle Kuskokwim Electrical Cooperative. The city has enough fuel on hand for resale and for the city facilities. When fuel levels get low, the city buys additional fuel from Aniak, which is only a few miles down-river from Chuathbaluk. RUBA staff contacted DCRA Bulk Fuel Loan Program staff concerning the status of City of Chuathbaluk's fuel loan from last year and future eligibility. Fuel loan staff said the city's new loan to purchase fuel for this year was approved. The city's water and wastewater expenses are subsidized with Community Revenue Sharing (CRS) and Payment in Lieu of Taxes (PILT) funds.

### 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.

A water and sewer ordinance with a collection policy was passed by the city council on July 12, 2005 and is on file with RUBA in the Bethel regional office. On August 1, 2013, the residential water and sewer rate was set at \$130 per month. The school is charged \$1000 per month. The city manager has been using the QuickBooks software program to keep track of all expenses for the community. The city is monitoring all of their incoming cash using the NEBS cash receipt system, which is a manual system. The NEBS cash receipt system has been a very useful tool for the staff to keep track of all incoming funds. Accounts receivable and payable are all in QuickBooks. Cash disbursements are maintained with QuickBooks, as well. City staff reconcile bank accounts using QuickBooks each month, but with staff turnover the city is behind three months. A new sample purchase order system ordinance was sent to the city for their consideration. A request for this sample was made by the city mayor in order to get more control over how the city orders supplies and equipment.

### **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 payroll and reporting system is in QuickBooks. The IRS deemed the city non-compliant on December 17, 2014 for missing 941 quarterly reports for the periods 2014/06 and 2014/09. The State's Department of Labor and Workforce Development confirmed employment security tax compliance as of December 2014. There are no recorded tax liens on the September-October 2014 lien watch. The city is working with the IRS on resolving federal tax filing issues; the missing 941 quarterly reports have been filed and the city is working on a repayment plan.

## 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 the Alaska Municipal League Joint Insurance Association (AMLJIA) July 1, 2014 to July 1, 2015. The city also has a contractor's insurance with Accord valid April 1, 2014-April 1, 2015. The city has adopted a personnel policy which was developed with Summit Consulting Services, Inc. in 2004. That policy addresses written job descriptions for the positions in the city, the hiring process, evaluations, personnel files, a probationary period, training of staff, and termination and grievance processes.

## 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.

A water and sewer ordinance was passed by the council on July 12, 2005 and is on file at the Bethel regional office. The city manager was hired in July 2014, while the city clerk and bookkeeper were hired the last week of September 2014. The bookkeeper has prior experience working with accounting in the city. The utility is owned by the City of Chuathbaluk and the policy making board is the city council. The city council is active in making and enforcing policies. The main operator holds the following certifications: Water Distribution Provisional, Wastewater Collection Provisional, and Wastewater Treatment Provisional. The city has an organizational chart, the city council meets on the first Tuesday of every month, and council meetings are open to the public.

## 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.

Chuathbaluk's water system is rated a 'Small Treated' system. The primary and backup operators both have certifications as required. The main operator holds the following certifications: Water Distribution Provisional, Wastewater Collection Provisional, and Wastewater Treatment Provisional. The city's CCR report is on file and the SNC report October 2014 did not list Chuathbaluk's system.

## **Essential Recommendations**

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

- Comply with making monthly tax deposits.

## Sustainable Recommendations

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

- Recieve revenues (user fees or other sources) sufficient to cover operating expenses and Repair & Replacement (R) costs.
- Complete monthly bank reconciliations for all utility accounts.
- Develop a safety manual and start holding safety meetings.
- Maintains an inventory control list.

## Conclusion and Next Step

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By implementing RUBA recommendations and working with the RUBA program to continue improving management practices, the City of Chuathbaluk will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities.

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

RUBA staff is available to provide ongoing assistance in improving management practices and sustainable utilities.

By implementing the above recommendations, the City of Chuathbaluk 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 Chuathbaluk 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.