

City of Coffman Cove

Assessment of Management Capacity Indicators

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Introduction

The City of Coffman Cove report was by Rural Utility Business Advisor program staff Lynn Kenealy 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 Juneau regional office 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 Coffman Cove is a community of approximately 163 residents on the northeast coast of Prince of Wales Island. The city is connected to other communities on the island by an extensive road system. The community originated as a logging camp in the 1950's, and incorporated as a city in 1989. The city's water is surface water derived from Dog Creek, a surface water source, and stored in a raw water tank, goes through a filtration system, and is chlorinated, then distributed to the community. There are 140 service connections, all metered. The city also provides water to the school and businesses in the community. Approximately 200 gallons can be treated per minute. The city runs two large septic tanks and collects wastewater from some residents, with a gray-water outflow. There are additional individual septic systems, which are owned by individual home owners but maintained by the city for a cost. The community has three lift stations.

The City of Coffman Cove operates and manages the following utility services:

- Piped water system
- Piped wastewater system
- Septic Tank pumping
- Public landfill

Capacity Indicators

On March 24, 2014, RUBA staff Lynn Kenealy met with City of Coffman Cove staff to complete a RUBA Assessment of Management. City of Coffman Cove staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Financial reports to the council: March 2014;
- Financial reports to the council: February 2014;
- Financial reports to the council: January 2014;
- Financial reports to the council: December 2013;
- AP&T bill & payment: February 2014;
- Water operator written report to council: March 2014;
- FY14 budget amendment;
- FY14 budget;
- Utility rates & fees: Schedule A
- Utility customer statement: March 2014;
- Blank receipt;
- Reconciliation summary: February 2014;
- Accounts receivable aging summary: March 2014;
- Accounts payable aging summary: March 2014;
- Chart of accounts: March 2014;
- Purchase order form;
- Voided check;
- Performance appraisal form;
- Paid AMLJIA bill: July 2013;
- Utility inventories updated January 2014: wastewater system inventory, wastewater system safety equipment, water plant office items, water treatment inventory, and electrical components;
- City council meeting minutes: September 2013, October 2013, November 2013, December 2013, January 2014, February 2014, and March 2014;
- Job descriptions: back-up water/wastewater operator, city administrator, city clerk, garbage truck operator, harbormaster, postal clerk, and water/wastewater operator;
- Coffman Cove organizational chart; and
- Employee handbook.
- 2012 CCR (as distributed to community).
- Resolution 14-17 amending the employee handbook to include a hiring process.

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 Coffman Cove operates on the July-June fiscal year, and adopted its FY14 budget on June 20, 2013, by non-code ordinance. The budget includes a financial summary indicating total cash available, summary of total revenue anticipated, and summary of total expenditure anticipated. The budget is then broken down into departments. A comparison is provided to FY13 budget actual. The water and wastewater department breaks down individual line item expenses, and realistically anticipates all revenue and expenditures based on previous year actuals. Budget amendments are completed when necessary throughout the year, and were recently completed, including FY14 budget figures, FY14 estimated year to date figures, and FY14 amended figures. The city clerk/treasurer provides financial reports to the council at every regular monthly meeting, which includes a balance sheet and profit and loss budget versus actual report for the fiscal year to date. This profit and loss report is divided into departments, and

includes revenues and expenditures for the fiscal year to date, the budgeted figures for each category, the dollar amount over budget, and the percentage of budget. The most recent report was provided to the council at their February meeting, and covered the reporting period of July 1, 2013, through February 5, 2014. The water/wastewater department budget indicates that with 58% of the year completed, 73.67% of the anticipated income has been received and 46.02% of expenditures have been spent. Therefore, the utility is in good standing at this point in the fiscal year. Some individual line items are slightly out of line, but budget amendments will be completed if necessary. The last budget amendment was completed in December 2013. The utility is receiving sufficient revenue to cover operating expenses, as well as approximately \$40,000 per year which assists in covering the cost of repair and replacement for depreciating equipment, lines, and tanks. The city receives its power from the Alaska Power Company, through hydro power provided to the entire island. The city provided evidence of payment, which is separated into each department and coded as such in QuickBooks. The community receives fuel from Petro Marine, which delivers via truck on the island's road system. This fuel is purchased by a store in the community, R&R Fuels, then distributed to the city and utility. Sufficient fuel is available in the community on a cyclic basis, and sufficient funding is budgeted for the utility's fuel needs.

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.

Water is billed to customers at a flat rate of \$50 per month for the first 5,000 gallons, then an additional \$12 per 1,000 gallons. The average water use is approximately 3,500 per customer. The cost of septic and wastewater is \$15 each. There is an additional unplumbed fee for customers who have an available water line but choose not to access it. The Coffman Cove Municipal Code Chapter 7.04 provides for utility policies, including billing and collection. At the end of each month, statements are generated and mailed out. These statements include billing for water, wastewater, septic, moorage, refuse collection, and any other bills for the month a customer may have accrued with the city. Several customers have signed up with auto-payment, which the city bills through Intuit, then prints a credit card receipt which they include with the statement to the customer. All other customer bills are due by the end of the month. If no payment is received, accounts are subject to late fees on the balance due. Forty five days after the account becomes delinquent, a turn-off delinquency notice is sent to the customer, with the turn-off date being no sooner than ten days from the date of the notice. An appeals process is also provided. The day of shut-off, a notice is hand-delivered to the door, and the water is turned off for non-payment at noon the following day. Restoration of service requires a reconnection fee, as well as full payment of the amount due. The accounts receivable system involves a log book, completed by the city clerk who receives the payment. A triplicate receipt is provided, with a copy going to the customer, a copy remaining with the payment, and a copy going to the treasurer for coding. Cash receipt system reflects the accounts receivable system. Accounts payable bills or invoices initially go into a tickler file, then is matched up with a purchase order, taken to the city administrator for approval and coding, then paid by the treasurer. For purchase orders, the employee completes a purchase order form and provides it to the city administrator for approval. The city administrator signs and codes to a budget category, then provides to the treasurer for payment. A receipt of payment is then returned to the treasurer after purchase. The payroll system is currently changing to some extent, but generally involves a daily time card submitted either in person or by fax for employees off-site. At the end of the time period, the city administrator approves all timecards, and provides them to the treasurer for payroll and coding. The treasurer also completes all payroll liability requirements. There is no cash disbursement. Reconciliations are provided monthly by a third party, Alaska Business Partners. A reconciliation summary is provided as evidence. A chart of accounts is also maintained by the city through the QuickBooks program.

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 utilizes QuickBooks to calculate payroll liabilities, and Alaska Business Partners E-Pay to make payments to the state and IRS. Taxpayer Advocates confirmed on March 17, 2014, that the city is current on all IRS tax liabilities and filings. The State of Alaska Employment Security Division confirmed on March 4, 2014, that the city is compliant on all state unemployment insurance requirements. The city has no past liens or liabilities.

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 receives its worker's compensation insurance through AMLJIA, and is paid in full through June 30, 2014. This expense was coded to each individual department appropriately. The city has an employee handbook which covers several employment and personnel related topics. A hiring process is provided for, including posting, application process, hiring, and job descriptions. There is a three-month probationary period, which can be extended, and is completed upon receipt of a successful performance evaluation. All employees receive performance evaluations annually, and are also provided with a self-evaluation to complete at the same time. Improvement plans are included when needed. Training opportunities are available, as will be discussed in the following section. Personnel files include W4's, signed job descriptions, identification, certifications, I-9's, job applications, and letters of acceptance. A checklist is available in each file to ensure all proper paperwork is included. Job descriptions have all been reviewed within the past three years, and are available for all permanent positions of city.

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 Coffman Cove owns and operates the water and wastewater utilities for the community. The city council is the policy-making body for the utility. The council meets for one regular council meeting every month, and receives verbal managerial reports from the city administrator and written reports from the water operator, as well as financial reports from the treasurer. All Open Meetings Act requirements are met as required by the city clerk, who posts for all meetings in five consistent locations: city hall, the post office, the library, the store, and the bar. Coffman Cove Municipal Code Title 7 provides for the necessary rules and regulations to operate the utility. The city has an organizational chart which specifies that the city clerk, treasurer, and utility operators are under the supervision of the council, the city administrator and some other employees are under the supervision of the mayor, and some other employees are under the supervision of the city administrator. The city administrator has worked for the city for three years, and has attended several RUBA utility management trainings including clerks, personnel, planning, and financial. The city clerk/treasurer has worked in this position for two years, and has attended the clerks and QuickBooks RUBA utility management classes. The assistant city clerk has attended the financial management course, and the mayor has attended the elected officials training. The primary water operator has worked in this position since 2008.

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 primary water operator holds water treatment certification class 2, and is not currently certified for wastewater collection or water distribution. He is currently working toward provisional certification for both class 1 systems. One back-up operator holds a provisional water treatment certification, and a second back-up operator is currently uncertified. The utility manager visits the plant regularly, and both the manager and the operator provide reports to the city council at every meeting. The utility has a manual for each system which includes a preventative maintenance plan with daily, weekly, and monthly tasks. The operator also maintains inventory and critical spare parts lists for all utility systems, including safety equipment. Safety manuals are also available, and utility staff attend the AMLJIA safety meeting telephonically the first Tuesday of every month, as well as maintaining documentation of every meeting. The utility is not on the January 2014 Significant Non-Compliance list, and has completed and distributed the 2012 Consumer Confidence Report. The system is operating at the level of service proposed. Previous power outages have been rectified by being a part of the Prince of Wales Island electric grid, and also maintaining generators in the case of emergency.

Essential Recommendations

The City of Coffman Cove has met all of the essential capacity indicators. The City of Coffman Cove needs to diligently continue to operate in the efficient and effective manner that meets all essential capacity indicators.

Sustainable Recommendations

The City of Coffman Cove has met all of the sustainable capacity indicators. It is recommended that the city should continue to maintain operations in a manner that continues to meet all sustainable indicators.

Conclusion and Next Step

By implementing the above recommendations, the City of Coffman Cove 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 Coffman Cove 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.