

City of Emmonak

Assessment of Management Capacity Indicators

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Division of Community and Regional Affairs
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Introduction

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

- Washeteria/sauna
- Piped water and sewer
- Landfill site
- Garbage haul

Capacity Indicators

On 8/14/2014, RUBA staff Ken Berlin met with City of Emmonak staff to complete a RUBA Assessment of Management. City of Emmonak staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY 2015 budget passed on June 14, 2014.
- April 2014 monthly finance report with city council meeting minutes dated May 29, 2014. Financial reports are on file for May, and June 2014, but no city council meeting minutes.
- A new monthly finance report formatted in Excel.
- Certified financial statement for FY14 with resolution dated July 10, 2014.
- AVEC electric billings current to May 2014.
- Payroll tax liability quarterly reports and tax deposits for the last four quarters.
- A courtesy reminder notice from IRS to file accurate 941 reports and tax deposits.
- Accounts receivables aging summary as of August 14, 2014.
- Accounts payables as of August 14, 2014.
- AML/JIA effective July 1, 2014 to July 1, 2015.
- Copy of a monthly water and sewer billing statement.
- Certificate of number of users of the utility.
- Schedule of water rates.
- Other supporting documents such as the water and wastewater ordinance, personnel system and organizational chart are all on file in the Bethel regional office.

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. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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 (state fiscal year) is balanced was adopted on June 14, 2014. It is available on the Division of Community and Regional Affairs (DCRA) website. The QuickBooks profit and loss, budget vs. actuals finance reports are separated by revenue and expenditures by source and department and are compared to the budget, by month and year to date each month. The finance reports are current to April 2014, with city council meeting minutes. Monthly finance reports for May, and June 2014 are on file, but no city council meeting minutes. A new finance report formatted in Excel is being reviewed by the city council. AVEC bills are current to May 2014. The city currently has 9,000 gallons of heating fuel and 4,000 gallons of gasoline. The city ordered 50,000 gallons of heating fuel and 5,000 gallons of unleaded gasoline fuel from Vitus Marine to be delivered this fall and that is enough to last until next spring 2015. The city does not have an R&R account in place.

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 was considering joining the ARUC billing and collections program. However, no further action by the city to join ARUC was noted during this assessment. The collection policy is being reviewed to update the following areas: procedures to enforce collections, how to manage bills more than a year old, accounts of customers who moved away, accounts of deceased customers and accounts deemed uncollectible for various reasons. Also how to manager accountholders who pay up their accounts during commercial fishing, firefighting, seasonal employment, and the Alaska Permanent Fund payments needs to be addressed. Customer billings go out on the first week of each month. Accounts payables, receivables, payroll and cash disbursements are all in QuickBooks Pro, version enterprise 2014. The chart of accounts was recently updated to reflect the current FY15 budget and operations. Reconciliation of the general account is current to June 2014.

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 utility uses the QuickBooks payroll system to accurately calculate, track, and report payroll tax liabilities. There are no reported tax liens on the March-April 2014 Lien Watch report. IRS confirmed compliance on June 12, 2014. The city was deemed compliant by the State DOL/ESC on June 25, 2014 with a credit balance. A courtesy reminder notice dated June 9, 2014 was received from IRS to remind the city to file accurate 941 reports. The 2014 second quarter 941 report was filed late. The IRS was notified about this late filing on August 14, 2014. The payroll tax deposits are current and paid after every payroll. The copies of the last four 941 and DOL quarterly reports are on file.

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 of Emmonak has workers compensation insurance coverage through Alaska Municipal League July 1, 2014 to July 1, 2015. A personnel policy includes sections for hiring, evaluation, and probation. Vacant positions are posted until filled. New hires are on probation for three months. The city manager and city council have authority to hire. The Emmonak city council screens and hires for the positions of manager, police chief, clerk, treasurer, and city attorney. A spot check of one personnel file had annual evaluations, job description, I-9, job application, and letter of acceptance.

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 Emmonak is known as the provider of water and wastewater services and has adopted an ordinance authorizing it to operate. The city council meets regularly on the first Tuesday of each month and follows the Opens Meeting Act. The city manager has held the position for 20 years. The manager also enforces the utility policies as directed by the city council. The bookkeeper was hired on August 12, 2013. She worked in accounting related positions for the last 15 years before being hired by the city. Both the manager and finance director have good experience and adequately trained, but the finance director would benefit from more QuickBooks training. The main water operator has a small water distribution treatment certificate and has experience working on and off at the water plant since 2007. The assistant/backup operator is not certified, but has been working on and off since 2002. A handyman also works for the utility but is not certified. The main and the assistant operators are working towards certification and are scheduled to be tested sometime this fall. The organizational chart is posted in the city offices and a copy is on file.

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 main and the backup utility operators are actively working towards necessary certification. The main operator has a small water distribution treatment certificate, but has experience working on and off at the water plant since 2007. The assistant/backup operator is not certified, but has been working on and off since 2002. A handyman also works for the utility but is not certified. Both operators are working towards certification and are scheduled to be tested this fall. The city manager receives monthly O&M reports from the operators but does not spot checked the facilities on a routine basis. The city CCR report July 1, 2013 is on file. The city is not on the SNC listing for April 2014.

Essential Recommendations

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

Sustainable Recommendations

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

- Create a budget line item expense for repair and replacement (R&R) costs through user fees or other sources sufficient to cover operating expenses and R&R.
- The utility manager start doing "spot checks" on a routine basis to see that the daily, weekly, and monthly maintenance items are complied with.

Conclusion and Next Step

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