

City of False Pass

Assessment of Management Capacity Indicators

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Division of Community and Regional Affairs
Department of Commerce, Community, and Economic Development, State of Alaska
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Introduction

The City of False report was completed by Rural Utility Business Advisor program staff Glen Hamburg 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 Anchorage 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*** at the end of this assessment 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 False Pass operates and manages the following utility services:

- Class 1 water treatment
- Unclassified water distribution
- Wastewater pumping and haul
- Solid waste collection
- Diesel-generated electrical power

Capacity Indicators

On February 25, 2014, RUBA staff Glen Hamburg met with False Pass city staff to complete a RUBA Assessment of Management. City staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY13 and FY14 budget ordinances
- FY12 certified financial statement
- Year-to-date profit and loss budget versus actual report
- February 2014 cash and accrual basis balance sheets
- February 2014 accounts receivable aging summary
- November 2013 – February 2014 general journal transaction reports
- City bank account statements
- Six months' council meeting agendas, minutes, and packets
- Tax clearance from IRS and Alaska Department of Labor and Workforce Development
- Utility ordinances
- Personnel policies
- Utility employee job descriptions
- Employee evaluation forms
- Employee pay scale and pay scale authorization form
- Utility employee job announcement
- Notice of workers' compensation insurance coverage
- Draft organizational chart
- Alaska Department of Environmental Conservation system classification and operator certification data
- Alaska Municipal League Joint Insurance Association telephonic monthly safety meeting participation records
- Utility maintenance log and preventative maintenance plan
- Critical spare parts list
- Photos of critical spare parts and chemicals kept on hand at treatment plant

Utility Finance

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	All revenue 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 body.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current 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

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

The city's fiscal year runs from July 1 to June 30 and it adopted its FY14 budget timely by non-code ordinance on June 28, 2013. The budget realistically considers prior years' actual income levels and expenses and appropriates funds for fuel, electricity, insurance, testing, employee travel, parts and supplies, maintenance, and elder customer subsidies ("elder donations"), as well as all payroll and payroll taxes.

The city plans to receive \$26,650 in water utility and solid waste service user fees this year. All of the expenses associated with providing those services, however, are broken out in different line items and are typically included with other city expenses. It is therefore not clear what the exact costs are for providing sanitation services in False Pass. Similarly, because there is not a separate budget for a utility enterprise, it is not immediately clear how much the city is subsidizing its sanitation services with income sources other than user fees, such as local sales taxes, equipment rentals, and revenue sharing from the State of Alaska and the Aleutian Pribilof Island Community Development Association (APICDA). Nonetheless, the overall city budget is balanced and on track with year-to-date income and expenses. In fact the city has received more in bed tax, sales tax, and raw fish tax revenue, as well as in landfill fees and other income sources, than it expected by this point in the fiscal year.

The mayor and city clerk, who share responsibilities related to utility management, give detailed reports to the utility's governing body at its monthly meetings. Budget amendments are adopted six months into each fiscal year, though the budget ordinance also authorizes the mayor to make transfers of 10 percent or \$10,000, whichever is less, between line items.

The city council is the governing body for False Pass's utilities. RUBA staff has reviewed six months of council meeting packets and found that they include financial reports comparing actual year-to-date income and expenses to budgeted amounts. The reports also show how much each line item is over or under budget, and what percent of appropriated funds remain for that line item.

The city typically receives just one bulk fuel shipment each year from Crowley, and city maintenance staff have reported to RUBA staff that the supply delivered in the fall of 2013 is adequate to meet local needs. The city generates its own electricity with a diesel generator plant, but is also exploring both tidal and wind power alternatives.

Accounting Systems

Essential Indicators

Yes	No	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adopted a collection policy and actively follows it.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility bills customers on a regular basis.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	An accounts payable system is in place.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The payroll system correctly calculates payroll and keeps records.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	A cash receipt system is in place that records incoming money and what it was for.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a cash disbursement system that records how money was spent.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	A chart of accounts is used that identifies categories in a reasonable, usable manner.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Monthly bank reconciliations have been completed for all utility accounts.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

The city's utility billing and collections policies are outlined in Title 6, Chapter 36 of the False Pass Code of Ordinances. In accordance with Section 6.36.150 of that chapter, customers are billed monthly for water and solid waste charges. Customers have the option of paying either by cash or by check, though the city is also exploring the possibility of accepting credit card payments. When income is received, the customer is properly issued a receipt.

A February 2014 aging summary provided to RUBA staff shows that nearly all of the utility's 22 customers have balances 60 days or more past due. While most of these balances reflect long-standing delinquencies, more than 30 percent of customers have not paid for sanitation services they were recently assessed. Though a utility bill collections policy has been duly adopted by the council, it is not actively enforced. The city's utility ordinances require customers receive disconnection notices 47 days after their past due amounts have been rendered delinquent; however, these notices are not delivered and city staff report that without curb stops, it is not actually possible to disconnect any customer. Delinquent customers are not assessed late fees, referred to a collections agency, or systematically denied other city services as a means securing payment for services received. RUBA staff has advised city staff on the importance of amending its ordinances to reflect the policies which it intends and is able to enforce.

The city clerk, who serves as the utility clerk, uses QuickBooks for all accounting functions, including the tracking of accounts receivable and payable and calculating payroll. The city's QuickBooks file has an accurate record of past due accounts and a comprehensive chart of accounts.

All city checks must have the signature of two council members, and all staff and officials are cognizant of the amounts that have been approved through the budget process for certain departments. While formal purchase order forms are not always used given the small size of the

utility management and operations team, the primary operator seeks prior approval for purchases of more than \$500 and the mayor for purchases of more than \$1,000.

Tax Problems

Essential Indicators

Yes	No	NA	
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility has a system to accurately calculate, track, and report payroll tax liabilities.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on filing federal and state tax reports.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on making federal and state tax deposits.
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current.

The city clerk uses QuickBooks to calculate and track payroll tax liabilities. The IRS's taxpayer advocacy office has confirmed that the city is current with its federal tax reporting and deposit requirements. The Alaska Department of Labor and Workforce Development also granted the city tax clearance on February 5, 2014. The city is not listed on the most recent Lien Watch report.

Personnel System

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adequate written job descriptions for all positions.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequate written hiring process.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility provides training opportunities to staff as needed and available.

The city has a valid workers' compensation insurance policy through the Alaska Municipal League Joint Insurance Association (AMLJIA) and proof of coverage is posted as required. RUBA staff verified that this insurance expense is budgeted for and that payment has been made for the policy through to the end of the fiscal year.

The city's personnel policies are outlined in Title 9, Chapter 75 of the city's municipal code. Those policies address all necessary personnel matters, including job classification, recruitment, hiring, evaluation, compensation, discipline, grievances, leave, travel, per diem, subsistence, training, and work scheduling. In accordance with these policies, new employees are placed on a 90-day probationary period, which is followed by a performance evaluation. All employees are also given an annual evaluation based on their adopted job descriptions. A copy of an employee's evaluation, which is completed on a standardized form, is included in their personnel file, along with a completed W4, an I-9, an application, a letter of acceptance, and any

certification copies available. Employees are paid according to an established pay scale. Changes in the pay scale must be authorized in writing on a standardized form by the mayor and attested by the city clerk, with the form then being maintained in the employee's file.

RUBA staff reviewed the utility employee job descriptions and found that they appropriately identify tasks to be completed, the position's minimum qualifications, pay range, work site, hours of work, job classification, appointing authority, and supervisor.

The job descriptions for those employees tasked with operating the water treatment facility require the employee hold or be able to pass the provisional water treatment exam. The primary and backup operators working with the system are already fully certified; however, the primary operator has expressed some concern that until a regular replacement is available, it is not possible to leave town for trainings. The expense associated with sending employees from the remote community to trainings also could make maintaining appropriate certification difficult. The city has, nonetheless, budgeted \$2,500 for travel and RUBA staff has explained the availability of grant-funded trainings to utility staff, including the primary operator.

Organizational Management

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The entity that owns the utility is known and the entity that will operate the utility is set.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body is active in policy making of the utility.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The policy making body enforces utility policy.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained manager.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained bookkeeper.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted an organizational chart that reflects the current structure.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body meets as required.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility complies with the Open Meeting Act for all meetings.

Title 6 of the False Pass Code of Ordinances makes clear that the city owns, operates, and manages the city's sanitation utilities. The title also specifies what sanitation services will be provided and to whom, the service area, classifications of service, customer responsibilities, and other matters essential to establishing a clear legal and financial relationship between the utility and its customers.

The city council is the utility's governing body. In accordance with local law it meets once each month, with notices posted well in advance at the city office, the post office, and the local store. A review of six months' of council meeting minutes shows that the council actively considers utility-related issues, such as maintenance needs, system funding opportunities, and general finances. Yet as noted earlier in this assessment, the city is not fully enforcing its adopted utility bill collections policies and continues to carry significant outstanding account balances. The relevant indicator in this section has therefore been marked 'No' until the city addresses the

outstanding balances and either fully enforces its existing collections policies or amends them to reflect other priorities.

The city’s mayor, who fulfils some of the duties of utility manager, has years of experience on the job. The city clerk serves as bookkeeper while performing other utility-manager roles. The clerk has an accounting degree and has attended the RUBA-sponsored QuickBooks training RUBA utility management trainings. As noted in the previous section, the operators are fully certified.

The current employee structure is illustrated in an organizational chart and a revised chart that includes a separate position the city intends to hire for soon has also been drafted.

Operation of Utility

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

Sustainable Indicators

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 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. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a safety manual and holds safety meetings. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The operator provides status reports to the manager on a routine basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list). |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains an inventory control list. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility maintains a critical spare parts list. |

The city’s primary operator is provisionally certified in water treatment and distribution, and has already obtained the required number of Continued Education Units (CEUs) necessary for re-certification. The backup operator is also provisionally certified in water treatment and distribution and is working to obtain required CEUs. The city has also recently contracted with an additional operator certified at the Class 2 level.

The primary operator attends all council meetings and gives detailed reports. He also is in regular contact with the mayor and the city clerk about utility-related issues. The clerk, who supervises the operators, participates in brief telephonic safety meetings each month with representatives of the city’s workers’ compensation insurance provider. These meetings are documented and the city receives credits to purchase safety equipment for participation.

However, the operators do not participate in these safety meetings and no formally safety meetings between all utility staff are held. Because the primary operator has experienced two work-related injuries in the last two years, RUBA staff has advised the mayor, clerk, and operators hold bi-weekly meetings at utility work sites to discuss safety practices and potential hazards. RUBA staff has also recommended that these meetings be documented, noting the time and location of the meetings, the participants, and the specific topics addressed.

The utility has not suffered any service outages because of management problems, continues to operate at the level of service proposed, and is not on the most recent Significant Non-Complier list. RUBA staff toured utility sites and found that a year's supply of chlorine, two years' supply of polymer, and several extra pumps and pump repair kits are on hand at the treatment plant. The utility also has two backup generators. Having these critical supplies on hand in the remote community helps protect against service interruptions. The utility also maintains an organized utility maintenance plan, written maintenance schedule, and critical spare parts list.

The city clerk ensures that Consumer Confidence Reports (CCRs) are completed and distributed on time each year. RUBA staff has recommended that the primary operator also learn to complete the CCRs in case the clerk is unavailable.

Essential Recommendations

The City of False Pass has not met all of the essential capacity indicators. In order to meet them, the utility actively enforce the existing utility bill collections policy, or amend the policy to reflect strategies it fully intends and is able to employ.

Sustainable Recommendations

In addition to the Essential Recommendations, the city can work to improve Sustainable Indicators in the 'Organizational Management' and 'Operation of Utility' sections of this assessment. It is recommended that:

- All utility-related staff participate in bi-weekly safety meetings at utility sites to discuss workplace hazards and safety practices, and to have these meetings documented
- The utility develop and routinely update an inventory control list

Conclusion and Next Step

By implementing these recommendations, the City of False Pass will put itself into position to better ensure the financial viability of their sanitation services and avoid interruptions in those services to the geographically remote community.

City staff were 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.