

# City of Hydaburg

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## Assessment of Management Capacity Indicators

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# Introduction

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

- Wastewater Collection Class 1
- Water Distribution Class 1
- Water Treatment Class 2
- Garbage Collection & Dump
- Dock & Harbor

The City of Hydaburg is a first class city in the Prince of Wales-Hyder Census Area, approximately 45 air miles northwest of Ketchikan. The community is on the state and/or federally maintained road system of Prince of Wales Island, and is thus connected by road to ferry services and other communities and cities on the island. The population of 405 is approximately 77 percent Haida Alaska Native, and constitutes the largest Haida village in

Alaska. The city operates a class 1 wastewater collection system, class 1 water distribution system, and class 2 water treatment system. The city also provides refuse collection, landfill, health clinic, volunteer fire department and fire hall, school district, harbor and dock, daycare and youth center, cold storage, VPSO, and jointly with the local IRA provides for maintenance of the roads. Much of the community engages in subsistence activities such as hunting and fishing, and the city and tribe are working jointly to open a specialty seafood processing plant with the assistance of a federal grant.

# Capacity Indicators

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On 11/25/2014, RUBA staff Lynn Kenealy met with City of Hydaburg staff to complete a RUBA Assessment of Management. City of Hydaburg staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Budget and Monthly Financial Statements: FY15 July, August, September.
- Balance Sheet: November 18, 2014.
- Ordinance 14-07 Adopting FY15 Budget.
- FY15 Budget.
- FY13 City of Hydaburg Audit.
- Electric Bill & Payment Evidence: September 2014.
- Accrual and Cash Basis Profit & Loss – Utility Services.
- Municipal Code Title 13 – Water & Sewer.
- Refuse Disposal Agreement.
- Utility Promissory Extensions Tracking Log.
- Utility Promissory Note.
- RUBA Rate Study.
- Utility Statement Sample.
- Customer Balance Summary (Accounts Receivable).
- Vendor Balance Summary (Accounts Payable).
- Purchase Order Form.
- Voided Receipt.
- Voided Check.
- Chart of Accounts.
- Reconciliation Detail ending 09/03/14.
- Proof of Worker's Compensation Insurance Payment.
- Utility Staff Job Descriptions.
- Job Performance Evaluation Form.
- Personnel Policies & Procedures: Adopted December 18, 2013.
- Regular Meeting Packet – November 6, 2014.
- Affidavit of Posting.
- Organizational Chart.
- Terms of Office.
- Water Operator Certifications.
- Landfill Inspection Summary.

## 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 Hydaburg City Council adopted the FY15 July-June budget by non-code ordinance on June 17, 2014, after following appropriate introductory and public hearing actions. The budget is separated into departments including general fund, public safety, public works, water/sewer/garbage, and harbor and dock. The budget anticipates a shortfall of over \$100,000, to be covered by reserve funds. Reserve funds will only cover this level of shortfall for more two more years, and the city is developing additional sources of revenue including an ATM machine, a mobile coffee shop, and a liquor store. The water/sewer/garbage department anticipates a shortfall of \$48,000, to be covered by Community Revenue Sharing. The budget is realistic and thorough, drawn from previous years and anticipated expenses for the coming year. Finance staff began providing budget and monthly financial statements to the city council in FY15, and provides the report at every regular monthly meeting. As of the end of September 2014, the utility had collected 30 percent of anticipated revenues, higher than expected for this time of year; and expended 23 percent, about in line with expectations. Repairs and maintenance have

been over-expended, and budget amendments are being drawn up to reallocate funding for these expenses. Budget amendments are completed and adopted whenever necessary. The utility manager (city administrator) attends regular meetings and provides supplemental information about the financial statements verbally. A utility rate study conducted by RUBA staff four years ago indicated the utility needed to double its customer rates in order to break even. The council adopted the recommended rates of \$80 per residence. An updated rate study was conducted for FY15 and indicated a further increase to \$105 per residence is necessary at this time to break even, due to increasing costs and repair and replacement needs. The council is reconsidering rates at this time. The community's fuel is delivered by road from Craig by Petro Marine, and the utility has sufficiently budgeted for fuel needs throughout the fiscal year. Alaska Power and Telephone provides electric services, and bills indicate which buildings are charged which amounts. The treasurer codes each expense to the appropriate department, and pays the bill monthly.

## 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.

Hydaburg Municipal Code Title 13 details water and sewer services and laws for the community. Code requires bills be paid by the 25th of the month, and require one delinquency notice and one water turn-off notice before the city turns off customer water services for non-payment. Utility personnel carry out these requirements as well as further actions. Invoices go out to all customers by the first of each month. If payment has not been received by the 25th, the account is considered delinquent and a letter is mailed to the customer requiring they either pay or come in to the city office by the 7th of the following month, or services will be discontinued. Each customer is given a possibility of three extensions per fiscal year due to financial hardship. In order to receive an extension they sign a promissory note explaining when payment will be completed. The city keeps a promissory tracking log, indicating how many extensions each customer has been given per fiscal year in order to limit extensions to three. The extension does not forgive any debt nor extend the next invoice due date. A notice of decision to disconnect is sent on the 10th, and a final disconnection notice is placed on their door the morning of the 19th, with disconnection taking place later that day. Some customers have past due accounts, and have signed agreements to pay both the current month's due plus an amount toward their past due (depending on ability to pay) each month. Such customers are considered delinquent if they do not pay the full amount agreed upon monthly. As of November 18, 2014, the utility's collection rate was at 97 percent. The finance department has received positive feedback recently through its annual fiscal audit. Three years ago, auditors were unable to complete an audit due to excessive findings. FY13 auditors found seven significant findings, a drastic improvement over the previous year. FY14 preliminary audit found three minor findings, and gave city staff kudos for continued improvements. The treasurer keeps a copy of previous year's audit within arm's reach, and refers to it frequently. Financial practices are appropriately segregated to ensure proper checks and balances. The city clerk opens all mail and writes receipts for utility payments. The treasurer enters transactions into QuickBooks. Each receipt is thrice carbon copied, with the customer receiving one, one remaining with the money, and one remaining in the receipt book. Cash also includes a double log verification into a cash receipt book in the safe. When enough cash is in the safe, the clerk prepares a deposit, the treasurer writes the deposit slip, and the money is delivered to the bank in Craig via post office money order. The clerk brings all bills received by mail to the treasurer, who has vendor files. After paying all bills once per month, each document will go into the vendor file. All checks require two signatures from council members. Payroll is carried out twice per month. Each employee completes timecards and employee leave and pay summary which is verified by the city administrator. The treasurer enters all transactions into QuickBooks, calculates withholdings, and creates checks for all employees. For expenses, department heads complete check request or purchase order forms. The city administrator ensures appropriate funds are available in the budget, then checks are provided by the treasurer. The treasurer also reconciles every month. There is no cash disbursement available through the city. Over the past months, RUBA staff and finance staff have worked closely with the city's chart of accounts, to ensure the chart of accounts accurately reflects budget classes and categories, and is user friendly and clear.

## 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 the QuickBooks accounting program to calculate and report all taxes, and the EFTPS system for making payments. There are no liens for the city or utility. The State of Alaska Department of Labor reported on September 18, 2014, that the city is compliant on all state employment security tax payments and reporting. On September 15, 2014, the IRS reported that the city has not submitted two 941 reports, for the quarters ending 9/30/2013 and 6/30/2014, though deposits were made for both quarters. This information was provided to finance staff, who report they have since completed the reports. Additionally, a letter dated November 24, 2014, indicates that the city has an outstanding balance due to the IRS for months in 2013 during which full payments were not made. This information was also shared with the city. Compliance will be confirmed in December 2014.

## 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 Hydaburg receives its workers' compensation insurance through Alaska National Insurance. The city provided evidence of payment, and the state's website confirms current workers' compensation insurance as of November 14, 2014. Each utility position includes a job description summarizing the job and detailing essential functions, additional duties, and required qualifications. The most recent version of the city's personnel policies and procedures manual was adopted on December 18, 2013. It stipulates that employees be evaluated at least once per year, and the city provided a blank employee evaluation, which discusses general job performance and discusses performance of specific job description duties. Probationary period for all employees is 3 months, after which time the period may either be extended, or the employee's letter of acceptance is updated to reflect permanent status. Employee files include I-9's, job applications, letters of acceptance, job evaluations, and any disciplinary notes. Employees are encouraged to attend RUBA trainings, trainings appropriate to receive certifications and CEU's, and conferences when available. The utility clerk has attended the RUBA QuickBooks and Clerk's courses. The city administrator has attended the RUBA planning, personnel, QuickBooks, and financial management trainings. The treasurer has attended the RUBA financial management training. No written hiring process was identified in the personnel policies and procedures handbook.

## 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.

Hydaburg Municipal Code Title 13 discusses ownership and operation of the Hydaburg water and sewer system, clearly providing ownership to the City of Hydaburg, and management decisions to the city council. The city council meets for at least one regular monthly meeting, and is provided with a written report from the utility manager at this meeting, who is also available at the meeting to answer questions and discuss any issues. Meetings comply with the Open Meetings Act, and the city clerk posts for meetings in three regular places in the community, completing an affidavit of posting which is saved with the meeting minutes. An organizational chart provides that the city administrator, as supervised by the mayor, is the manager for the utility and supervises utility staff. Utility staff include a water operator and a back-up water operator. The water operator is certified level two water treatment and level one water distribution, and is provisionally certified for wastewater collection. The public works director is certified provisionally in both water treatment and distribution. The back-up water operator did not pass the appropriate exams the first time around, but will be sent for further training and testing shortly. As of November 2014, the manager has been in her position for over two years, the treasurer for one and a half years, and the primary water operator for over 14 years.

### 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.

Water operator certification is discussed in the previous section. Appropriate certification is held by the primary water operator, with the exception of a provisional wastewater collection certification which will soon upgrade to the required level one certification. The utility does not currently follow a preventative maintenance plan, though ANTHC is creating a new O&M manual based on new systems in place. Utility operators work closely with the community's RMW when needed, particularly around new systems online such as the soda ash system. Recently a polymer pump broke down and the necessary replacement part was not available, leading the community to go onto a boil water notice. The part is now in place and the city is awaiting the results of further testing to ensure the system has been adequately flushed and is providing safe water. Though the utility has an inventory control list and a critical spare parts list, the lists are not being maintained. The water operator knows what parts are available, but when other staff use a part and do not document on an inventory list having used the part, the operator is not made aware of the need for a new part due to not maintaining such lists. The operator has completed all required CCR reporting. The utility is on the SNC list as of October 2014 due to high levels of disinfectant byproducts. The utility manager does not currently engage in appropriate spot checks, but has a plan for working with the RMW and the water operator to learn more about the water treatment plant and what a spot check should consist of. The receipt of a new O&M manual will also aid in this process. The operator does provide verbal reports to the manager regularly. Staff attend a monthly staff meeting which includes a safety topic. Minutes were witnessed by RUBA staff as evidence.

## Essential Recommendations

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

- Become current on filing tax reports.
- Become current on making tax deposits.
- Follow a preventative maintenance plan developed for the existing sanitation facilities.

## Sustainable Recommendations

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

- Create an adequate written hiring process.
- Conduct manager monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed.
- Take action to be removed from the "Significant Non-Complier" (SNC) list.
- Maintain an inventory control list.
- Maintain a critical spare parts 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 Hydaburg will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities.

The City of Hydaburg 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.