

# City of Marshall

---

## Assessment of Management Capacity Indicators

Eli Jacobson, LGS  
Rural Utility Business Advisor (RUBA) Program  
Division of Community and Regional Affairs  
Department of Commerce, State of Alaska  
April 4, 2014

# Introduction

---

The City of Marshall's assessment report was completed by Rural Utility Business Advisor program staff Eli Jacobson 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 Marshall is a second class city with a population of approximately 473. The city has water/wastewater lines servicing all the community including 72 residential units, the school, and a few other commercial buildings. Three wells are used to provide water to the treatment plant, a primary well, and two reserve wells. The water treatment system is classified as class 1 and the water distribution system is classified as a class 2. Both the wastewater treatment system and wastewater collection system are not classified. The city is in the process of surveying its customers for billing accuracy. Some residential units have had turnover of residents without new service agreements being signed. At the end of the survey, the city intends to have all customers sign a new service agreement.

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

- Water and wastewater lines to 72 residential units, the school, and commercial units.
- A landfill
- Solid waste removal

# Capacity Indicators

---

On February 12-13, 2014, RUBA staff Eli Jacobson met with the City of Marshall 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:

- Notes from the RUBA assessment field survey form.
- The FY14 amended budget and a copy of the amendment non-code ordinance dated February 26, 2014.
- Monthly financial reports from January and February 2013.
- Authorization to Request Federal Tax Information covering October 2012 through December 2013.
- Phone correspondence with Alaska Village Electrical Cooperative on February 19, 2014.
- Chapter 4.04 Water and Sewer Utility from the Marshall code of ordinances.
- Phone correspondence with the State Department of Labor on March 11, 2014.
- The November-December 2013 Lien Watch A Review of Small Community Liens. [http://commerce.alaska.gov/dnn/Portals/4/pub/LienWatch\\_Nov-Dec\\_2013.pdf](http://commerce.alaska.gov/dnn/Portals/4/pub/LienWatch_Nov-Dec_2013.pdf)
- Employers Notice of Insurance (Alaska Municipal League Joint Insurance Association) for the period from July 1, 2013 through July 1, 2014.
- Job descriptions for the city clerk, alternate city clerk, bookkeeper, water treatment plant operator, landfill operator, and garbage truck driver.
- The City of Marshall Employee Handbook prepared by Alaska Municipal League Joint Insurance Association on March 5, 2003.
- The Significant Non-Compliers website dated January 2014. <http://dec.alaska.gov/eh/docs/dw/January%202014%20Web%20List.pdf>

## 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 type="checkbox"/>	<input checked="" type="checkbox"/>	Monthly financial reports are prepared and submitted to the policy making body.
<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

---

### Sustainable Indicators

<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	YTD revenues are at a level equal to or above those budgeted.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	YTD expenditures are at a level equal to or below those budgeted.
<input type="checkbox"/>	<input checked="" 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 of Marshall has a fiscal year starting on July 1 and ending on June 30. The FY14 budget was adopted on June 28, 2013 with non-code ordinance 13-03. The FY14 budget was amended on February 26, 2014 with non-code ordinance 14-01. The water/wastewater utility revenue is \$100,000 and the expenditures are \$80,456. Therefore the water/wastewater utility is balanced and realistic. However, the overall city budget is of concern as it operates the utility. The city has a total cash available equaling \$1,467,777 and expenditures equaling \$1,467,777. The concern is that only \$595,160 is operating revenue and \$872,617 is prior year cash balance. If these cash reserves are used up, the FY15 budget will have to make substantial changes to still balance. Monthly financial reports have not been submitted to the governing body since February 2013. On February 19, 2014, Alaska Village Electric Cooperative communicated that the City of Marshall is not current on electric bills. The mayor said that in fall 2013, the city received 12,500 gallons of heating fuel and this gives the utility a one-year supply. The city also has a credit with NorthStar Gas.

The city does not have a repair and replacement fund established. Since the city does not have current monthly financial reports, year to date revenues and expenditures cannot be determined. Monthly manager reports are verbally given to the council. Historically manager's reports have been recorded in the meeting minutes. However, the last meeting minutes provided to the Bethel RUBA office are from March 2013. The policy making body meets the second Wednesday of each month and budget amendments are adopted as necessary.

## Accounting Systems

### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	A chart of accounts is used that identifies categories in a reasonable, usable manner.
<input type="checkbox"/>	<input checked="" 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 of Marshall has adopted a collection policy found in the city code book section 4.04.060 Billing and Payment. Residential customers are billed \$60 a month unless they are an elder. Elders (65 and older) are only charged \$30 a month. Commercial units are charged \$120 a month and the school is charged \$3,000 a month. Billing statements are sent to customers on the first of the month. An Excel spreadsheet is used to track customer accounts and the past due amounts. Currently the spreadsheet only has about 90% of the customers listed. The city is planning on conducting a survey to update customer accounts. Some residential units have had tenants move out and new tenants move in and begin receiving service without signing a contract or making payments. The city does not have a complete list of vendors that money is owed to. Payroll is recorded on a ledger which includes all council members and administrative staff. This ledger is then entered into QuickBooks. All incoming money is recorded in a receipt book and entered into QuickBooks. All cash disbursements are done by purchase order and then also entered into QuickBooks.

The city does not have a chart of accounts. Monthly bank reconciliations have not been completed for all utility accounts. The mayor can approve purchase up to \$500. Purchases above \$500 require council approval.

## Tax Problems

### Essential Indicators

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

On February 20, 2014, the IRS deemed the City of Marshall not compliant with federal tax requirements. The fourth quarter of 2012 has a balance due, and the second quarter of 2013 has a balance due. The third and fourth quarters of 2013 have not been filed. On March 11, 2014 the state Department of Labor verified that the City of Marshall is current on their Employment Security Contributions account. The City of Marshall is not on the Lien Watch dated January-February 2014.

## Personnel System

### Essential Indicators

Yes No

**The utility has a posted workers compensation insurance policy in effect.**

---

### Sustainable Indicators

- The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED 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.

Marshall's workers compensation insurance is through the Alaska Municipal League Joint Insurance Association for the period from July 1, 2013 through July 1, 2014. Proof of coverage is posted in the city office.

The City of Marshall has a 40 page employee handbook that contains its personnel policy. The handbook was prepared by Alaska Municipal League Joint Insurance Association and is dated March 5, 2003. The ordinance adopting the handbook was not provided. However, the administrator refers to the handbook for all personnel related questions. The administrator also stated that the city is updating the personnel policy changing some holidays, and one employee title. The utility has written job descriptions for all positions. Copies were provided for the city clerk, alternate city clerk, bookkeeper, water treatment plant operator, landfill operator, and garbage truck driver. The utility does not have an adopted written evaluation process or a written hiring process. The hiring process is historically known. The position is first posted for two to four weeks. Then a four council member hiring committee conducts interviews and checks references. The city personnel folders do not include I-9s, job applications, and letters of acceptance for every employee. Personnel folders that were shown contained W-2's, timesheets, and state ID's. The city has a 90-day probationary period with an evaluation at the end that is historically known, but this is not written policy. On-the-job training and additional training opportunities are provided as necessary. In December 2013, the bookkeeper attended QuickBooks training.

## 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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" 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.

The City of Marshall owns the utility and the city council is the policy making body. The utility policy is not currently being enforced. When enforcement is performed, it is done by the operator going out and shutting off water to customers who have not paid. The operator has not responded to the mayor's contact attempts for a few months. During the two days that RUBA staff was in Marshall, the mayor made multiple phone calls to the operator and left messages. However, the operator did not respond.

The mayor has been performing managerial duties since November 2012. The bookkeeper was hired in November 2013, has attended QuickBooks training, and is pursuing additional training. The operator has five and half years' experience. However, all three of the operators' certifications (Water Distribution Provisional, Small Water System Treated, and Water Treatment Provisional) have not been renewed. The city's system type/class also has higher requirements than the operator has previously had. The water treatment system is a class one and the water distribution system is a class two. The city has adopted ordinances that give it the authority to operate, in particular, the authority to turn customer's water off.

The utility does not have an organizational chart. The policy making body meets the second Wednesday of each month. The city clerk posts meeting notices in the city office, the local store, and the post office, five days in advance.

## 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

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 still 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 (CCR).

The utility meets all required regulations (is not on the Significant Non-Compliance (SNC) list).

The utility maintains an inventory control list.

The utility maintains a critical spare parts list.

The operator’s certifications have expired and he has not gone to training although the mayor has instructed him to go. RUBA staff and the mayor went to the water treatment plant but could not get inside the building; therefore, it could not be determined if the utility has a preventative maintenance plan.

Monthly operation and maintenance reports are not being conducted. The mayor cannot get into the building to spot check the facility. The utility does not have a safety manual or hold regular safety meetings. Several of the arctic boxes are not working. This has caused a disruption in service to the affected customers. It is the operator’s responsibility to maintain the arctic boxes. This has caused the utility to operate below the level of service that was originally proposed. A CCR has not been posted. The city is not on the SNC list dated January 2014. Since entry to the water treatment plant could not be gained, it could not be determined if the utility has an inventory control or critical spare parts list.

## Essential Recommendations

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

- Submit monthly financial reports to the city council and record them in the meeting minutes.
- Make payments to Alaska Village Electric Cooperative to become current on electric bills.
- Create an accounts receivable with all of the customers listed.
- Create an accounts payable system for the utility.
- Develop a system to accurately calculate, track, and report payroll tax liabilities
- File reports and pay taxes necessary to come into compliance with the Internal Revenue Service.
- Make employment security contributions necessary to come into compliance.
- Enforce the utility policy.

- Have the operator attend training to gain certification necessary for the operation of the utility.
- Create a preventative maintenance plan for the water treatment plant.

## Sustainable Recommendations

---

The City of Marshall can work to improve Sustainable Indicators in the areas of “Utility Finance,” “Accounting Systems,” “Personnel System,” “Organizational Management,” and “Operation of Utility.”

It is recommended that the utility:

- Create a separate account for depositing sufficient revenues to cover repair and replacement cost, and show this in the line items on the budget.
- Ensure that revenues are at a level equal to or above those budgeted.
- Ensure that expenditures are at a level equal to or below those budgeted.
- Submit monthly manager’s reports and record them in the meeting minutes.
- Develop a chart of accounts that identifies categories in a reasonable useable manner.
- Complete monthly bank reconciliations.
- Adopt the employee hand book or a new personnel policy.
- Adopt a written personnel process that ties the job description to the evaluation.
- Create a written hiring policy.
- Include I-9’s, job applications, and letters of acceptance in all personnel folders.
- Create a written probation policy that includes orientation, job-training, and evaluations.
- Adopt an organizational chart that reflects the current structure.
- Provide monthly operation and maintenance reports from the operator to the administrator. The administrator should also conduct routine spot checks of the utility facility to ensure maintenance tasks are being completed.
- Create a safety manual and conduct regular safety meetings that are recorded.
- Repair arctic boxes so the utility operates at the level of service originally proposed.
- Have the operator provide status reports to the administrator on a routine basis.
- Complete and distribute a Consumer Confidence Report and meet all other required regulations.
- Create an inventory control list.
- Create a critical spare parts list.

## Conclusion and Next Step

---

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