

City of Newhalen

Assessment of Management Capacity Indicators

Roberta Eleazer, LGS
Rural Utility Business Advisor (RUBA) Program
Division of Community and Regional Affairs
Department of Commerce, State of Alaska
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Introduction

The City of Newhalen report was completed by Rural Utility Business Advisor program staff Roberta Eleazer 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 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 Newhalen operates and manages the following utility services:

- Small untreated water system
- Piped sewage system
- Wastewater pumping and haul
- Landfill

Capacity Indicators

On 11/4/2014, RUBA staff Roberta Eleazer met with City of Newhalen staff to complete a RUBA Assessment of Management. City of Newhalen staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY14 and FY15 City of Newhalen budgets
- City of Newhalen 2015 budget ordinance
- City of Newhalen balance sheet, dated September 2014
- City of Newhalen Profit & Loss report for July 2013 through September 2014
- City of Newhalen check register for February through August 2014
- City of Newhalen general meeting agenda from January to October 2014
- City of Newhalen general meeting minutes from January to August 2014
- Tax clearance from IRS and Alaska Department of Labor and Workforce Development
- City of Newhalen personnel policies
- Utility ordinance
- Utility employee job descriptions
- Utility employee job announcement
- Alaska Department of Environmental Conservation system classification and operator certification data
- State of Alaska, Department of Labor and Workforce Development, notice for workers' compensation insurance coverage
- Request for purchase order
- Critical spare parts list

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's fiscal year runs from July 1 to June 30. In the fall of 2009, the City of Newhalen signed a participation agreement with the Alaska Native Tribal Health Consortium's (ANTHC's) Assisted Billing Service for the city's water and wastewater services. A copy of the city's FY14 budget ordinance, adopted on May 20, 2014, is electronically filed at the Anchorage office. The budget includes an 'Equipment Replace Reserve' fund. The budget appears to be detailed and balanced, and includes revenues and expenses for the utility. Minutes from city council meetings held from January through September 2014 were provided for this report, as well as a multi-month financial report through September 2014. All of the meeting minutes identify that a monthly financial report was given to the council. The city's budget appears to have adequate funding for heating fuel for the winter of 2014/2015, and the utility will not need a bulk fuel loan to pay for summer or fall deliveries. Highlights from the manager's reports are included in city council meeting minutes.

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 is in the process of developing a formal collection policy. Prior to 2009, the utility was not financially stable and currently carries a large negative cash balance. However, the council is actively working to collect past-due accounts. The council recently implemented a policy that states any customer with a past-due account must make a \$20 payment before playing bingo. This action, which started in March, has proven to be a successful strategy to collect past due accounts. Copies of the City of Newhalen Water and Sewer Ordinances are on file at the Anchorage regional office. Chapter 36 of the February 1990 municipal code, addresses: prohibited acts, connection to city water and sewer systems, standards for installation of service lines, utility rates, disconnection, reconnection, penalties, and the utility operators. Billing and collections for Newhalen’s piped water and wastewater services have been handled by Alaska Native Tribal Health Consortium's (ANTHC) Assisted Billing Service since September 2009. The service bills customers, collects payments, tracks account histories, and provides monthly reports to the utility for a small fee. According to ANTHC's assisted billing records, the City of Newhalen September 2014 collection rate was 104 percent, and the utility has achieved an 82 percent year-to-date collection rate. A chart of accounts from the city's QuickBooks software was provided during the October 15 RUBA assessment. Bank account statements and reconciliations for January-August 2014 were provided for this report. City ordinances have written purchasing procedures that require prior approval by the city administrator and the council. A listing of cash payments was provided.

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 administrator and clerk use QuickBooks to calculate and track payroll tax liabilities. A September 2014 correspondence from Alaska Department of Labor and Workforce Development in Anchorage indicated the city is compliant with all its payments and reporting requirements and the Anchorage IRS office indicated the city has no delinquent federal tax balances or late informational reports. The city is not listed on the most recent lien watch.

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 Newhalen is insured by Alaska Municipal League Joint Insurance Association, Inc. (AMLJIA). The Alaska Department of Labor and Workforce Development website indicated that

the city has a valid workers' compensation policy. Proof of coverage is posted as required. A copy of City of Newhalen Personnel Policies, adopted February 1990, has been reviewed by AMLJIA. The administrator is in the process of updating the policies and job descriptions. The policy has an adequate written hiring process, gives employees a 90-day probationary period, and addresses job postings, orientation, job training/oversight, the work week, termination, resignations, and evaluations. The city's personnel files were reviewed by RUBA staff on October 15, 2014. All employee files had an I-9, job application, and letter of acceptance. The city has sent its water operators and administrative staff to trainings within the last year. According to the City of Newhalen personnel policies, a performance evaluation report is required from an employee's immediate supervisor annually from their date of hire, promotion, or demotion. A performance evaluation shall also be rendered upon the completion of the three-month probationary period, and a final performance evaluation shall be prepared within five working days of an employee's final day of work, regardless of the reasons why that employee leaves city services.

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.

Title 6, Chapter 36 of the City of Newhalen Code of Ordinance makes clear that the city owns, operates, and manages the city's sanitation services. City of Newhalen general meeting minutes dated August 14, 2014 indicate the city council is active in the policy making of the utility and in enforcing those policies. According to the report, the city is continuously working to increase the collection rate. The council recently implemented a policy which states that any customer with a past due account must make a \$20 payment before playing bingo. The May 2014 general meeting minutes state that ARUC will put in stop values for all new homes starting the summer of 2015. Twenty-two homes have curb stops and the council has supported turning off two homes. The city administrator has a long history of working with the city. He was the mayor from 1980 to 1984, and also a council member and back-up water operator. He was hired as the administrator in November of 2013. He attended QuickBooks training in August 2014 and RUBA Organization Management training in September 2014. The city's water operator has a 'Small Water System Untreated' certificate that expires on December 31, 2016. The city administrator and a back-up operator have additionally obtained certificates, which expire December 31, 2014. Two operators attended Alaska's Institute of Technology (AVTEC) training in August 2014. An organization chart has been developed for the city and will be voted on in the November council meeting. The city council meets the second Tuesday of every month pursuant to Alaska Statutes Title 29. Public notification of meetings and the manner in which they are conducted are in accordance with Alaska's Open Meeting Act or otherwise stated in their local ordinances.

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 city's water operator has a 'Small Water System Untreated' certificate that expires on December 31, 2016. The city administrator and a back-up operator have additionally obtained certificates which expire December 31, 2014. Two operators attended Alaska's Institute of Technology (AVTEC) training in August 2014. A copy of the city's preventive maintenance plan was made available to RUBA staff. The city administrator is a certified operator and routinely 'spot checks' work done on the water treatment facilities. He interfaces with the operator on a daily basis, at which time he receives status reports on the utility's facilities. The administrator practices and discusses safety requirements and procedures with the staff. The city's existing lift station often fails, backing up sewage on the ground or into homes. The system is 25 years old, the design is obsolete, and the city has major difficulties replacing parts. Additionally, the system is not energy efficient. The Alaska Native Tribal Health Consortium's ARUC engineers have identified a solution that will add 10 more years to the system and will start the project in the spring of 2005. Copies of the city's 2013 Consumer Confidence Report (CCR), and a certification form signed by the city manager on October 17, 2014 indicating the CCR has been distributed by mail to the community, are electronically filed at the Anchorage regional RUBA office. The City of Newhalen water system is not listed on the current Significant Non-Complier (SNC) list. Inventory control and critical spare parts lists are on hand.

Essential Recommendations

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

Sustainable Recommendations

The City of Newhalen 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 RUBA recommendations and working with the RUBA program to continue improving management practices, the City of Newhalen will put itself into position to better meet unanticipated financial costs and increase the long-term sustainability of all utilities.

The City of Newhalen 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.