# City of Pelican

## Assessment of Management Capacity Indicators

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# Introduction

The City of Pelican report was completed by Rural Utility Business Advisor program staff Ryan Wilson 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 Pelican operates and manages the following utility services:

- Water Treatment Level 2
- Water Distribution
- Waste Water Collection
- City Harbor/Fuel Dock
- Electrical Utility

Pelican is a First Class City, with a population of approximately 79, located on the northwest coast of Chichagof Island, 70 miles west of Juneau. Pelican is a fishing community. Most of the economic activities in the city are centered on the fishing resources, either as a commercial enterprise or a sport fishing operation/lodge.

The City of Pelican only recently had their water treatment plant installed in 2008. Before 2008, the water came directly from a flume, located at the south end of the city, and flowed directly into their water distribution lines. The City of Pelican did treat the water with chlorine during this time, but this was neither regulated nor consistent. The practice was not an issue with the people of Pelican, who felt like the water was perfectly fine, unless heavy rains came to town, which led to more runoff and sedimentation, and added coloration and increased turbidity to the city's water. The new treatment plant is a class 2 water treatment facility. The City of Pelican has only one active water operator. According to the water operator, Alaska's Department of Environmental Conservation recognizes the fact that there is one operator and does not enforce water quality tests timetables as stringently as they would otherwise (i.e. every four hour - turbidity tests).

The City of Pelican has four 10,000 gallon waste water septic tanks. These tanks have a direct outfall into the adjacent ocean inlet. The vast majority of residents are connected to the system. According to the waste water operator, the Environmental Protection Agency has granted the city a 301-H waiver form, which allows the city to continue this practice. A few residents have their own septic tanks and outfall operations.

The City of Pelican owns and operates the only fuel dock and bulk fuel storage facility. The fuel dock receives fuel from Petro Marine every couple of months by barge. The city has not had any problems with maintaining an adequate supply of fuel and funds. However, Petro Marine has made recent plans to upgrade their barge to meet regulatory standards. The new double hulled barge is a much bigger boat than the previous barge. The current infrastructure of the city to receive the boat is no longer capable of handling the bigger boat. The State of Alaska Legislature has recognized this dilemma and provided $130,000.00 grant to aid in this transition. Unfortunately, this is not enough money to cover the upgrade. The city mayor received several bids to do the upgrade, the least expensive of which is upwards of $800,000.00.

# Capacity Indicators

On 10/15/2014, RUBA staff Ryan Wilson met with City of Pelican staff to complete a RUBA Assessment of Management. City of Pelican staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- FY15 Budget
- Profit & Loss Budget vs. Actual, July - October 2014
- Profit & Loss, July - September 2014
- Chart of Accounts
- Billing Invoice
- Notification of Delinquency Letter
- Notification of Severe Delinquency Letter
- City of Pelican Pay Stub
- City of Pelican Sales Receipt
- City of Pelican Purchase Order
- Payroll Check
- City of Pelican General Fund Check
- Purchase Invoice w/receipt
- City of Pelican Reconciliation Detail - September 2014
- City of Pelican Aging Summary - October 2014
- Expense by Vendor Summary - October 2014
- IRS Taxpayer Non Compliance Notification - September, October & June 2014
- State of Alaska Tax Non Compliance Memorandum - September 2014
- Water Operator Description of Duties and Powers
- City of Pelican Policy and Procedures Handbook
- Organizational Chart
- Mayor Report to the City Council - January, February, March, May & August 2014
- Municipal Code Chapter 13.02 Freshwater Utility System Tariff
- Special Meeting Notification - October 13, 2014
- City Council Meeting Minutes - June 26, July 30 & October 6, 2014
- Meeting Agenda Notification - November 13, 2013
- Special City Council Meeting Minutes - June 4, 2014
- Payroll Summary, March - May 2014
- City of Pelican Consumer Confidence Report for Water Department - 2013
- Water Utility Log - 2014

## 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 of Pelican adopted their FY15 budget on May 22, 2014. The budget included actual numbers from the previous year, budgeted projections for the current year, and a variance. Water utility income is expected to be roughly the same as the previous year. The city's budget makes it difficult to determine actual budgeted expenditures for the water utility, as it is lumped into a pool of utilities listed as public works. This makes it difficult to do a comprehensive assessment of the budget. However, the city is attempting to resolve this issue. City finance staff and RUBA personnel have discussed methods to remedy this situation, and during the assessment finance personnel worked on correcting this issue. The current chart of accounts used to track expenditures/revenues for specific accounts does mirror the budget line items. This has made it difficult for the city finance staff to create monthly financial reports for the governing body. Monthly financial reports are not currently being submitted to the city council.

Partly because the city council does not meet on a regular monthly bases, and partly because the treasurer and city clerk, whom are tasked with this responsibility, were having difficulty producing a report that was able to reflect on the city budget and at the same time show current revenue and expenditures of the city in a simple and easily readable format. RUBA staff provided an excel spreadsheet that allows the user to enter in their respective budget; as revenues and expenditures are totaled at the end of each month, the spreadsheet automatically generates a year to date total as well as a column that provides a percentage of the budgeted amount that has been used or earned by the city. This allows the city staff to provide a systematic financial statement to the governing body that provides a clear and comprehensive picture of the current financial circumstances of the city while actively comparing the financial condition of the city to the budget. This will not be an easy task to facilitate, until the city staff is able to produce a chart of accounts that reflects the city's budget line items. According to the city's FY15 budget there will be a surplus of roughly $47,000.00 this year. This is not surprising since the city owns and operates the only fuel dock and electrical utility in the city. The city does not currently charge users enough to cover operating expenses for the water utility. The city utilizes surplus funds from their fuel dock and other sources of income, such as community revenue sharing, to subsidize the water utility. The fuel dock receives fuel from Petro Marine every couple of months by barge. The city has not had any problems with maintaining an adequate supply of fuel and funds. However, Petro Marine has made recent plans to upgrade their barge to meet regulatory standards. The new double hulled barge is a much bigger boat than the previous barge. The current infrastructure of the city to receive the boat is no longer capable of handling the bigger boat. The State of Alaska Legislature has recognized this dilemma and provided $130,000.00 grant to aid in this transition. Unfortunately, this is not enough money to cover the upgrade. The city mayor received several bids to do the upgrade, the least expensive of which is upwards of $800,000.00.

## 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. |

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| ☑ | ☐ | 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 of Pelican uses the QuickBooks accounting system to track and report the city's expenditures, revenues, payroll and taxes. The city uses a consolidated billing approach, wherein all bills owed to the city are condensed into a single payment. The city has adopted a collection policy and for the most part follows it. If a member of the community fails to make a payment, the city works with that individual to set up a payment plan that is more agreeable for their financial circumstances. In a city where fishing is the primary source of income, people tend to have more money during the summer months when the fishing industry is flourishing. The city recognizes this, and works with customers whom might have difficulty paying during certain times of the year. The city does have a few outstanding delinquent customers, most of which have set up a payment plan. For those who have not met with the city to craft a payment plan, the city has followed through with efforts to enforce payment via shut-off of services and or filing for/obtaining a lien against property. The city sends a 30 day notification of failure to pay. At 60 days the city makes effort to set up a payment plan with the delinquent customer and or shuts off service. An accounts receivable system and aging summary are in place that tracks customers and reports past due accounts. The utility has a cash disbursement system that records how money was spent. Generally, there is a $500.00 approval limit, wherein any purchases over $500.00 must first be approved by the mayor and another council member. Any items above $5000.00 need the city council's approval, by a majority vote. This is a lax policy that does not get followed for every purchase, but is scrutinized circumstantially depending on the nature of the purchase. In other words, if there was something that the water operator needed, and that particular purchase was within the limits of the budget he/she would go ahead and make that purchase without approval. On the other hand, if there was a purchase that needed to be approved and it was not within the budget and not a routine purchase, he/she would seek the approval of the mayor and or council. A chart of accounts is in place. However, the chart of accounts does not currently mirror the budget line items. This is something the city is currently working on. Monthly bank reconciliations are completed at the end of each month. Many of the

customers pay regularly in cash payments. The city has a cash receipt system in place and actively follows that system to track cash revenue.

## 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 of Pelican uses QuickBooks to calculate, track, and report payroll tax liabilities. It then utilizes the online payment system to make all necessary payments. Federal tax deposits are made by the city through direct deposit, and IRS 941 deposit slips are submitted appropriately. However, RUBA staff and the city have received several letters indicating non-compliance with the IRS. This is in part due to the fact that the City of Pelican recently changed banks and failed to change the routing number for the Federal Online Tax Payment System. RUBA staff addressed this issue during the recent RUBA assessment, and worked with city staff to proactively engage the IRS and fix this problem. The city also failed to submit the most recent 941 form for the quarter ending on September 30, 2014. The State of Alaska, on September 15, 2014, indicated that the city is currently considered non-compliant with state tax obligations. The State of Alaska, however, indicated that the issue was minor, and that the city was working with the state to remedy this problem.

## 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. |

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|---|---|---|
| ☐ | ☑ | 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 Pelican does not have a written/formal employment evaluation process. However, the mayor of Pelican is actively involved in the everyday activities of the city and addresses issues as they present themselves. The mayor engages the city council when necessary to make employment decisions. The hiring process usually consists of posting/advertising the position. The mayor will review applicants and then make recommendations to the city council. The mayor and city council usually agree on the chosen applicant. Pelican's municipal code gives the authority to both the mayor and the city council to make employment decisions. This is a contradiction, and RUBA staff has suggested the city look into changing the code by ordinance. The city has not adopted a management form of government, so ultimately the authority to hire and fire personnel for the city lies with the mayor (not including the city clerk & treasurer). This has been a matter of contention for the city, but they have seemingly dealt with it for the time being. The mayor actively participates in monthly Alaska Municipal Joint League Insurance personnel and safety teleconferences. The city has a six month probationary period for all new employees.

## 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 Pelican has had difficulty sustaining a regular schedule for meetings. As mentioned previously, the main source of income for people in the city is fishing. The fishing season does not wait for regularly scheduled meetings. As such, many of the council members have difficulty meeting regularly during the summer months, when fishing is at its peak. However, the city has held special meetings during the summer in order to deal with issues as they arise, and regularly uses teleconferencing to meet with individuals who cannot be present. The City of Pelican has a council member who continues to violate Alaska's Open Meeting Act, by sending out chain emails to all council members that include information about issues that can and have been acted upon by the city council. RUBA staff, the mayor, city clerk, and the city attorney have all disclosed information about the violation to the city council member. The city council member has so far ignored that information and continues to try and address issues of a public nature via chain emails. The city's water operator has been on the job for over 19 years. The operator is certified as a water operator 2, which is the appropriate certification for their water treatment facility. In addition, the water operator is provisionally certified for water distribution and wastewater collection. Both of the later certifications are above and beyond the required certification to operate and manage the city's water utilities. The City of Pelican's municipal code identifies the owner and entity that will operate the water utility. Issues that come up are communicated to the policy making body through a regular mayor report. It is important to note, that the mayor of pelican works on a volunteer basis.

## 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/manager has been on the job for over 19 years. The operator is certified as a water operator 2, which is the appropriate certification for their water treatment facility. In addition, the water operator is provisionally certified for water distribution and wastewater collection. Both of the later certifications are above and beyond the required certification to operate and manage the city's water utilities. The water operator does not currently maintain an inventory control list or spare parts list. However, the operator has the appropriate backup inventory and is knowledgeable about pending issues with equipment. The operator does not hold regular safety meetings, but RUBA staff was able to verify that the operator takes the necessary precautions to avoid accidents, as well as uses the safety equipment regularly. Nevertheless, this is not a substitute for a written safety manual, or regular safety meetings.

# Essential Recommendations

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

- Prepare and implement monthly financial reports to the policy making board to give them a comprehensive understanding of the financial circumstances of the city.
- Proactively engage the IRS, and State of Alaska to ensure the utility is current on filing tax reports.
- Proactively engage the IRS, and State of Alaska to ensure the utility is current on making tax deposits.
- Create a system/environment where the policy making body enforces utility policy.

## Sustainable Recommendations

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

- Adopt and follow a written personnel evaluation process that ties the job description to the evaluation.
- Amend the current ordinance to address the fact that the policy making body currently does not meet monthly as required.
- Continue to address the issue with non-compliance of the open meeting act for all meetings.
- Create and maintain an inventory control list.
- Create and maintain a critical spare parts list.
- Construct a safety manual and develop a strategy to remind your self and other/future water operators about safety procedures.
- Develop a quarterly report from the utility operator to the city council, and routinely "spot check" the facilities to see that the maintenance items are being completed.

## Conclusion and Next Step

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

The City of Pelican 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.