

City of Stebbins

Assessment of Management Capacity Indicators



Date: June 25, 2013

Prepared by: Iura S. Leahu, LGSIII

Department of Commerce, Community and Economic Development
Division of Community and Regional Affairs
Rural Utility Business Advisor (RUBA) Program

Introduction

The City of Stebbins assessment was completed by the Rural Utility Business Advisor Program, staff member, Iura S. Leahu, as a requirement for a proposed grant-funded sanitation project. The assessment was completed with the voluntary assistance of the utility staff and based on their information provided to the RUBA program. Specific documents provided by the utility staff are in the Nome 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 those items that are critical to the long-term survival of the utility.

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

- Watering point
- Honey bucket bunkers hauling
- Washeteria (shower, laundromat, water sale)
- Water treatment
- Pump house distribution
- Landfill and garbage hauling
- Honey bucket lagoon

The City of Stebbins owns, operates and manages Stebbins Water Treatment System, which is a class 1 water treatment system. A water transmission line, designed for seasonal use only, carries raw water from Clear Lake, a freshwater source about four miles to the east of the community, to the 500,000 gallon water storage tank build in 1976. As of 2012, the tank is in use as a storage tank because severe interior corrosion has been detected and the tank needs to be inspected and

possibly considered for rehabilitation. The city is using the 750,000 gallon school water storage tank built in 1990. The water is filtered and chlorinated at the water treatment plant. The building was built in 1976, and it is “inadequate to support the operation of a complete water system” today. The treated water is stored in the school water storage tank. Residents haul water from the watering point located on the exterior of the washeteria. The watering point provides treated water. The Stebbins school and clinic are the only two buildings, other than the washeteria, that have piped water service connections and shared piped wastewater system. The washeteria, school and clinic use septic tanks and drain field systems for treatment and disposal of wastewater. Residents of Stebbins use honeybuckets in their homes. When the honeybucket is full, the plastic bag is tied shut and transported to a collection bin. The city collects the honey bucket bins and transports them to the honeybucket dump. The city also maintains a solid waste disposal dump. To address the inadequacy of the old treatment plant to support the operation of a complete water system and the water shortage problem in Stebbins, the city council approved construction of a new water treatment plant and a new 500,000 gallon water storage tank. In the summer of 2012, ANTHC built the pile foundation for the new water treatment plant and the water tank. This summer, 2013, ANTHC will build the new water treatment plant and the new water tank. In the winter, the project will continue inside the water treatment plant. The construction management expects to have the new plant operational in the fall of 2014.

Capacity Indicators

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 type="checkbox"/>	<input checked="" type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair & 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 Stebbins adopted the FY 2014 budget on May 16, 2013 and a copy of the approved budget was submitted to the Division of Community and Regional Affairs. The Stebbins Water Treatment System’s budget is included in the overall city budget. The utility’s budget is realistic and includes all revenues and expenditures for the FY14. However, the budget is not balanced and the city council will have to use other sources of revenues to subsidize the deficit, which is approximately \$54,000. The honeybucket hauling services, as well as, other sanitation related budgets are not balanced as well. The council has chosen to cover the deficits subsidizing the utility using the annual State of Alaska Community Revenue Sharing payments, Payment in Lieu

of Taxes payments and the Norton Sound Economic Development Corporation Community Benefit Sharing annual payments.

The city bookkeeper prepares and submits monthly financial reports comparing actual year-to-date revenues and expenditures to the city council. The reports are also referenced in the meeting minutes. RUBA staff has received copies of the monthly financial reports for the months of March, April and May 2013. According to the most recent invoices from the electric utility, the utility is current in paying its electric bills. According to the city administrator, the city and its related facilities, including the water system, have an adequate fuel supply. The City of Stebbins is part of the Norton Sound Economic Development Corporation bulk fuel purchase program. The city council ordered 25,000 gallons of heating fuel for the upcoming year and part of it is used to heat utility facilities. Stebbins Water Treatment System is receiving revenues from user fees (local school and clinic) and other sources to pay for operating expenses and repair and replacement costs. The revenues are not equal to or above those budgeted. The expenses are not at a level equal to or below those budgeted. The city administrator is the supervisor of all employees of the city including the water plant operators. The water operator provides monthly reports on the operation and maintenance of the utility. The city council is active in the budget appropriation process. According to the monthly city council meeting minutes, the city council makes fiscal adjustments when necessary by amending the budget.

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 of Stebbins does not have an ordinance that clearly delineates the collection policy for the water, wastewater and honeybucket services. There is a waste disposal ordinance which outlines in general terms the collection policy regarding the honeybucket services. However, the ordinance should be amended as it is outdated. RUBA staff proposed the city council adopt a comprehensive ordinance outlining the policy regarding collections. The city council has reviewed the ordinance but has not yet adopted it. The current ordinance indicates that bills will be sent to customers by the tenth of the month for the current month and are due by the tenth of the following month. The same section of the ordinance writes that any customer who is three months or more overdue in payment is encouraged to sign an agreement with the city to bring the account up-to-date within six months from the date it became overdue. The section continues stating that any customer who refuses to make such agreement or fails to abide by it is subject to

action in Small Claims Court at the option of the city. RUBA staff proposed several steps to address the problem of collection for honeybucket hauling services included in a RUBA work plan. Although the city council has followed up on some RUBA staff recommendations, it made a decision to forgive all past due accounts to all honeybucket customers as of July 1, 2012 rather than enforce collections. This quarter, the city resumed sending out statements to customers. RUBA staff provided the city staff with QuickBooks helpline contact information. The utility uses QuickBooks to track customers and report past due accounts and amounts. A QuickBooks Pro 2010 accounts payable is in place. Some errors were detected in calculating payroll taxes, however, the utility calculates and keeps records of the payroll payments. A cash receipt system is in place. According to city staff, the city writes a receipt for any income received and a copy of every receipt is kept in a sequentially numbered permanent receipt book. The QuickBooks chart of accounts identified categories in a usable manner, but is in need of revision.

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, a repayment agreement has been signed and repayments are current.

The city and utility staff use QuickBooks to calculate, track and report payroll tax liabilities. As of July 1, 2013 the Internal Revenue Service Taxpayer Advocacy Office reported that the city of Stebbins and its public utilities are in compliance with federal tax filing and deposit requirements. No recorded notice of federal tax lien against the city and its utilities has been located. The Alaska Department of Labor and Workforce Development confirmed that all state tax payments are current as of July 1, 2013.

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 of Stebbins has a worker's compensation insurance policy with the Alaska Municipal League Joint Insurance Association (AMLJIA) valid through June 30, 2014. This is a comprehensive insurance which covers work-related accidents and occupational diseases as per

Alaska Statutes. Proof of coverage is posted in the city office. The city personnel policies apply to all employees of the city. The city office has adequate written job descriptions for all city positions. The utility uses a written personnel evaluation process outlined in the code of ordinances. The hiring process is also described. Every city employee has a well-organized personnel file, which contains such documents as employee's original job application, reports on employee's work performance, and disciplinary actions. The utility provides orientation, job-training, oversight, and performance evaluation. The utility also provides for outside training opportunities. The city administrator has attended the Financial Management for Rural Utilities course and the city clerk attended an Organizational Management for Rural Utilities course, both offered through the RUBA program.

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.

According to Chapter 30, Section 3 of the Stebbins Code of Ordinances all existing and proposed water tanks, piping systems and facilities are owned by the City of Stebbins. The code states that the City Council of Stebbins shall oversee operation of this department, and “the council shall adopt rules, regulations, times, and days of use of water department facilities.” However, the code of ordinances does not contain the rules and regulations regarding the management and operation of the Stebbins water treatment system. The city code was last codified on May 21, 1984. RUBA staff found an ordinance dated March 11, 2000, which briefly discussed, on two pages, the services provided, fees for services, customer base, billing and collections. This quarter, the city council has been involved in policy making for the water treatment plant, honeybucket haul, and washeteria operated by the city. For example, the city council unanimously voted to begin charging the local clinic and Head Start program for water (0.07 per gallon) and trash. The same meeting minutes indicated that the city council reviewed the monthly financial reports showing year-to-date financial standing of the public utilities in the city. The city administrator stated the city council will also review and adopt the proposed waste disposal ordinance provided by RUBA staff. However, the city council has not enforced the collection policies outlined in the code of ordinances. The city council voted the city clerk be a part-time city and utilities bookkeeper. The city administrator and city clerk share the accounting and financial record keeping responsibilities regarding all public utility services. The city administrator acts as the general manager of all city departments. The utility has an adequately trained operator.

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.

Stebbins Water Treatment System has a primary water treatment operator. The operator's Water Treatment 1 certificate has expired. Attempts have been made to renew the certificate but no certificate was issued. The utility manager intends to hire an alternate water operator who will be attending training and taking the test to receive a certificate. The utility has an outdated preventive maintenance plan. The utility intends to update the preventive maintenance plan. The water operator has daily, weekly, monthly and annual tasks that involve the operation and maintenance of the utility. The utility keeps records of daily water sampling and the monthly testing of the sample at the lab. The water operator keeps records of water usage by each customer, including the washeteria. Written reports to the management do not appear to be produced on a monthly basis, but the operator provides both verbal and written status reports to the city administrator on a routine basis. The utility has completed and distributed its Consumer Confidence Report (CCR). The utility is not listed on the most current Significant Non-Complier List, April 2013. Although the water operator indicated that the city administrator and city council allocate funds when the utility needs critical spare parts, the utility does not maintain an inventory control list or a critical spare parts list.

Essential Recommendations

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

- Update the collection policy and follow it;
- Enforce utility policy;
- Have a water operator actively work toward necessary certification.

Sustainable Recommendations

In addition to the Essential Recommendations, the City of Stebbins can work to improve Sustainable Indicators in the areas of “Utility Finance,” and “Operation of Utility.”

It is recommended that the City of Stebbins:

- Receive sufficient revenues (user fees or other sources) to cover operating expenses and repair and replacement costs.
- Ensure YTD revenues are at a level equal to or above those budgeted.
- Ensure YTD expenditures are at a level equal to or below those budgeted.
- Prepare monthly manager’s reports.
- Provide to the city council/manager monthly an O&M report.
- “Spot check” the facilities regularly.
- Hold safety meetings through AMLJIL.
- Maintain an inventory control list and critical parts list.

Conclusion and Next Step

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

Nome RUBA staff is available to provide assistance for any essential and sustainable capacity indicators that are not being met.