

# City of Wales

## Assessment of Management Capacity Indicators

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Division of Community and Regional Affairs  
Rural Utility Business Advisor (RUBA) Program

# Introduction

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

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

The City of Wales owns, operates and manages Wales Water System. The city operates two groundwater wells which were drilled in 2001. A water transmission line transports raw water to the water plant where it is stored in a 500,000 gallon storage tank. The washeteria and the water plant are located in the same building. Some residents purchase and haul water from the water storage tank at the washeteria. Other residents use untreated water from the Village Creek.

Almost all residents use honey buckets, and very few homes currently have plumbing. The city runs a honey bucket hauling service. The school and clinic are served by piped water. There are two wastewater systems: one for the school and the other for the teacher's housing and clinic. A master plan to implement a piped system was completed, but such a piped water and wastewater system is not being considered at this time. In 2012, the Village Safe Water Program secured funds to conduct a feasibility study to evaluate treatment alternatives to remove naturally occurring uranium and fluoride from the two groundwater wells and build a new water plant and washeteria. CRW Engineering Group, LLC provided the city with a Water Treatment Plant and Washeteria Design Analysis Report in June 2013. A Wales Water Utility Business Plan was prepared by Michael L. Foster and Associates, Inc. The plan identified the following proposed upgrades to the water system: new surface water source intake facility and infiltration gallery; new combined water treatment plant and washeteria facility; new on-site wastewater disposal system; waste heat supply from the Alaska Village Electric Cooperative; new supply and return piping between the existing water treatment plant and the proposed; new service boxes for the school, clinic, teacher housing. There is no permit for the landfill.

## Capacity Indicators

### Utility Finance

#### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>All revenue and expenses for the utility are listed in the utility budget.</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>The utility has adopted a balanced realistic budget.</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>Monthly financial reports are prepared and submitted to the policy making body.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility is current paying all water/wastewater electric bills.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.</b>

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#### 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 checked="" type="checkbox"/>	<input type="checkbox"/>	A monthly manager's report is prepared.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Budget amendments are completed and adopted as necessary.

The City of Wales adopted its FY14 budget and a copy was submitted to the Division of Community and Regional Affairs, Community Aid and Accountability Section. The water and wastewater system consists of the Wales Water System, water plant, washeteria, and honey bucket hauling service. The enterprises section of the city budget lists the revenue sources used to cover the costs of operating and maintaining Wales Water System, water plant and the washeteria. RUBA staff and the city clerk recalculated the expected revenues for the next six month of the FY 2014 budget cycle and estimated a total of over \$27,800 in revenues. Expenditures were also recalculated and it is expected that the water and wastewater system in Wales will need over \$34,300 to cover operating and maintenance costs, generating a deficit of at least \$6,500 over the next six month of the FY 2014 budget cycle. Although the utility budget appears to be realistic showing a comprehensive list of expenses, the budget is not balanced. The

honey bucket hauling budget, referred to as the wastewater utility is not balanced showing \$1,500 in revenues and over \$30,500 in expenditures. RUBA staff and the city clerk recalculated expenditures for the next six month of the FY 2014 budget cycle, and it was estimated that the honey bucket hauling service will cost approximately \$11,300 over the next six months. No revenues were calculated because the city has just begun to send out bills to customers using the honey bucket hauling service. The city council will have to subsidize both the water and wastewater service over the next six month. The city clerk and the alternate city clerk are responsible for preparing and submitting monthly financial reports to the city council. Last quarter, the city clerk provided the council and RUBA staff with a list of revenues and expenditures pertaining to the water plant and washeteria. However, the city and its utilities should develop monthly financial reports that compare actual year-to-date revenues and expenses to the budget. This quarter, RUBA staff worked with the city clerk on creating such a monthly financial report and presented it to the council. The first monthly report will compare revenues and expenditures to the budget, and should continue so on a monthly basis. According to the most recent invoices from the electric utility, the water plant and washeteria are current in paying their electric bills. The water plant and washeteria have an adequate fuel supply. The city is part of the Norton Sound Economic Development Corporation bulk fuel purchase program. The city ordered 8,000 gallons of heating fuel for the year and most of it is used to heat utility facilities. Since the city, water plant, washeteria, and the honey bucket hauling service have not used monthly financial reports, it is unknown whether the year-to-date (YTD) revenues and expenditures are balanced. The water operator provides monthly reports on the operation and maintenance of Wales Water System, water plant and washeteria. The city council does not use the budget amendment process when necessary.

## Accounting Systems

### Essential Indicators

Yes	No	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>The utility has adopted a collection policy and actively follows it.</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>The utility bills customers on a regular basis.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>An accounts payable system is in place.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The payroll system correctly calculates payroll and keeps records.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>A cash receipt system is in place that records incoming money and what it was for.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility has a cash disbursement system that records how money was spent.</b>

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### Sustainable Indicators

<input checked="" type="checkbox"/>	<input 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 is responsible for billing and collecting payments for the water, honey bucket hauling service and wastewater disposal, which is used by the school, teacher's apartments, and clinic. The City's Code of Ordinances does not have a utility ordinance and no written regulations address billing and collection procedures. Although billing statements are available, the city has not billed customers on a regular basis. For example, the city has not mailed the honey bucket hauling bills to customers for over six months. A manual accounts receivable system tracking the honey bucket hauling customer accounts and the water customer accounts is in place, but it does not properly record received payments. RUBA staff recommended changes to both the account

receivable and accounts payable and trained the city clerk/bookkeeper in the use of a new cash receipts and cash disbursements system. RUBA staff assisted the city clerk/bookkeeper in setting up the NEBS Receipt System and chart of accounts as well as the 20 column Eknomik Check Register System. A manual payroll system is in place, but the city has not correctly calculate payroll, has been late filling the necessary payroll reports and depositing payroll payments. However, this quarter, the city has paid all taxes payable to the IRS and the State of Alaska and has filled all past due reports. There is no record that monthly bank reconciliations are being completed for all city and public utilities accounts.

## Tax Problems

### Essential Indicators

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

The city uses a manual payroll system to calculate, track and report payroll tax liabilities. On January 30, 2013 the Internal Revenue Service reported that the city is in compliance with federal employment tax filing and deposit requirements. The Alaska Department of Labor and Workforce Development confirmed that all state tax payments and tax filing requirements are current.

## Personnel System

### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility has a posted workers compensation insurance policy in effect.</b>

### 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 type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adequate written job descriptions for all positions.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has an adequate written hiring process.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility provides training opportunities to staff as needed and available.

The City of Wales has a posted worker's compensation insurance policy with the Alaska Municipal League/Joint Insurance Association (AMLJIA). This insurance covers the period from 7/1/2013 through 7/1/2014 and pays benefits for job-connected injuries, illnesses or death as provided by the Alaska Worker's Compensation Act. In 1985, the city adopted a Personnel Policy, which has been reviewed by DCCED for topics in language. However, it appears that the city council replaced the 1985 ordinance by adopting an at-will personnel policy in 2011. At this time, the city council is investigating whether the at-will policy was adopted in accordance with the Wales Code of Ordinances. The city and its utilities do not have adequate written job descriptions for all positions. RUBA staff provided the city clerk with sample job descriptions.

The city does not follow a written evaluation process that ties the job description to the evaluation. The city does not have personnel folders on every employee that contain at least I-9 form, job application and letter of acceptance. The city and its utilities do not have a probationary period for new hires that includes orientation, job-training/oversight and evaluation. The city doesn't provide training to staff on consistent basis.

## Organizational Management

### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The entity that owns the utility is known and the entity that will operate the utility is set.</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>The policy making body is active in policy making of the utility.</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>The policy making body enforces utility policy.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility has an adequately trained manager.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility has an adequately trained bookkeeper.</b>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<b>The utility has an adequately trained operator(s).</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.</b>

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### 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.

The City of Wales is the owner of the Wales Water System, water plant, washeteria and the honey bucket hauling service. The city council is the policy making body of the utility. The city council has been involved in the new water plant and washeteria projects. The council has been active reviewing the project plans and adopting the necessary documents. However, the council does not enforce all of the utility policies. For instance, collection of payments for the honey bucket service is not enforced and the honey bucket department operates under a significant deficit, which has to be subsidized with funds from other sources.

The water operator is the manager of Wales Water System, the water plant and washeteria. He reports to the mayor and the city council. He has the necessary training to daily operate, maintain and manage Wales Water System, the water plant and washeteria. The city clerk acts as the city and utility bookkeeper and has the basic knowledge and skills of bookkeeping. Chapter 14 of the Wales Code of Ordinances addresses some aspects of operating and maintaining the washeteria. RUBA staff recommended the city council to update chapter 14. The city council has not adopted the necessary ordinances or rules and regulations to manage, operate and maintain the Wales Water System, water plant, and the honey bucket hauling service. RUBA staff recommended the city council and city staff adopt a sanitation ordinance to address the honey bucket hauling service. RUBA staff submitted a sample sanitation ordinance to the city clerk. RUBA staff also recommended the city council adopt a water and wastewater ordinance giving the city the authority to operate Wales Water System and the water plant. The City of Wales has an outdated organizational chart. The city council meets as required and complies with the open meeting act for all meetings.

## Operation of Utility

### Essential Indicators

Yes No

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification.                     |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

### Sustainable Indicators

- |                                     |                                     |   |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | 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. |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The utility has a safety manual and holds safety meetings.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility is operating at the level of service that was proposed.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The operator provides status reports to the manager on a routine basis.   |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR).  |
| <input type="checkbox"/>            | <input checked="" type="checkbox"/> | The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility maintains an inventory control list.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/>            | The utility maintains a critical spare parts list.  |

According to the Alaska Department of Environmental Conservation website, Wales Water System has two water operators. The primary operator has a Small Water System certificate that expires on 12/31/2014. The backup water operator has a Water Treatment/Distribution Provisional certificate that expires on 12/31/2014. The utility has a preventive maintenance plan. The mayor is supervising all city departments, including the utility. The water operator provides the mayor and the city council with monthly operator reports. The reports list the fuel, electricity and water usage, as well as comments on the monthly operation and maintenance and needed critical parts. The water operator also maintains a customer monthly water usage log. A water sample report shows the date samples are taken, freight cost, airline carrier and the company analyzing the water sample. The utility operates at the proposed level of service. The utility has not completed and distributed the Consumer Confidence Report in 2013. As of July 2013, the utility is on the Significant Non-Complier (SNC) list due to higher than normal levels of uranium. Village Safe Water issued a request for proposals in April 2012 for uranium treatment options. WWS maintains an inventory control and critical spare parts list.

## Essential Recommendations

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

- Adopt a balanced budget;
- Prepare and submit monthly financial reports to the city council;
- Adopt a collection policy and follow it;
- Bill customers on a regular basis;
- Be active in policy making of Wales Water System, water plant, washeteria and honey bucket hauling service;
- Enforce utilities policies;
- Adopt water plant, honey bucket hauling ordinance and update washeteria ordinance;

## Sustainable Recommendations

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In addition to the Essential Recommendations, the City of Wales 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.
- Ensure budget amendments are completed and adopted as necessary;
- Complete monthly bank reconciliations for all accounts;
- Adopt and use a personnel policy;
- Have written job descriptions for all positions;
- Adopt and follow a written personnel evaluation process;
- Have an adequate written hiring process;
- Have personnel folders on every employee;
- Have a probationary period for new hires that includes orientation, job-training/oversight and evaluation;
- Provide training opportunities to staff;
- Hold safety meetings through AMLJIL;
- Complete and distribute Consumer Confidence Reports for 2012 and 2013;
- Meet all required regulations.

## Conclusion and Next Step

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

None RUBA staff is available to provide assistance for any essential and sustainable capacity indicators that are not being met.