

Community of Elfin Cove

Assessment of Management Capacity Indicators

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Introduction

The Community of Elfin Cove report was 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 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 Community of Elfin Cove operates and manages the following utility services:

- Water Distribution
- Electricity
- Volunteer garbage pickup and transfer
- Harbor/Dock
- Fuel Distribution/Sales

The Community of Elfin Cove has been operating the water utility since the late 1970s. In 1981 the Community of Elfin Cove (CEC) was formed. The CEC is a non-profit corporation formed to provide services to the community members of Elfin Cove. Up until 1992 the water reservoir was a surface water pond approximately 300ft in elevation above the town. Due to the occasional incident of giardia, the CEC moved forward with efforts to install spring boxes for the

distribution and collection system. The spring is naturally filtrated and comes pouring out of the mountainside directly adjacent to the community. Currently, the Community of Elfin Cove has a Transient Non-Community Class B Groundwater Only water system. Most of the residents and businesses within the community are now connected to the groundwater source; however, there are two households that are not connected, but plan to be connected after the implementation of a water distribution upgrade. The previous surface water source is still being utilized to wash boats in the harbor. The water is collected in a large water tank and is gravitationally distributed to the members of the community using three-inch distribution lines. Most of the lines are exposed to outside elements; this creates a problem in the wintertime, wherein occasionally the exposed lines will freeze. Members of the community try and mitigate this issue by running their faucets full time during the winter months.

In 2001, the Department of Environmental Conservation (DEC) did a study to establish whether the community's water source is under the influence of surface water. This assessment has been completed, and DEC officials have stated that there is 'no concern', but will not eliminate the probability that the surface water does influence the ground water. However, the Department of Environmental Conservation has agreed to re-assess this in the near future, and the water operator is actively working to engage DEC to make sure they do a follow up assessment. Because of this determination by DEC, the community of Elfin Cove submits monthly water tests to the Department of Environmental Conservation, instead of the standard quarterly submissions.

On January 12, 2014, the CEC submitted a proposal to DEC for a water distribution upgrade. The community is still waiting on an engineering assessment to move forward with the project. The newer upgrade will move many of the distribution lines underwater which will alleviate the problem of freezing in the winter. There are a few distribution lines that are near or touching wastewater pipes. The distribution line upgrade will address both of these issues.

Capacity Indicators

On 9/3/2014, RUBA staff Ryan Wilson met with Community of Elfin Cove staff to complete a RUBA Assessment of Management. Community of Elfin Cove staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Certificate of Incorporation
- By-Laws of the Community of Elfin Cove Non-Profit Corporation
- FY 15 Budget
- FY 14 – FY15 Budget on Selected Accounts
- Profit and Loss statements - April/May/June/July 2014
- Balance Sheet - June/July 2014
- Profit and Loss Budget vs. Actual - July 1st -- August 27, 2014
- Meeting Minutes/Finance Report/Budget Amendment - May 1, 2014
- Meeting Minutes/Finance Report - June 12, 2014
- Payments Received Statement - July & August 2014
- Bill Summary - July 2014
- Payroll Summary - July 2014
- Delinquent Accounts Summary - July 2014
- Profit and Loss Selected Accounts Summary - June 2014
- Grant Account Balances Statements - July 2014
- Chart of Accounts – August 2014
- Notification of Delinquency 90 days
- Notification of Delinquency 120 days
- Notification of discontinued service
- First Voluntary Payment Notification - June 18, 2014
- Second Voluntary Payment Notification - August 26, 2014
- Reconciliation Statement
- Advertisement for Employment Opportunity
- Written Job Description
- Organizational Chart
- Notice of Meeting - July 10, 2014
- Meeting Agenda - July 10, 2014
- Meeting Minutes - August 1, 2014
- Meeting Minutes February - 21, 2014
- Elfin Cove Utility Commission Rules And Regulations
- Safety Meeting Attendance Sheet
- Water testing and containment log
- 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 Community of Elfin Cove (CEC) adopted an FY15 budget in June 2014. The CEC operates and manages the water distribution and voluntary payment system, fuel distribution and sales, the electrical utility, and the city harbor/dock. All utility expenses and revenues are considered in the budget. The budget for each account is detailed, realistic and used as a blueprint for managing the cities finances for each individual utility operation. The finances are managed through QuickBooks accounting software. Revenues for the water system are collected through a yearly volunteer solicitation campaign, conducted by the treasurer. These volunteer payments are enough to cover all operating costs for the water distribution system. The community donated approximately \$1450.00 last year. This year the donations came in at approximately the same amount. Because of the repair and maintenance costs, the water utility is running a deficit of just over \$3,000. However, the CEC has additional funds to make up this discrepancy in both revenue sharing funds, and additional resources generated by other utility revenues. During each regular meeting, the community's treasurer provides a detailed overview, both verbally and

in written form, of the financial report to the CEC Board. The FY15 water utility budget closely reflects the previous year's actual, with an additional \$4000 budgeted in the repair and maintenance section for the water distribution upgrade. Additional funds from this year and years passed are saved in a water fund in anticipation of possible future repair or replacement needs. Additional funds needed for the water systems can be subsidized with community revenue sharing and surplus funds from other utility revenues. Any expenses above a \$500 threshold on the budget are brought to the ECUC board for approval. All actions taken by the board are done so by a majority vote, including any approved expenditure above the \$500 threshold. Any expenditure below the \$500 threshold still needs to be approved by the utility manager. Operating costs for the water utility are low, because the water utility does not currently utilize electric or fuel in any of its operations. The water utility also relies on volunteer efforts. The water operator does not get paid for his services. The water operator is strictly a volunteer. A lot of the people in this community volunteer their effort and time to continue servicing the CEC. Most of these volunteers have a number of duties. There are very few people who work as full time employees for the CEC. The CEC operates the fuel dock. The fuel dock charges an extra five cents on each gallon sold for its Replacement Fund, which will help to replace the facility after its 30-40 year lifespan. According to city staff, the five cent additional charge has led to a savings account of nearly \$70,000. The fuel dock gets a weekly delivery of fuel in the summer, purchased from Juneau's Taku Oil Company, and only occasionally receives fuel after September. The fuel storage capacity is more than enough to get the community through the winter months. The fuel storage capacity is 101,000 fallons of fuel: 25,000 gallons #1 Home Heating Oil; 28,000 gallons of unleaded gasoline; and 48,000 gallons of diesel #2. There are some worries that if their current fuel delivery system were to fail, there would not be another vessel of its type to haul the fuel from Juneau to Elfin Cove. This is something the community is currently trying to address.

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 Elfin Cove Utility Commission (ECUC) adopted a collections policy in 1986, and they actively follow this policy. The policy consists of sending notification for individual users delinquent after 60 days; then again at 90 days; and then a shut off notification at 120 days and commencement of shutting off of utility services. Larger businesses/lodges within the community must pay after 30 days delinquency, or their service is shut off immediately. If an entity has their utility shut off they must pay a security deposit to re-establish the service and a re-connection fee of \$110 for the service. Revenues for the water system are collected through a yearly volunteer solicitation campaign conducted by the treasurer. These volunteer payments are enough to cover all operating costs for the water distribution system. The community donated approximately \$1450 last year. This year the donations came in at approximately the same amount. If someone chooses not to voluntarily pay for the water service, the treasurer will note this and continue to send solicitation letters. A suggested amount of \$75 for individuals and \$150 for business operations are solicited. Operating costs for the utility are low because the community does not utilize fuel or electricity in order to distribute the water. All water services are gravitationally distributed. Because the water system is relatively small and for the most part self sustaining, the community provided information regarding their electrical utility as evidence to support the community's ability to manage and operate a utility. An accounts receivable and an accounts payable are in place to track expenditures and revenues regularly. There is a payroll system that correctly calculates payroll and keeps records. All money spent is tracked and noted on the section budgets and the overall budget. Each utility has its own checking account. Any expenses above a \$2000 is brought to the attention of the ECUC; for Elfin Cove Fuel (ECF) the threshold is \$2,000; and for the Elfin Cove Water Utility (ECWU) the threshold is \$500. All actions taken by the CEC board are done so by a majority vote, including any approved expenditure. QuickBooks accounting software is in place and tracks all expenditures and revenues. All non-regular expenditures are discussed during regular meeting minutes. The 2 bookkeepers and treasurer play an active role, comparing budgeted amounts with actual amounts to ensure spending is within budgetary limits. The utility staff pays close

attention to this and usually seeks out the most cost effective way to meet challenges. There are only five regularly paid employees of the community. All five of the employees take on a number of different roles to ensure the needs of the community and the CEC utilities are met. Additional employment is usually maintained on a seasonal basis. The bookkeepers conduct reconciliations on a monthly basis.

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 community utilizes the QuickBooks program to calculate, track and report payroll liabilities. They use the Electronic Federal Tax Payment System (EFTPS) to make federal tax payments. The bookkeepers are charged with tax liability related tasks. The State of Alaska Department of Labor granted tax clearance on September 18, 2014, in relation to employment security taxes. The IRS confirmed that all federal employment and excise taxes have been paid, and all appropriate forms filed, as of September 9, 2014.

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 CEC has 3 locations where they post a worker compensation insurance policy: the electrical plant, the city office, and the fuel dock. The CEC has not adopted, nor do they use a written personnel policy. They do have a job description that outlines the roles and responsibilities of employees, but not a personnel policy. Each utility has it's own management board. Whenever a position is vacant, or when additional seasonal employment is needed, the management board brings the need for new employees to the CEC Board. The CEC Board approves the new hire. The management board then advertises on the community board and an email chain that a position is vacant. After an appropriate number of applicants are received, the management board conducts interviews. The management board then seeks approval from the CEC board to hire the chosen applicant. The decision to hire an applicant is made by a majority approval of the CEC board. The CEC maintains a personnel file for each employee that contains an I-9 form, Job Application and Letter of Acceptance. Most of the employees have some sort of formal training whether through the State of Alaska, or higher education. The community has taken advantage of trainings through the RUBA program and will be considering the financial management training this November.

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 ECUC Board plays an active role in the day to day activities of the utilities. Due to the size of the community, some of the board members are consistently called upon to volunteer their time to help with daily challenges of the utility operations. This year the ECUC Board plans to meet 4 more times than their by-laws require. ECUC Board continues to support and do whatever is necessary to enable their utility staff to thrive and successfully run and operate the communities' utilities. The community of Elfin Cove is not governed under the same organizational and operating laws as a city or borough, and as such the community is not subject to the Open Meetings Act. However, the community is subject to the Alaska Nonprofit Corporation Act and the ECUC by-laws. The community consistently engages their Local Government Specialist with questions and concerns dealing with the state laws and requirements.

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 water utility does not need a formally trained water operator. Currently, Elfin Cove has a Transient Non-Community Class B Groundwater Only water system. This system requires no water treatment. The current water operator is fully capable of operating, managing, repairing and keeping the Community of Elfin Cove happy with their water service, without any formal training. Due to the size and structure of the water utility, the community of Elfin Cove is not required by the state to submit and distribute a "Consumer Confidence Report". The community maintains a critical spare parts inventory list. The utility management board and operators give a report at every regular meeting and most special meetings. Last year approximately 12 housing units' water systems froze during the winter and were unable to be used. Fortunately, none of those housing units were occupied during that time. The CEC Board has made plans to address this issue, and is hoping that the DEC approves their current plans to upgrade the water distribution system and alleviate this problem. As soon as approval is given, the community is ready to implement the upgrade.

Essential Recommendations

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

Sustainable Recommendations

The Community of Elfin Cove has not met all of the sustainable capacity indicators. The Community of Elfin Cove can work to improve sustainable indicators as follows:

- Create and adopt a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- Implement a written personnel evaluation process that ties the job description to the evaluation.

Conclusion and Next Step

By implementing the above recommendations, the Community of Elfin Cove will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The Community of Elfin Cove 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 sustainable capacity indicators that are not being met.