

Hydaburg Activity Report

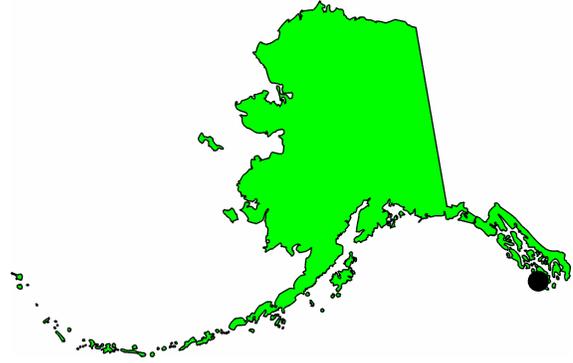
Community Overview

Lead RUBA Staff: Lawrence Blood, Juneau Office

2003 Population: 370

Region: Southeast

Local Governments: 1st Class City



The city operates a level 1 water distribution and wastewater collection system and a level 2 water treatment system. The Hydaburg River provides city water, which is treated and piped throughout the city. Piped gravity sewage is treated at a secondary treatment plant with an 800' outfall to Sukkwaw Strait. Over 95% of all homes are plumbed. Funds have been requested to construct a new dam to increase the water supply. The City is exploring options to improve waste disposal. Alaska Power & Telephone Co., based in Skagway, owns and operates diesel power systems in Hydaburg and Craig, which provide electricity to many Island communities.

RUBA Activity This Reporting Period

Hydaburg is focusing efforts on completing an FY04 and FY05 audit. RUBA staff continues to provide Hydaburg with assistance on financial management, budget development and other assistance as requested.

Capacity Indicators**Finances****Essential Indicators**

- | Yes | No | |
|--------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | All revenue and expenses for the utility are listed in the utility budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making body. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is current in paying all water/wastewater electric bills. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has on hand a year's adequate fuel supply or it has financial plan to purchase an adequate. |
| <input type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" type="checkbox"/> | Budget amendments are completed and adopted as necessary. |

Finances Comments:

The administrator is presently preparing the FY07 annual budget for the city. Until the budget is finalized and adopted by the council, the city does not meet any of the essential or sustainable indicators involving budget issues. The City is currently charging \$40 per month for water, sewer, and garbage. Adequate financial statements to verify sufficient revenues to cover expenses and repair and replacement cost were not available. Through conversations with city staff, the utility is not receiving enough revenue to meet its current expenses. After reviewing the city's FY03 financial audit (the latest audit available) the utility was operating at a deficit. According to the FY03 audit, the water, sewer and garbage fund was incurring a \$93,000 operating loss annually. The city is one month behind on its electrical payments and has recently received a cutoff notice for telephone services. The manager is not presently preparing written reports, however he routinely provides oral financial and status information to the City Council at monthly meetings. The community has no bulk fuel storage facility. Due to past financial problems with creditors, the city receives fuel from a vendor on a cash only basis.

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 track customers and reports past due accounts and amounts. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | An accounts payable system is in place. |
| <input type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" type="checkbox"/> | Monthly bank reconciliation's have been completed for all utility accounts. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

Accounting System Comments:

The Utility has recently re-assumed responsibility for billing customers. They, for a nine month period, had contracted with the Alaska Native Tribal Health Consortium (ANTHC) for this service. The contracting of the service came at a time when the council was undergoing change, and provided necessary revenue to keep the system running. Now that the council has been in office for several months, the city is taking on this role themselves. The City is working on a draft billing and collections policy and has adopted a shut-off policy in ordinance. Utility bills are sent out on a regular basis and demand letters are sent out on past due accounts. However, beyond sending out past due notices, collection enforcement on past due accounts is non-existent. The community is currently using QuickBooks for their accounts receivable, accounts payable, and payroll. The community uses a manual receipt book system to record incoming funds, which is later entered into QuickBooks. The City is experiencing some problems with QuickBooks that could probably be resolved with some additional QuickBooks training. The City Clerk reported problems with calculating payroll taxes and was unable to set up the system to receive sales tax revenues. The administrator and city clerk will be attending a QuickBooks workshop on June 30, 2006. The city is several months behind on reconciling its bank accounts. The administrator is responsible for the approval of purchases; however, there is no visible system for the written pre-approval of purchases.

Tax Problems

Essential Indicators

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

Tax Problems Comments:

On 5/16/2006 the administrator authorized RUBA staff to obtain federal tax information from the IRS. Based upon the information received, as of 7/10/06, the City of Hydaburg is deemed non-compliant by the IRS. The City presently has no repayment agreement with the IRS.

Personnel System

Essential Indicators

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

Sustainable Indicators

- | | | |
|--------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML, or DCED 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. |

Personnel System Comments:

Workers compensation insurance through Alaska Municipal League JIA was cancelled on 11/30/04 due to non-payment. A new policy has not been purchased. The Utility is developing job descriptions for a Public Works Foreman and Public Works Assistant positions.

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 type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has an adequately trained operator(s). |
| <input 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. |

Organizational Management Comments:

The new council and administration understands that organizational management is a critical issue for the city and is slowly working towards implementing better management practices. The inertia of problems over the past few years will take time to overcome. The completion of the FY04 audit will release state funding to pay off a substantial amount of debt. The council still has some hard decisions to make on rates, collections policy, staffing, and funding priorities of municipal services. These decisions will be critical in the sustainability of the water/sewer and other services.

Operation of Utility

Essential Indicators

- | Yes | No | |
|-------------------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input type="checkbox"/> | <input checked="" 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>Community Confidence Report (CCR)</u> . |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility is not on the <u>Significant Non-Compliance (SNC)</u> list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains an inventory control list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains a critical spare parts list. |

Operation of Utility Comments:

The utility is on the Significant Non-Compliance (SNC) list because it does not meet the Long-term 1/Enhanced surface water treatment rule. The water treatment system does not incorporate turbidity meters. The city's workers compensation policy was canceled in 2004 due to non-payment. The water treatment plant is missing the necessary protective equipment for handling chlorine and soda ash. The current operator has recently sought medical treatment for exposure to chemicals associated with working in the water plant. The city is currently having a dispute with the water plant operator over a wage dispute. The City of Hydaburg may be without a water operator very soon if the city doesn't come to an agreement with the present operator. The current operator failed his water treatment exam and is certified in water distribution only. The utility has a preventative maintenance plan available to them in their operation and maintenance manual.

RUBA Activities For The Coming Quarter

Continue to work with the community in the area of financial management. RUBA staff will continue to work with the utility on the accomplishment of identified goals along with providing ongoing technical support. The identified goals are:

1. Complete the FY04 audit
2. Identify all sources of revenues for the utility including a good accounts receivable on utility user fees.
3. Complete a good estimate of expenditures for the coming year and develop an accounts payable system that will track those expenditures.
4. Review and update the existing collections policy.