

## **Kwethluk Activity Report**

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**Ken Berlin, LGS, Bethel Regional Office**

### **General Information:**

In January, the new Utility Manager took the initiative to order parts and supplies for the washeteria, water treatment plant, and for the container haul system. Five dryer motors were ordered and installed, two general duty washers were ordered and installed, repair parts for leaking pipes were installed by the water operator, and a 100-gallon vacuum system was being negotiated with the manufacturer.

In February, there was a joint meeting between the city and utility commission to determine the status of the utility services. The utility commission had received its Articles of Incorporation and now is a recognized business enterprise. The group considered that it should be a department under the city due to the fact that it still cannot support itself. Higher rates for water, sewer, and garbage were recommended for the utility services by Johnny Evan, RUBA staff in the Bethel office, but they still have a problem with collections.

In March, there was a Joint meeting between the City and the Tribe for a possible transfer of utility assets to the Tribal Government. The Tribe requested financial reports, asset inventory, liabilities, and any debts that the utility commission now has. The utility manager was budgeted to the end of the month, the funding from the Alaska Native Health Board (ANHB) was deteriorating. The two organizations had no plan for the current situation, but with the transfer, the Tribal government would take the necessary actions for the washeteria and the water treatment plant to remain operating.

Travel, telephone, and fax assistance by Bethel LGS Ken Berlin during this period were as follows:

- Met with Bernice and got printout of the income and expenses of the City. We need to come up with a plan of action so the City does not have to struggle every month with cash flow problems.  
Stanley Spein, Vice Mayor came in and we looked for the annual financial report for gaming, but did not find it. Stanley is going to keep looking and contact Ken when he finds it.  
Adam Nokowallera, Utility worker is still working on the January 00 billings and will let Ken know when he gets it done. We will draft up a letter for the Mayor to go along with the billing. Adam is planning to take the billings personally to individual households and explain the letter and the City's financial situation.
- Staff also talked with Elridge Moss, IRS agent and got updated on estimated payroll taxes owed by City of Kwethluk. Elridge is going to work to get the penalties taken off the 4th quarter payroll taxes. On the installment agreement of \$600 per month, Elridge said not to worry about it for now but to catch up with the current liabilities.
- RUBA and LGS staff traveled to do an assessment of the City administration. City Manager David Epchook was terminated due to abandonment of position in late

December 1999. Mayor is not planning to fill this position for now. Bernice Michael, City Clerk is going to run the City office with the Vice Mayor's help. Gail Chimegalrea, bookkeeper is still on board, she had put in her resignation effective December 31, 1999. Mayor and Council gave her three weeks to work out her babysitter problems and come back to work.

The results of the assessment indicated:

- No payroll tax deposits for all of 4th quarter, estimated taxes owed \$8,000.
  - 941 4th quarter report not filed yet, deadline 1/31/00.
  - One month behind on installment agreement with IRS on back taxes owed, \$600 per month.
  - Gaming permit still on hold, due to annual financial report for 1998 not filed, report almost done.
  - Gail Chimegalrea needs to be trained on accounting procedures.
  - Accounting system needs to be set up.
  - Village Corp. Store owes City sales tax about \$10,000.
  - Residents not paying for sewer haul charges of \$5.00 per month. Mayor threatening to stop sewer haul service.
  - Other than the payroll taxes owed to IRS the City owes an additional \$24,919 to other creditors.
- Late in the quarter, Boris Epchook resigned his Mayor seat, Vice Mayor Stanley Spein is in control now.

## Observations and Recommendations:

**Finances** — The finances are deteriorating, with sales taxes slowly coming in from business entities. Cash flow problems every month, employees got only half a paycheck mid-March. Payroll got caught up end of March.

**Accounting Systems** — Is still managed through Money Count. The City Clerk needs to maintain the accounting system by inserting the required data to the respective program files. This will alleviate any lost information.

**Tax Problems** — In this quarter, the city received a levy notice from IRS. The clerk was instructed to contact the regional IRS representative for the matter. With no finances coming steadily, they cannot pay their tax liabilities. Bernice claims to be doing her payroll tax deposits now, IRS has been working with her to get the City caught up on current payroll tax liabilities. City is in default on its current installment agreement of \$600 per month for past tax liabilities (levy on this portion).

**Personnel System** — The city clerk is working with reduced hours from last quarter. City Clerk and Bookkeeper positions are now combined. Bernice was working full time, but she is still having babysitter problems and misses a lot of workdays. The utility manager is slated to work till the end of the month if they do not find further funding.

Organizational Management — The Mayor who has a fulltime job is trying to keep the city operational with reduced hours and with deteriorating funds. The Mayor is considering closing down the utility services if funds are not available. Police personnel have been laid off and the washeteria operator has been put on notice. Mayor plans to retain only the City clerk and sewer haul workers.

Leadership/Governance — The City’s governing body is reluctant in pursuing the Memorandum of Agreement with the Tribal Council. With deteriorating funds, they have to consider the agreement soon before all services are shut down.

Operation of Utility — The water treatment plant along with the washeteria was closed in the last part of the quarter due to freezing. The facility has reopened with new parts and equipment, but is struggling financially. The Container Haul system rates are too low to support itself, new rates were recommended, but with the collection status, it will only create more problems to a service that cannot support itself. The Tribal organization is planning to takeover the utility services once the financial reports are reviewed.

**Ranking**

1 = Inadequate

4 = Adequate to meet minimum requirements

7 = Exceeds requirements

Category	1	4	7
Finances	X		
Accounting Systems		X	
Tax Problems	X		
Personnel System		X	
Organizational Management		X	
Leadership/Governance		X	
Operation of Utility		X	

