

Nondalton Activity Report

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General Information:

The City of Nondalton signed an agreement for RUBA assistance on 2/14/01. DCED has developed a draft workplan with the community that still needs to be formalized. During the last quarter, DCED staff made two trips to Nondalton. Roxanne Auge, Irene Catalone and John Fischer traveled to Nondalton in February and Roxanne and Irene traveled to Nondalton again in April.

The focus of DCED staff these past two trips, in addition to providing council training, has been to set up a revised record keeping system, locate, organize, and compile information on the city's finances, and create reports for the council and help the city develop a repayment plan for their back debt. After completing the reconstruction of the city records and getting an accurate figure for the city's finances and verifying the city's debt, we will draft a repayment plan.

The city council members continue to show a keen interest in what is going on with the city and in developing options for improving city operations.

Observations and Recommendations:

Finances — The city has not kept complete financial records nor budgeted based on actual revenues and expenditures for a few years. The result is that the city is unable to provide services effectively or keep up with payments and other obligations.

In Roxanne's follow up letter dated December 1, 2000, she identified \$88,640.48 worth of bills that were found in the city office. Of these she found only two subsequent checks written to any of the creditors identified in that letter. One for \$2,952.57 and the other for \$1,896.14, both checks were to INNEC (Electric co-op). With these payments, the new back debt figure is \$83,791.77 plus the IRS debt of \$78,103.00 for a new total of \$181,894.77. (This does not include operating expenses accrued from December 2000 to present for which there is no proof of payment.) Except for payments to INNEC, Reel Alaska Lodge (fuel), USPO, CTE (water testing), and city paychecks, the city has not been paying its mandatory operating expenses. The city has, however, written checks for discretionary expenditures; the largest being to various airlines, car rental agencies, and Iliamna Trading.

In trying to reconcile the city's account we are finding that there are numerous checks that are outstanding (shown in the check register, but not cashed) or unaccounted for (checks missing in the number sequence, but not shown in the check register and not cashed), or that show up on the bank statement and don't appear on the check register. This makes balancing the check register difficult, to say the least. There is one outstanding check for \$47,600 written to Community Security and Maintenance, which would really wreak havoc

on the city's bank balance if cashed at some future date. Other problems we are seeing that interfere with reconciling the city's account and managing the city's finances are NSF check fees and levies. The Dept. of Labor has levied the city account for a total of \$1,429.36.

The most recent water and sewer account information Roxanne was able to come up with was customer billings from last August. Roxanne totaled the balances due and came up with a figure of \$69,978.04 owed to the city (some account balances are as high as \$5,000).

Accounting System — John and Irene recreated the city's financial records for the past three years and reconciled the city's bank account with the check register. After the February trip, DCED staff sent the city council a follow-up letter recapping their findings and making the following recommendations. Without having all checks accounted for, it is impossible to reconcile the city's bank account and get an accurate ending balance. We therefore recommended that city council members present any stipend checks, etc. they might be holding and inform city staff and vendors that they will not honor any checks after a certain date, then close out the existing account and open a new one.

We also made the following recommendations for addressing the city's financial management problems:

- Institute the emergency operations staffing plan that were discussed in February. This plan was: have only critical staff, water plant operator, clinic janitor, and city clerk, working only 2 hours a day.
- Only have one person writing checks and receipting money coming in to ensure accountability and save money on personnel costs and keep unused checks locked u.
- Stop any discretionary spending such as travel, rental cars, or purchases of incidentals (In FY 2000, the city spent \$6,200 for car rentals and has already spent \$3,080 in FY 2001).
- Only issue pay checks on pay day.
- Work on identifying and collecting any revenues the city might be entitled to. The city has not yet submitted its FY02 Revenue Sharing application which was due in Juneau on December 1, 2000, and the city also needs to make a concentrated effort to collect water and sewer payments and rents.

Tax Problems — According to IRS, the city owes \$78,103.00 to the IRS plus an undetermined amount for the 2nd, 3rd, and 4th quarters of 2000 and the 1st quarter of 2001. I'm not sure if this figure includes penalties and interest and have been unable to confirm this with IRS. IRS has filed a levy on money the city was to receive from the state.

Personnel System — The mayor is a paid position, responsible for administering city business and supervising and directing the work of city staff. Until recently, the mayor spent very little time in the city office and there is no indication that staff was provided much direction or that work was monitored. Roxanne is working with the city council to draft job descriptions to clarify job duties and management responsibilities.

Organizational Management — Based on input from the council Roxanne drew an organization chart for the city and listed the things that have to be done to operate the city. Council members then identified which of the positions on the organization chart do which tasks and we compiled this information into what will eventually be job descriptions. This was a valuable exercise as it clearly identified responsible parties.

Operation of Utility — The city used an Alaska Native Health Board (ANHB) grant to modify the system to allow the city to shut off water to non-payers. According to the mayor, they have only had to shut 10 people off for not more than 10 days. The city needs to decide on a collection method that will result in a win-win situation for both the city and customers and take into consideration that the city has not consistently sent bills. We will continue to work on this.

The city received at least one boil water notice and a notice of violation of Alaska drinking water regulations and a threat of legal action from DEC for failure to have the water sampled and tested for bacteria for five months in 2000, ten months in each 1999 and 1998, eleven months in 1997, and five months in 1996 in addition to other tests that are required yearly. The city has recently received a Notice and Order to Respond from the Federal Environmental Protection Agency regarding a proceeding to assess an administrative penalty under the Federal Clean Water Act.

The mayor sent out a letter requesting payment immediately or the city would shut off service but didn't follow through. Roxanne recommended that they provide more options as most people can't come up with a large water and sewer payment if they are already having trouble making their regular payments. Roxanne faxed the city a sample letter requesting payment of delinquent water & sewer bills and offering some payment options, a sample repayment agreement, and an assignment of dividend form; however, this has not yet been sent out.

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		

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Anticipated Activity:

Roxanne plans another trip to Nondalton on May 22 to continue training the new City Clerk and alternate; provide the council training on budgeting; and continue training on the other items we have been working on:

- Using parliamentary procedure at all meetings to help direct the flow of discussion and ensure clarity regarding decisions;
- Developing job descriptions; and
- Monitoring and evaluating the mayor, staff, and council.