

Shishmaref Activity Report

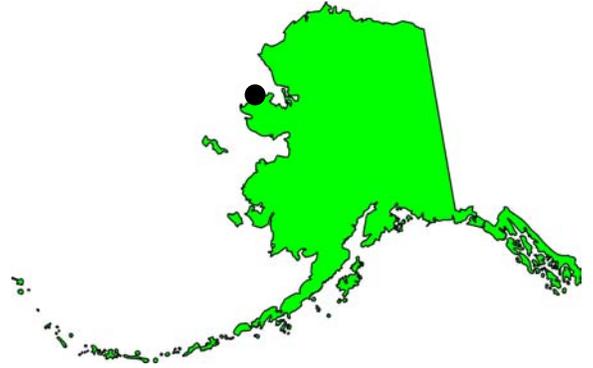
Community Overview

Lead RUBA Staff: Leroy Seppilu, Nome Office

2001 Population: 562

Region: Bering Straits

Local Governments: Second Class City



The City of Shishmaref operates a central watering point, a water truck delivery service, multiple watering points and the washeteria. They also provide a honeybucket haul service. The City Council is the policy making board for the utility.

Water is derived from a surface source, is treated and stored in a new tank. Shishmaref is undergoing major improvements, with the construction of a flush/haul system and household plumbing. 19 HUD homes have been completed, and 71 homes remain. The new system provides water delivery, but the unserved homes continue to haul water. The City hauls Honeybuckets and the new flush tanks. The school, clinic, Friendship Center, City Hall and fire hall are connected to a sewage lagoon.



RUBA Activity This Quarter

RUBA staff receive notification that the City of Shishmaref is deeply in debt to the IRS with overdue tax liabilities totaling over \$99,000. IRS has filed a lien against the city's State Revenue Sharing (SRS) funds which are to be released at the end of July. RUBA staff warned the Shishmaref City Council last winter that if the council did not cut back on payroll and did not pay tax liabilities when due, that the IRS debts would mount. The city has been having a difficult time meeting payroll. The city clerk was advised numerous times to make tax deposits immediately after payroll, but she did not do it. The vice-mayor was advised by RUBA staff to make drastic cuts to services. He has been in the minority on the council in trying to make the cutbacks. The mayor has said that it's more important to provide services and jobs than make cutbacks to save money and pay taxes.

Capacity Indicators

Finances

- | 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 receiving revenues (user fees or other sources) sufficient to cover operating expenses. |

Finances Comments: The washeteria is the main money-loser. Last winter, RUBA staff advised the council to make drastic cuts to the operation of the washeteria because the city was losing at least \$70 a day when it is open. The council made some cuts but the mayor decided that they should not cut back the hours and wages of the washeteria employees and brought the operations back to regular hours. The washeteria continues to lose money. The current city clerk has tried to cut back the wages but has met strong resistance from the public and employees.

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 type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" type="checkbox"/> | The Utility has a cash disbursement system that records how money was spent. |

Accounting Comments: The city clerk tried to meet a \$3,500 payroll by calling the bank for the city's current bank account balance. She was told by the bank that the balance was about \$6,000 but RUBA staff told her that there were numerous checks still out that had not yet cleared the bank and that was the reason for the high balance given by the bank. She was asked how much she showed in the checking account register for a balance. She said she had about \$500. RUBA staff told her that was probably more accurate than what the bank told her. She was also told to expect the city's checks to start bouncing within the next couple of weeks. However, she was able to cover the payroll by making several deposits from unexpected revenues.

Tax Problems

Essential Indicators

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

Tax Problems Comments: The city is in serious trouble with the IRS now. By not making cutbacks as recommended by RUBA staff, the city's tax liabilities grew by about \$18,000 a quarter from last Fall with the total now owed to the IRS at \$99,000. RUBA staff has also assisted the city clerk in completing the FY02 budget and FY00 Certified Financial Statement and making it eligible for about \$17,000 State Revenue Sharing (SRS) money. RUBA staff had recommended that this money be used to pay the IRS debt. But ANTHC recommended that it be used to pay the insurance company debt so that the city could reinstate the workman's comp insurance and continue to be eligible for water & sewer utility projects. This may set back the RUBA staff recommendation on the IRS debt reduction plan.

Personnel System

Essential Indicators

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

Personnel System Comments: There is friction between the city clerk and some of the former employees that sometimes make it difficult for the city clerk to work. There was a petition to have the city council fire her but the council ignored it. (Note: This type of personnel matter is not subject to a petition drive.) There were plans to update the personnel policies but the financial problems have placed it on the back burner for the time being.

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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a adequately trained manager.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a adequately trained bookkeeper.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Organizational Management Comments: The washeteria operator seriously needs training. All winter long, he was not able to repair the frozen water pipes in the city apartment. A simple repair job like this, that was not done, clearly identifies his need for training.

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 type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a preventative maintenance plan developed for the existing sanitation facilities.

Operation of Utility Comments: If the utility continues to operate at this rate, we may see them close down the washeteria in the future. It continues to operate at a big loss. The revenues are way below the operating expenses and revenue needs to be increased. This can only be done if the council cuts back the hours of operation and raise the fees it charges for washer, dryer and showers.

RUBA Activities For The Coming Quarter

RUBA staff may travel to the city the middle of August to meet with the council to discuss the major IRS debt and ways to lower it. The IRS has invited RUBA staff to this meeting. We may also invite other agencies such as DOL/ESD, ANTHC, Kawerak, NSHC/OEH to this meeting. The meeting will take place to discuss the on-going debts and what may happen if it continues this way.