

# CITY OF PORT HEIDEN BULK FUEL FACILITY



## MONITORING PLAN AND RECOMMENDATIONS

Prepared for:  
**THE ALASKA ENERGY AUTHORITY (AEA)**

**AUGUST 31, 2004**

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## OVERVIEW OF PURPOSE

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This Monitoring Plan and Recommendations was completed under contract to the Alaska Energy Authority as a follow-up to a Bulk Fuel Upgrade project in Port Heiden, Alaska that constructed a new bulk fuel storage facility with five diesel storage tanks, one gasoline storage tank and a gasoline dispensing tank. A component of the upgrade project was the development of a Business Operating Plan, which provided a guideline for the City of Port Heiden's maintenance and operation and sustainability of the Bulk Fuel Upgrade (the "Facility"). The City of Port Heiden, (the "Primary Operator") is responsible to operate and sustain the newly installed Facility according to the criteria and guidelines outlined in the Business Operating Plan.

The Alaska Energy Authority contracted with Aurora Consulting, of Anchorage Alaska, to conduct a site visit to the City of Port Heiden ("City") facility and to develop a *"Monitoring Plan and Recommendations"*. The scope of the assignment included working with the City to obtain information on existing management and operational systems, comparing those systems to business operating plan requirements and other "best practices", making recommendations for changes and/or training, developing on-going monitoring tools, and/or working to cure any deficiencies or defaults experienced by the City.

Aurora Consulting staff member, Ann Campbell, traveled to Port Heiden on August 10<sup>th</sup> and 11<sup>th</sup> 2004 to meet with City bulk fuel facility management and staff, including:

Contacts	Title
Scott Anderson	City Mayor
Lavada Odemin	City Clerk
John Matson	Facility Manager
Tisha Christensen	Utility Clerk

The following Monitoring Plan and Recommendations is organized into three sections:

- Management and Operational Skills
- Business Operating Plan Compliance
- Recommendations

Management and operational skills identify those skills and practices that are crucial to the short-term viability of a bulk fuel facility, while business operating plan compliance areas identify those activities that are required by the Denali Commission approved Plan.

Management skills include administration, fiscal systems, and collections. Operational skills include the ability to perform maintenance, repair and operation of the bulk fuel facility. Both skill sets require knowledgeable and trained managers, bookkeepers and plant operators to manage and operate the facility on a daily basis. In contrast, the business operating compliance section details the key activities and actions are required to be

completed by the facility in order to be in compliance with the terms and conditions of their business operating plan.

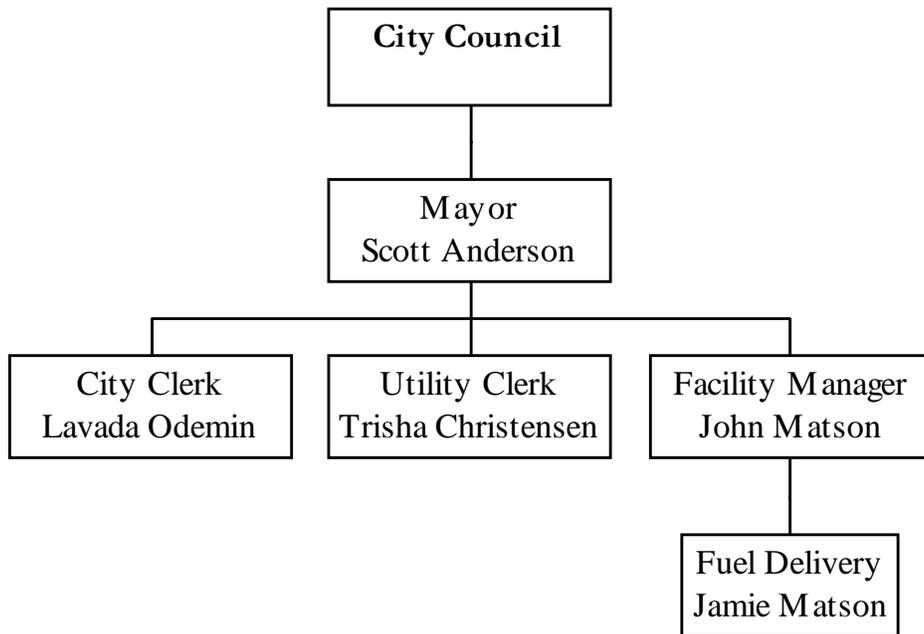
Additionally, this report includes major recommendations for continued actions and training, which are detailed in the conclusion section of this report. These recommendations are limited to those actions necessary to meet the deficient management and operational skills or business operating plan compliance areas.

#### Organizational Chart

Since the Plan dated April 10, 2002 was finalized, the City of Port Heiden has experienced a fair amount of turnover within both management and staff. For example, there have been three different City mayors since the finalization of the business plan, as well as three utility clerks, two city clerks, and three facility operators. Additionally, a new Facility Manager position has been created and was filled in February 2004.

Below is an updated organizational chart for City of Port Heiden Bulk Fuel Facility that includes all management and staff changes.

#### CITY OF PORT HEIDEN BULK FUEL FACILITY PROJECT STAFFING



## BULK FUEL FACILITY MANAGEMENT/OPERATIONAL SKILLS

### Financial Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Financial Management Skill Areas</i>
<i>Annual Budget</i>					
		x			Develop and utilize budgeting process
	x				Staff understanding of budget
<i>Bookkeeping</i>					
				x	Develop and track facility costs using a Chart of Accounts
			x		Understands and tracks operation & management (O&M) costs
	x				Understands and tracks renewal & replacement (R&R) costs
<i>Collection Policy</i>					
				x	Policy in place
				x	Policy implemented
				x	Collections at appropriate level
<i>Business Operating Plan</i>					
	x				Policy board has general understanding of Plan and requirements
	x				Management has general understanding of Plan and requirements
	x				Staff has general understanding of Plan and requirements
	x				Management understands financial assumptions and tables
	x				Staff understands financial assumptions and tables
x					Management capable of annual Plan update
x					Staff capable of annual Plan update

Comments:

#### *Annual Budget*

The City of Port Heiden develops an annual budget for all of the City's operating programs and enterprises, including the bulk fuel facility. However, it does not seem that the budget is currently understood or used by the facility manager or the bookkeeping staff. Neither the facility manager nor the utility clerk was familiar with the budget and/or how they might use the budget as a cost management tool. And, while both the facility manager and utility clerk are new to their positions, it seems to be the case that neither individual has a basic understanding of budgets and/or the budgeting process.

#### *Bookkeeping*

The City of Port Heiden has a Chart of Accounts and is using the Quickbooks software package as its bookkeeping system. Currently, the city clerk and utility clerk are working together on the Facility bookkeeping processes. While it is primarily the utility clerk's job to manage the bank accounts, accounts receivables and other general bookkeeping, the city clerk is being cross-trained on the bookkeeping procedures and processes. Both the city clerk and utility clerk are new to their respective positions, and while both have good math skills and general computer skills, neither has received in-depth bookkeeping training; nor does either have much experience as a bookkeeper or a clerk. Prior to our visit, neither the

city clerk nor the utility clerk had seen or reviewed the requirements of the Business Operating Plan.

The facility manager and utility clerk do not fully understand the difference between the O&M and the R&R costs that must be tracked by separate accounts as indicated in the Plan. The City has not established separate account codes in the Chart of Accounts for tracking R&R costs. The City has established an R&R interest-bearing account at Wells Fargo Bank, but the Facility staff is uncertain as to its purpose and general management criteria.

#### *Collections Policy*

When the new Facility was completed, the City switched to an electronic prepaid gas card reader system in order to manage its bulk fuel collections for the gas pumped at the Facility. For home heating fuel, which is delivered via truck, most customers must prepay at the fuel utility office; however, there are a couple of large accounts that are carried as receivables. This system of prepayment has ensured that collections are not a major management or cash flow issue for the bulk fuel utility. However, the City has experienced reoccurring problems with the gas card reader, which is currently not working. The problem with the gas card reader appears to be located at the pump, which is not properly registering the amount of gas pumped, nor is it properly crediting the customer account. As a consequence, as soon as the City recognized the problem they switched to a system whereby customers must prepay at the utility office before fuel can be pumped at the Facility.

#### *Business Operating Plan*

Prior to our visit, the City staff was unable to locate their copy of the Plan; however they were able to find an electronic copy on several of the City's computers. In general, the City management and staff do not have a general understanding of the Plan and/or its requirements. Neither the facility manager nor the clerks understand the Plan's financial assumptions and tables; and therefore they are unable to update the tables annually.

## Personnel Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Personnel Management Skill Areas</i>
<i>Job Descriptions</i>					
	x				Job descriptions current for all positions
		x			Staff aware of/understand job descriptions
<i>Staffing</i>					
				x	Staffing adequate to operate & maintain the facility
<i>Training</i>					
		x			Staff has adequate training for job requirements
		x			Ongoing training in place

Comments:

### *Job Descriptions*

No written job description exists for any of the utility staff positions, although each of the staff was able to verbally describe their job duties.

### *Staffing*

Although the City of Port Heiden has experienced a fair amount of turnover within both management and staff since its Facility became operational, it appears that the staffing levels are adequate to operate and maintain the Facility.

### *Training*

As mentioned previously, both the city clerk and utility clerk are new to their respective positions, and while both have good math skills and general computer skills, neither has received in-depth bookkeeping training; nor does either have much experience as a bookkeeper or a clerk. The new City Clerk, Lavada Odemin recently did attend an one-week training at the Village Management Institute in Sitka and found the training to be very useful. The new Facility Manager, John Matson, has been in the position for approximately seven months and has received some general operations training, but has not received specific training on the Business Operating Plan or facility management in general. The City does appear to be extremely interested in obtaining appropriate training for the Facility personnel, but funding is an issue. However, the City also seems to be very responsive to funded-training opportunities as they arise. For example, during our visit, the City management and staff responded within a couple of hours to two different agency inquiries concerning upcoming training opportunities for the Facility staff.

## Operations Management

(1=Lowest Skill Level 5= Highest Skill Level)

1	2	3	4	5	<i>Operations Management Skill Areas</i>
<i>General Operations</i>					
			x		Management/staff have general understanding of operation needs
	x				System to schedule tasks for routine maintenance
	x				System to schedule tasks for non-routine maintenance
<i>Inventory Control</i>					
	x				Inventory control system in place
		x			Knows what parts to keep in inventory for routine maintenance
<i>Emergency/Spill Response</i>					
		x			Staff can explain/locate oil spill response plan
		x			Written safety policy

Comments:

### *General Operations*

Management staff expressed that they had a general understanding of operations needs and understood what routine maintenance functions needed to occur. However, there are no established systems to schedule either routine or non-routine maintenance functions. In our meetings with the facility manager and City mayor, we discussed the need for such systems and they shared their progress thus far with developing operations systems. For example, the facility manager and mayor have been discussing the need for a storage shed/on-site work area at the Facility and are considering transforming a trailer located adjacent to the Facility into a shed/work area.

### *Inventory Control*

Currently, no supplies or parts inventory are kept specifically for the Facility. This is largely due to the fact that the Facility has no formal storage room or shed for spare parts and equipment either on or off site. Some of the parts and materials for performing even routine operations and maintenance have to be ordered and brought to the community prior to maintenance functions being performed. A reference manual was referred to and is maintained in the bulk fuel utility office, and the facility manager has the ability to lookup and order parts from the manual. Currently, the staff is dealing with the malfunctioning gas card reader and is attempting to work with the dealer to rectify the problem.

### *Emergency/Spill Response*

While City staff was able to locate and share their copy of the emergency/spill response plans prepared by AEA, none of the staff seem to have a good working knowledge of their roles and responsibilities under the plan nor do they seem to have a coherent response plan in mind for emergencies. In fact, the facility manager expressed a desire to receive spill response training, which would need to be funded in order for the City to afford his participation.

## BUSINESS OPERATING PLAN COMPLIANCE

### Financial Management

Yes	No	NA	<i>Financial Management Compliance Areas</i>
<i>O&amp;M Account</i>			
x			Accounting established
x			Regular deposits into account
	x		Systems in place for \$5,000 authorizations
<i>R&amp;R Account</i>			
	x		Accounting established
x			Regular deposits into account
x			Interest-bearing savings account
	x		Resolutions required
	x		2 signatures required
		x	Escrow account established
		x	Resolutions required
		x	2 signatures required
<i>Budgets</i>			
x			O&M budget
x			Prior to fiscal year
	x		R&R budget
	x		Prior to fiscal year
<i>Business Plan Updates</i>			
	x		Review assumptions
	x		Update tables
<i>Audits</i>			
	Pending		Annual audit conducted by qualified, independent auditor
	Pending		Copy to Denali Commission
<i>Annual Report</i>			
	x		Submitted to Denali Commission timely
	x		Summary of O&M and R&R Projects
	x		Expenditures and account balances
	x		Upcoming O&M and R&R budgets
	x		Updated business plan financial tables
	x		Other information
<i>Insurance</i>			
x			General liability insurance in place
x			Other insurance in place

Comments:

*O&M Account*

The City has established a bulk fuel utility operating checking accounting at Wells Fargo Bank, which is currently used to fund all financial activities of the Facility. However, there does not appear to be any specific requirements in place that meet the Plan's management criteria for O&M expenditures over \$5,000, which we reviewed with the City staff.

*R&R Account*

The City has established an interested-bearing savings account at Wells Fargo Bank for its R&R funds. Additionally, deposits have been made into the account totaling more than the Business Operating Plan assumptions, which is primarily due to unexpectedly high fuel sales and some misunderstanding regarding the account and its management. We reviewed with the City the R&R fund and the Business Operating Plan requirements so that they understood their R&R contribution obligations. Likewise, the need for financial policies and procedures that specifically address fund withdraw protocols was discussed. The City management and staff were eager to comply with the requirements of the Plan, but universally expressed the need for additionally assistance and training.

*Budgets*

No budgets, either for O&M or R&R, are being prepared specifically for the Facility. The City incorporates the bulk fuel utility into their overall budget, but the staff was unable to explain the budgeting process and seem unfamiliar with budgeting and budget management in general. The need and reasons behind the requirement for establishing a budget was discussed with the staff, which again, were eager to comply with the Plan requirements but are in need of assistance and training.

*Business Plan Updates*

The City was not aware that they were to be updating their Plan annually. We reviewed the requirement to annually update the Plan as well as the financial assumptions and tables. Again, the City staff expressed the desire for assistance and training.

*Audit*

Currently, the City is in the process of selecting an auditor for the fiscal year ending June 30, 2004, which will include the Facility. No audits were conducted, or available, for prior years. The requirement to provide an audit to the Denali Commission was reviewed with the City management and staff. The City has submitted their certified financial statements annually to the State of Alaska, which are inclusive of the bulk fuel sales.

*Annual Report*

The City was not aware that they were to be providing annual reports to the Denali Commission. We explained the Denali Commission reporting requirements to the City and informed them that they were likely overdue with their report and should begin preparing a report for submittal. The City management and staff expressed interest in receiving assistance with the content and format of the report to the Denali Commission.

*Insurance*

Currently, the City participates in the AML/JIA insurance program including general liability, workers' compensation and some property coverage for the Facility.

## Personnel Management

Yes	No	NA	<i>Personnel Management Compliance Areas</i>
<i>Facility Manager</i>			
x			Manager designated
	x		Changes reported to Denali Commission
<i>Staffing Adequate</i>			
x			Staffing adequate
<i>Training Plan</i>			
x			Training plan in place

Comments:

### *Facility Manager*

John Matson is the designated manger of the Facility. This designation had only recently been made and has not yet been reported to the Denali Commission. We reviewed the reporting requirement with the City.

### *Staffing Adequate*

The current level of Facility staff appears to be is sufficient, particularly if better mechanisms are established to ensure that on-going oversight occurs and that operational and maintenance needs are met on a more proactive rather than reactive basis. Currently, the Facility appears to be adequately managed, however no regularly scheduled maintenance protocols are in place and, instead, maintenance occurs when a need arises.

### *Training Plan*

No training plan has been developed and, instead, Facility participants take advantage of training opportunities as they arise. Obtaining funding for trainings appeared to be a significant obstacle in hindering the development of a plan.

## Operations Management

Yes	No	NA	<i>Operations Management Compliance Areas</i>
<i>Facility Components in Good Working Order</i>			
x			Facility components in good working order
<i>SPCC</i>			
x			SPCC on-hand
x			SPCC current
<i>Facility Response Plan</i>			
x			Plan on-hand
x			Plan current
<i>Coast Guard Operations Manual</i>			
x			Manual on-hand
x			Manual current

Comments:

### *Facility Components in Good Working Order*

Our limited visual inspection of the Facility led us to conclude that, generally speaking, the Facility seems to be in good repair and well-maintained. As mentioned earlier, it would be very beneficial to establish some systems for Facility repairs and maintenance and the staff is dealing with an on-going problem with the gas card reader. In addition to these issues, our visual inspection led us to conclude that there might be an erosion problem with the secondary containment walls, which were constructed from the local volcanic ash. (See pictures at the conclusion of this report.)

### *SPCC/Facility Response Plan/Coast Guard Operations Manual*

A copy of the Facility's regulatory plans prepared by AEA, (and delivered upon project completion), are kept at the City office located in the community hall, Rays' Place. This plan was out on top of a counter and easily found.

## RECOMMENDATIONS

All of the City management and staff interviewed demonstrated a genuine interest in fully understanding and implementing the Business Operating Plan. Most of the City staff made themselves available for a thorough site visit to answer questions and review the Plan page by page. Throughout the Plan review City staff asked appropriate questions and strove to understand their particular requirements. Additionally, the City management and staff expressed interest in fully understanding the financials, the assumptions upon which they were based and how to update the financials. Two copies of the Business Operating Plan were given to the City management and staff as well as an electronic version that was loaded onto the clerks' computer. The following outlines the systems and procedures that should be addressed by the City, areas that technical assistance/training may be warranted, and operational areas requiring follow-up:

	ASAP	Within year	Long Term
<b>Systems and Procedures</b>			
Develop and utilize a budgeting process		x	
Develop policy & procedures for issuing O&M checks for over \$5,000	x		
Develop a procedure for R&R fund deposits	x		
Develop a written job description for all positions		x	
Develop systems for tracking O&M and R&R costs		x	
Develop budgets for O&M and R&R expenditures		x	
Develop procedures for completing & submitting annual reports	x		
Develop a staff training plan		x	
<b>Technical Assistance</b>			
Developing annual budgets for bulk fuel utility		x	
Identifying and distinguishing O&M and R&R costs	x		
Bookkeeping assistance for tracking O&M and R&R		x	
Updating business operating plan and financial assumptions		x	
Preparing and submitting Denali Commission report	x		
Identifying operational needs and developing systems		x	
<b>Training</b>			
Bookkeeping training for clerks	x		
Quickbooks training for clerks	x		
Facility management training for manager		x	
MSExcel training for clerks and manager		x	
<b>Operations</b>			
Develop system to schedule tasks for routine maintenance		x	
Develop system to schedule tasks for non-routine maintenance		x	
Establish an inventory control system		x	
Improve understanding of what inventory to keep		x	

## TRIP PHOTOS

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cage and signage.JPG



containment wall and tanks.JPG



containment wall erosion 2.JPG



containment wall erosion.JPG



control panel.JPG



diesel tanks 2.JPG



diesel tanks.JPG



diesel truck pump.JPG



fill pipelines.JPG



gasoline tanks.JPG



headers 2.JPG



headers.JPG



malfunctioning card reader.JPG



misc materials.JPG



old tanks 2.JPG



old tanks.JPG



rays and tank.JPG



rays place tank.JPG



spill signage.JPG



tank farm 2.JPG



tank farm.JPG



tank foundations.JPG



truck fill area.JPG