This Best Practices Scoring Guide for the managerial and Financial categories is intended to be used by the Division of Community and Regional Affairs’ RUBA Program staff in rating their assigned community’s sewer and water utilities managerial and financial capacity.

**Purpose of Best Practices:**
The Best Practices criteria will be used to determine priority of communities for Sanitation Deficiency Survey (SDS) or Capital Improvement Project (CIP) funding for sanitation projects. There are three categories of criteria: Technical, Managerial, and Financial; included in those categories are a total of nine criteria. RUBA program staff are responsible for providing scores for six of those criteria, which are in the Managerial and Financial categories.

**Assessed Entities:**
Best Practices is concerned first and foremost with the owner of the utility, but also with any contracted third party managing and operating the utility, through a Memorandum of Agreement (MOA), or a Memorandum of Understanding (MOU), or the Alaska Rural Utility Collaborative (ARUC), if applicable. It is the owner of the utility that will be assessed for each scoring criteria; a contracted third party manager will also be considered for some criteria. For example, and as detailed later in this guide, the owner will need to demonstrate having appropriate budgeting and financial reporting practices, a valid workers’ compensation insurance policy, payroll taxes current, and other recommended management functions in place. In order for the assessed utility to receive relevant Best Practices points; a contracted third party will also need to demonstrate having the same capacity for those same points to be awarded. RUBA will continue working toward assessing existing services even if water utilities are not existing. RUBA will advise / assist non-utility communities.

**Scoring Timeline:**
The Best Practices scoring timeline is directed by the Alaska Department of Environmental Conservation (ADEC). The scores are published twice per year according to the timeline below.

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<th>Month</th>
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<tbody>
<tr>
<td>Community Deadlines</td>
<td>January 1: Deadline to provide information to RUBA &amp; RMW</td>
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<td>July 1: Deadline to provide information to RUBA &amp; RMW</td>
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<td>Release of Scores</td>
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<td>March 1: Spring Scores are posted (Used for funding eligibility &amp; project scoring)</td>
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<td>September 1: Fall Scores are posted (NOT used for funding eligibility &amp; project scoring)</td>
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<td>Agency Activity</td>
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<td>Community Activity</td>
<td>Work with RUBA &amp; RMW to improve Spring score</td>
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<td>Work with RUBA &amp; RMW to improve Fall score</td>
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RUBA program staff are responsible for collecting the documents, as detailed in this guide, that support the corresponding score for the communities in the Managerial and Financial criterion. RUBA management will send emails reminding staff of deadlines.
Managerial

Utility Management Training

A person who holds a position of responsibility for management of the utility has completed a DCRA approved Utility Management course or other utility management training course within the last five years. (5 points)

This person is not required to have the ‘Utility Manager’ title, but must have some responsibilities pertaining to the management of the utility. It might include a city/tribal administrator, a city or utility clerk, a council member, a mayor, a bookkeeper, public works director, or others. This person must be active in management and be consistently accessible for management decisions to the community and be currently representing the utility, even in instances when the utility is managed by a contracted third party.

The 32-hour RUBA trainings, or similar rural utility focused training (with the approval of the RUBA Program Manager), will be considered for this criterion. The training must have been successfully completed within the last five years. RUBA QuickBooks trainings also count as utility management trainings. Utilities do not receive points in this criterion based on a staff person or official possessing a university degree.

In some cases, a utility will have more than one person having completed an approved course in the last five years. It is important to follow the guidelines below when making notes in the Best Practices score sheet:

- Provide the name of the person who completed an approved training most recently.
- If two or more people from the utility completed the same training at the same time, provide the name of one person, followed by “and others”.

Meetings of the Governing Body

The utility owner’s governing body meets routinely consistent with the local ordinance/bylaw requirements and receives a current report from the operator. (5 points)

To evaluate this criterion, you will need to receive the governing body meeting minutes from the last five months, as well as the relevant ordinance/bylaws detailing when those meetings are required to take place. If a utility’s ordinances/bylaws state that the governing body is to meet less frequently than monthly (perhaps once each quarter or once each year), you must evaluate and receive meeting minutes from the past two scheduled meetings, based on the meeting requirements in the ordinances/bylaws of the utility’s governing body.

For five points, meetings must be held as prescribed by ordinance or by rules and regulations of the utility owner’s governing body (council, utility board, etc.), with reasonable exceptions made for unforeseeable circumstances.

A written or oral report from the operator or contracted utility manager (such as ARUC), as applicable, must also be recorded in the meeting minutes.
The utility owner’s governing body meets routinely consistent with the local ordinance/bylaw requirements. (2 points)

If the governing body meets more or less as required by their written rules, but not always, and/or does not receive reports from the operator/contracted manager at each of those meetings, they will receive two points.

If meeting minutes are not provided to RUBA staff, it cannot be assumed that the meetings are being held more or less as required by the governing body’s rules, therefore 2 points cannot be awarded.

The utility owner’s governing body does not meet. (0 points)

If the governing body does not meet or meeting minutes were not provided to RUBA staff, they receive 0 points.

Although not required to receive points, the RUBA program encourages communities to show meeting minutes have been approved by the governing board. This can be done in the minutes themselves by documenting a motion within the minutes that the council approves and accepts the minutes from the previous meeting or by having the presiding officer sign and clerk attest the approved meeting minutes.

Financial

An important function of a utility’s governing body is to adopt and monitor a budget, as required by Alaska Statute. A budget versus actual financial report is necessary as a means of tracking budget performance. However, that report created with accrual basis accounting provides expenses entered in the accounting system that aren’t necessarily paid yet, and revenues such as utility user fees, that have been billed, but not necessarily received. A report created using cash basis accounting provides a more accurate picture of actual expenses paid and actual revenues received. This information is the minimum financial information recommended by the RUBA program to be received regularly by utility board members in order to make meaningful management decisions. For purposes of scoring the financial criteria, monthly financial reports must reflect revenues in amounts actually received, and expenses in amounts that were actually paid to date (cash basis).

Budget

Utility owner and the utility have each adopted a realistic budget and budget amendments are adopted as needed; accurate monthly budget reports are prepared and submitted to the governing body. (15 points)

Fifteen points are awarded to utilities when both entities – the utility owner and the enterprise utility have a balanced and realistic budget that meets the standards detailed below. The utility owner and the enterprise utility must provide balanced and realistic budgets duly-adopted by their governing body. Income and expenses associated with the utility service must be detailed as a separate utility enterprise from other functions of the utility owner.

If, the owner contracts with a third party manager, both the utility owner and the utility contractor must demonstrate appropriate budgeting and financial reporting practices. When the utility is managed by a contracted third party, monthly financial reports must be prepared, submitted to, and reflected in the meeting minutes of the utility owner’s governing body.
When reviewing the budget, both the revenues and expenditures should be examined and compared to prior-year amounts, business plan amounts, and/or other similar systems to evaluate realistic budget amounts. There may be other factors in determining realistic budgets. For example, if the utility’s revenues depend heavily upon user fees, the actual collection rate required to generate the shown revenues should be examined for accuracy. If the utility budget is dependent upon subsidies, the subsidies must be specifically identified and documented in the revenue line items of the utility budget and then tracked in the monthly financial reports.

Budget amendments must be made when revenue or expenditure categories significantly increase (such as when grant revenue not yet budgeted is received, or when a rate increase changes projected revenues). Budget amendments must also be made when expenditures significantly decrease (such as when labor costs are decreased). Budget amendments should be implemented when there is a transfer of a large amount of money from one department to another.

Monthly financial reports must be in cash basis in order to compare actual year-to-date revenues received and actual year-to-date expenses paid to annual budgeted amounts. The reports must be provided to the utility’s governing body monthly, for 15 points to be awarded. A majority of the most recent five months of monthly finance reports correctly completed and distributed to the governing body at each monthly meeting must be documented. A balance sheet and/or simple profit loss statement does not meet this requirement.

Either the utility or the utility owner has adopted a budget, but the other has not. (13 points)

When the utility owner operates and manages the service, and the owner has a balanced, realistic, and duly-adopted budget that does not separate utility income and expenses in a separate enterprise budget, it may receive 13 points. A majority of the most recent five months of monthly finance reports correctly completed and distributed to the governing body must be documented for each monthly meeting. A balance sheet and/or simple profit loss statement does not meet this requirement.

-or-

When the utility owner contracts with a utility contractor to operate and manage the utility service, and the contractor has a balanced, realistic, and duly-adopted budget that does not separate utility income and expenses in a separate enterprise budget, it may receive 13 points. A majority of the most recent five months of monthly finance reports correctly completed and distributed to the governing body must be documented for each monthly meeting. A balance sheet and/or simple profit loss statement does not meet this requirement.

Either the utility or the utility owner has adopted a budget, but it is not being implemented. (10 points)

Ten points are awarded when balanced and realistic budgets have been duly adopted (by either the owner or utility contractor (as necessary), but the budget is not adhered to or monitored with monthly financial reports.

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September 20, 2019
Utility owner and the utility have not adopted a budget. (0 points)

If the owning entity and any contracted third party entity do not adopt and provide a balanced and realistic budget for the utility, 0 points are awarded.

Revenue

The revenue section of the Best Practices criteria is not tied to other criteria sections. Scoring is based solely on the financial stability of the utility. Financial reports in this section do not necessarily have to be presented to the council to receive points.

Utility is collecting revenue sufficient to cover the utility’s operating expenses and to contribute to a repair and replacement account. (20 points)

To receive 20 points, monthly financial reports must show that sufficient revenues – whether from user fees, explicitly identified subsidies, or a combination of both – are being collected to meet all the utility’s associated expenses. Repair and Replacement “R&R costs” are those expenses for parts that need to be replaced sometime between every year and every seven years; consult the RUBA training materials for further definition of R&R costs, versus general supplies and operating expenses. The utility should have a line item budget allocation for repair and replacement expenses. The utility must track a year to-date R&R amount and show, at a minimum, quarterly contributions toward the annual budgeted allocation. The utility may already have sufficient funds designated to meet projected repair and replacement (R&R) costs. A review of the budget and monthly financial reports should verify the balance of the R & R account.

Most ARUC utilities have an R&R account identified in their budget and financial report.

Utility is collecting revenue sufficient to cover operating expenses. (15 points)

If the utility’s monthly financial reports show that it is receiving revenues from user fees, explicitly identified subsidies, or a combination of both, but is not receiving enough revenues to cover designated R&R, it is awarded 15 points.

Most ARUC utilities have an R&R account identified in their budget and financial report.

Utility has a fee schedule and a collection policy that is followed. (5 points)

If the utility demonstrates that it is actively enforcing a duly-adopted collections policy and fee schedule, but revenues are not sufficient to cover operating expenses according to the standards detailed above, it receives 5 points.

“Collections policy” means a set of procedures designed to ensure bills are paid on time and in full, and to collect on past-due payments. Sending customers a bill/statement each month showing the amount owed is not a collection policy. The collection policy must include a statement of action that will be taken if past-due amounts are not received. Ask for a copy of the ordinance, tariff, policy, and/or resolution the utility has adopted that contains the fees or rates for services, as well as the collective measures it implements.

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September 20, 2019
To receive the 5 points, in addition to the documentation above, RUBA staff may accept a cash basis profit and loss statement, cash basis, or a cash basis account receivables aging summary to show the utility is collecting revenue.

**Utility has no fee structure or collections policy. (0 points)**

If the utility does not demonstrate that they are enforcing a duly adopted collections policy and fee schedule, and revenues are not sufficient to cover operating expenses, it receives 0 points in this criterion.

**Workers’ Compensation Insurance**

Verification for this criteria can be made through the DOLWD database or through an Employer’s Notice of Coverage from the insurance agency.

**Utility has had a workers’ compensation insurance policy for all employees for the past two years and has a current policy in place. (5 points)**

ALL employees of the entity which owns the utility and, if applicable, all employees of a third party managing the utility, must be covered by workers’ compensation insurance. It is the responsibility of the utility to demonstrate, whether with a letter from their workers’ compensation insurance provider or other means, that they have had a sufficient insurance policy in effect for at least the last two years to receive 5 points. State law requires that a notice of insurance be posted in three places of employment. Comments related to this criterion should note the insurance carrier name, and dates of coverage for the current policy.

**Utility has a workers’ compensation insurance policy for all employees. (2 points)**

If the utility (the owning entity and any contracted third party entity, as applicable) has a workers’ compensation insurance policy currently in effect, but cannot demonstrate that it has had such a policy in place for the last two years, it receives 2 points.

**Utility has no workers’ compensation policy. (0 points)**

If the utility (either the owning entity, a contracted third party entity, or both) cannot verify a workers’ compensation insurance policy at the time of scoring, 0 points are awarded. Verification for this criteria can be made through the DOLWD database or through an Employer’s Notice of Coverage from the insurance agency.

**Payroll Liability Compliance**

**Utility has no past due tax liabilities and is current with all tax obligations. (5 points)**

This criteria applies to the utility owner, as well as a contracted third party managing the utility, if applicable.
The utility owner and contracted third party, if applicable, has no past due tax liabilities and is current with all tax reporting and deposit obligations. The utility owner, or contracted third party must sign an IRS tax authorization form. The authorization is submitted by RUBA staff to the IRS Tax Advocate Office. The entity must be deemed compliant by the IRS and current with their federal tax filing and deposit obligations. RUBA staff should also verify that the entity is compliant with Employment Security Tax by contacting the State Department of Labor and Workforce Development. 5 points are awarded if verifications show that the utility is current with their federal and state tax obligations.

Utility owes back taxes, but has a signed payment agreement, is current on that agreement, and is up-to-date with all other tax obligations. (2 points)

If the owning entity, contracted third party, or both have past state or federal tax liabilities, but have a signed payment agreement in place, and verifications indicate they are deemed compliant and current with the payment agreement they receive 2 points.

Utility is not current with its tax obligations and/or does not have a signed payment agreement for back taxes owed. (0 points)

0 points are awarded if either the owning entity, the contracted third party, or both owe back taxes and have not signed a payment agreement, or if they are not meeting the terms of any payment agreement they have.
Appendix

Workers comp: https://www.ewccv.com/cvs/

DOL contact: http://labor.state.ak.us/estax/home.htm

This form grants IRS the authority to share all communication with the owning entity or contracted third party with Division of Community and Regional Affairs LGS staff. Having this authorization in place can greatly assist the entity or contracted third party with catching IRS reporting and payment issues rapidly. Having this form in place allows LGS staff to sign the IRS Authorization to Request Federal tax Information form on behalf of the entity on a quarterly basis (rather than requiring a signature from the entity’s authorized signer on a quarterly basis).