

Operations and Maintenance Best Practices Scoring Guide

The intent of this document is to provide guidance to both communities and program staff to ensure that all required documentation is submitted and reviewed in a fair and uniform manner, and to specify the responsible parties for submitting and collecting information. Please note that instances may arise that are outside the scope of the guidance presented in this document. In these cases, documentation should be provided to the Department of Environmental Conservation (DEC) staff, and a scoring determination will be made on a case-by-case basis.

Purpose of Best Practices:

The Operations and Maintenance Best Practices (Best Practices) score is used to determine priority of sanitation projects proposed for funding. For some funding sources, the Best Practices score determines eligibility. In other instances, the Best Practices score is used as part of the larger project scoring criteria. There are three categories: Technical, Managerial, and Financial, and included in these categories are a total of nine criteria.

The nine criteria are scored by the following programs:

- Operator Certification Program (OpCert) staff are responsible for scoring the Operator Certification criterion.
- Remote Maintenance Worker (RMW) Program staff are responsible for scoring the Preventative Maintenance Plan criterion.
- Drinking Water Program (DWP) staff are responsible for scoring the Compliance criterion.
- Rural Utility Business Advisor (RUBA) Program staff are responsible for scoring the Utility Management Training, Meetings of the Governing Body, Budget, Revenue, Worker’s Compensation, and Payroll/Tax Liability Compliance criteria.

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), a Memorandum of Understanding (MOU), or the Alaska Rural Utility Collaborative (ARUC), if applicable. The owner of the utility will be assessed for each scoring criteria. Where applicable, a contracted third-party manager will also be assessed in regards to the Budget, Revenue, Worker’s Compensation, and Payroll Liability Compliance criteria.

Scoring Timeline:

Best Practices scores are published twice per year, according to the timeline below.

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Community Deadlines	December 31: Deadline to provide information to RUBA & RMW						June 30: Deadline to provide information to RUBA & RMW					
Release of Scores			March 1: Spring Scores are posted (<i>Used for funding eligibility & project scoring</i>)						September 1: Fall Scores are posted (<i>NOT used for funding eligibility & project scoring</i>)			
Agency Activity	Compile scores						Compile scores					
Community Activity			Work with RUBA & RMW to improve score						Work with RUBA & RMW to improve score			
	<i>Year Round: Communities are familiar with their latest Best Practices score, and work consistently with technical assistance providers to improve the score before each community deadline</i>											

Technical

Operator Certification

It is the responsibility of the water system owner to ensure that the system is staffed by a properly certified operator. To achieve certification, an operator must register for a certification examination through the DEC OpCert Program. After passing the Water Treatment or Water Distribution examination, an operator must also apply for certification and pay a certification fee. To maintain certification, continuing education credits (CEUs) are required on a regular basis. For Small Treated and Small Untreated systems, certification is awarded upon passing the certification examination. The utility is responsible for updating the OpCert Program about any staffing changes.

To evaluate this criterion, OpCert Program staff first review the classification of the water system. The classification of each water system can be found online at: <https://dec.alaska.gov/Applications/Water/OpCert/>. The certification requirements considered will be for Water Treatment unless a system only requires a Water Distribution operator, in which case only Water Distribution certifications will be considered.

Utility has more than one operator certified to the level of the water system. (10 points)

Utilities with more than one operator certified to the level of the water system will receive 10 points. Operators of Small Treated and Small Untreated systems who hold a Water Treatment certification at any level are certified to the level of the system. Wastewater Collection and Wastewater Treatment certifications will be considered only if a community has a wastewater system but no water system. Systems that do not require a certified operator, and communities without a public water system will receive full points.

Primary operator is certified to the level of the water system and the backup operator holds some level of certification in water treatment or water distribution. (7 points)

A primary operator is the main operator for the system. The primary operator must be certified to the level of the water system. Additionally, there must be a backup operator on staff to help the primary operator. The backup operator must hold some level of certification for the system to receive 7 points. The backup operator may not be substituted for the primary operator in order to receive more points.

Primary operator is certified to the level of the water system and the backup operator holds no certification or there is no backup operator. (5 points)

A system will receive 5 points if there is a primary operator who is certified to the level of the water system, and there is a backup operator with no certification, or there is no backup operator.

Utility has one or more operators certified at some level in water treatment or water distribution. (3 points)

If the utility has at least one operator on staff who holds some level of water treatment or water distribution, the utility will receive 3 points.

Utility has no certified operators. (0 points)

If a utility has no certified operators or does not provide the OpCert Program information about operators on staff, the utility will receive 0 points.

Preventative Maintenance Plan

A Preventative Maintenance (PM) Plan is a schedule of maintenance activities necessary for continued operation of the utility and to prevent future failures. PM criteria apply to wastewater utilities if there is no public water system. Communities without a public water or wastewater system will receive full points.

Utility has a written PM plan; PM is performed on schedule; records of completion are submitted on a quarterly basis and have been verified. (25 points)

For scoring purposes, a utility must submit completed PM records to their assigned RMW on a quarterly basis. All records for the quarter must be submitted on time. Alternatively, PM plans can be submitted each month to ensure consistent record keeping. To score 25 points, the RMW must receive records on time for the past three out of four quarters, and the RMW must verify, via a site visit, that the reported PM is occurring.

Utility has a written PM plan; performance of PM and record keeping are not consistent. (15 points)

In addition to having a written PM plan, operators must perform the required maintenance and provide records to the assigned RMW. If maintenance is not consistently performed, or records are not consistently sent to the assigned RMW for three out of four quarters, or if the RMW is unable to verify that the PM is occurring, a system will receive 15 points.

Utility has no PM plan or performs no PM. (0 points)

RMWs are available to assist in developing PM plans and training operators in proper maintenance. Communities with no PM Plan can reach out to their assigned RMW for assistance in this category. At a minimum, the plan must include those activities required to prevent a loss of service.

Compliance

Public water systems are required to collect water samples to demonstrate that the water meets drinking water quality standards and is safe for consumers. The DWP provides each utility with an annual Monitoring Schedule. Sampling is a primary responsibility of the operator, and sufficient funds for monitoring must be included in the budget.

Monitoring summaries for systems can be found at: <https://dec.alaska.gov/DWW/index.jsp>. These summaries reflect sampling information the DWP receives from certified laboratories and public water systems. If a utility notices any errors in this data, they should contact their local ADEC DWP office. Public water system owners are responsible for compliance with monitoring requirements.

For scoring purposes, the utility must conduct regular monitoring of drinking water quality, as required by the Safe Drinking Water Act and State of Alaska Drinking Water Regulations, and must submit monitoring results in a timely fashion. Utilities are evaluated on a calendar year basis as most sampling requirements are based on the calendar year.

Utility had no Monitoring and Reporting violations during the past year. (10 points)

Utilities that receive no monitoring or reporting violations during a calendar year will receive 10 points. Communities without a public water system will also receive full points.

Utility had up to five Monitoring and Reporting violations during the past year. (5 points)

If a utility receives between one and five monitoring or reporting violations during the past calendar year, they will receive 5 points.

Utility had more than five Monitoring and Reporting violations during the last year. (0 points)

If a utility receives more than five monitoring or reporting violations during the past calendar year, they will receive 0 points. Systems with repeated violations may benefit from sending in samples as early each month as possible to account for potential weather delays.

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 management responsibility of the utility, such as a city/tribal administrator, city or utility clerk, tribal secretary, council member, mayor, bookkeeper, public works director, or others. This person must be active in management and consistently accessible to the community for management decisions and be currently representing the utility, even in instances when the utility is managed by a contracted third-party.

Any of the offered 32-hour RUBA trainings, including the state sponsored QuickBooks training, will be considered for this criterion. The training must have been successfully completed within the last five years from the date of the deadline communities are given to submit documentation for the current round of scoring or off cycle scoring (i.e., December 31, 2015 – December 31, 2020). Utilities do not receive points in this criterion based on a staff person or official possessing a university degree. Points may not be awarded for non-RUBA trainings without joint RUBA Program Manager and DEC approval.

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”.
- RUBA staff should contact the utility owner to confirm that the person listed is still working for the utility or on its governing body.

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, RUBA staff will need to receive the governing body meeting minutes from the majority of the last six months (i.e. 4/6), 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), RUBA staff will

receive and evaluate meeting minutes from the past two scheduled meetings, based on the meeting requirements in the ordinances/bylaws of the utility's governing body. Meeting minutes either need to be signed by a presiding officer and attested by a clerk after they have been reviewed, or each set of minutes should document the review and the acceptance of the previous month(s) minutes.

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.) and meeting minutes from the majority of the last six months (i.e. 4/6) must be submitted to RUBA staff.

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. If the water operator is unable to present the report in person at the council meeting, a written report or a report by staff of the public works department may be provided to fulfill this requirement. This requirement is met by the inclusion of a brief summary, such as one to two sentences, detailing the water operator report. It is helpful to label this report in the agenda and meeting minutes as "Water Operator Report".

The utility owner's governing body meets routinely consistent with the local ordinance/bylaw requirements. (2 points)

If the governing body meets essentially 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 2 points.

Meeting minutes, that include a water operator report, provided for three months out of a six month period will receive 2 points.

Meeting minutes that are provided for four or more months, but do not include a water operator's report, will also receive 2 points.

Meeting minutes need to be either signed by a presiding officer and attested by a clerk after they have been reviewed, or each set of minutes should document the review and the acceptance of the previous month(s) minutes

If meeting minutes are not provided to RUBA staff or less than three months of meeting minutes are provided, it cannot be assumed that the meetings are being held 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 meeting minutes were provided for less than required to receive 2 points as described above, if the governing body does not meet, or meeting minutes were not provided to RUBA staff, the utility receives 0 points.

Financial

There are four Best Practices Financial Categories: Budget, Revenue, Worker's Compensation Insurance, and Payroll Liability Compliance. The spirit and intent of the Budget and Revenue categories is to evaluate the utility's financial solvency. An adopted budget that is balanced and realistic is the foundation for a sustainable utility. Budget-versus-actual monthly financial reports are necessary as a means of tracking a budget. They compare budgeted allocations to actual revenues and expenses and are used to evaluate: 1) if the adopted budget is being monitored and implemented; and 2) if revenues are sufficient to cover a utility's operating expenses. A monthly report created using cash basis accounting provides a more accurate picture of actual expenses paid,

and actual revenues received. This information is crucial to avoid cash flow problems and requires a cash basis financial report. Conversely, monthly financial reports created in accrual basis accounting provide expenses entered in the accounting system that are not necessarily paid yet, and revenues such as utility user fees, that have been billed, but not necessarily received. The accrual report provides a picture of revenues and expenses that can be quite misleading, allowing the reader to assume a much brighter than actual financial situation. Therefore, for purposes of scoring the financial criteria, all financial reports must be submitted by the utility owner in 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 budgets must be balanced and realistic, and duly-adopted by their governing body. Income and expenses associated with the utility service must be detailed and show a separate utility enterprise from other functions of the utility owner.

If the owner contracts with a third-party utility 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, and submitted to the utility owner's governing body. The governing body's meeting minutes must note that the reports were reviewed and accepted.

When reviewing the budget, both the revenues and expenditures should be examined and compared to prior-year amounts, business plan amounts, and/or other financial reports/documents to evaluate if the budget is balanced and realistic. Likewise, the utility's actual collection rate should be compared to realistic collection rates needed to cover utility expenses. 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 and compare annual budgeted amounts to actual year-to-date revenues received and actual year-to-date expenses paid. The reports must be provided to the utility's governing body monthly and noted as reviewed and accepted by the governing body in the meeting minutes for 15 points to be awarded. The utility must provide evidence that monthly financial reports were distributed to the governing body for the majority of the most recent six months (i.e 4/6). 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 owner operates and manages the utility and has a balanced, realistic, and duly-adopted budget that does not separate utility income and expenses in a separate enterprise budget, 13 points may be awarded. The utility must provide documented evidence that monthly financial reports were distributed to the governing body for the majority of the most recent six months (i.e. 4/6). A balance sheet and/or simple profit loss statement does not meet this requirement.

-or-

When the utility owner contracts with a utility manager to operate and manage the utility service, and the contractor has a balanced, realistic, and duly-adopted budget but does not separate utility income and expenses in a separate enterprise budget, 13 points may be awarded. The utility must provide documented evidence that monthly financial reports were distributed to the governing body for the majority of the most recent six months (i.e. 4/6). 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.

Utility owner and the utility have not adopted a budget. (0 points)

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

Revenue

Revenue scoring is based solely on the financial stability of the utility. Financial reports submitted for this category must show that the utility's actual revenues, including any subsidies, are sufficient to cover actual monthly expenses such as heating fuel, electricity, chemicals, water testing, operator salaries, parts, and equipment purchases. If a subsidy is from the owner of the utility, the owner's budget must be balanced and realistic, and monthly financial reports must show it has sufficient funds to allocate the subsidy.

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. A Repair and Replacement (R&R) account is for funds set aside for parts that need to be replaced sometime between every year and every seven years. 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 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, 15 points are awarded. If the subsidy is from the utility owner, it must show that the utility owner has a balanced and realistic budget, and sufficient funds to allocate the subsidy.

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, 5 points are awarded.

“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. In assessing utilities and allocating Best Practices scores, RUBA staff should 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.

As an alternative to the above, RUBA staff may accept a cash basis profit and loss statement or a cash basis account receivable aging summary to show the utility is collecting revenue to be awarded 5 points.

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, 0 points are awarded.

Workers' Compensation Insurance

Workers' Compensation Insurance is a very important minimum benchmark required for any business to operate legally. A score of zero in this category may hold up or stop distribution of state and federal grant funding for water and sewer construction projects, even if the utility scores high in other Best Practices categories. Verification for this criterion can be made through the Department of Labor and Workforce Development (DOLWD) database, through an Employer's Notice of Coverage from the insurance agency, or a written certificate from the carrier or policyholder that the utility has current coverage.

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. If RUBA staff is unable to verify current and continuous coverage for the last two years through the DOLWD database or through the insurance agency, 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 without a break in coverage to receive 5 points. State law requires that a notice of insurance be posted in three places of employment. However, this notice of insurance is not sufficient evidence of coverage for the sake of scoring. 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, and contracted third-party entity, if 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 without a break in coverage, 2 points are awarded.

Utility has no workers' compensation policy. (0 points)

If either the utility owner, a contracted third-party manager, or both cannot verify a workers' compensation insurance policy at the time of scoring, 0 points are awarded. Verification for this criterion can be made through the DOLWD database or through an Employer's Notice of Coverage from the insurance agency.

Payroll Liability Compliance

Payroll Liability Compliance is a very important minimum benchmark that is required for any business to operate legally. Scoring zero in this category may hold up or stop distribution of state and federal grant funding for water and sewer construction projects, even if the utility scores high in other Best Practices categories.

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

This criterion applies to the utility owner, as well as a contracted third-party managing the utility, if applicable. RUBA staff are required to submit tax compliance requests for federal 941, 730, 720, 11c, W2, and W3 form tax reporting and payments, as well as Alaska Department of Labor Employment Security Tax (ESC).

5 points are awarded if verifications show that the utility is current with their federal and state tax obligations. The utility owner and contracted third-party, if applicable, may not have past due tax liabilities and must be current with all tax reporting and deposit obligations. The utility owner, or contracted third-party must sign an IRS tax authorization form, which is then submitted by RUBA staff to the IRS Tax Advocate Office. The entity must be deemed compliant by the IRS and be current with their federal tax reporting and deposit obligations. RUBA staff must also verify that the entity is compliant with ESC reporting and deposit obligations by contacting the State Department of Labor and Workforce Development.

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)

2 points are awarded if the utility owner, contracted third-party, or both have delinquent Alaska ESC, federal payroll, or wagering/gaming tax liabilities, but have a signed payment or installment agreement in place for the delinquent taxes. The entity must be current on the payments for the installment agreement, in addition to their current tax reporting and deposit obligations.

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 utility owner, contracted third-party, or both, owe Alaska ESC, federal payroll, or wagering/gaming tax liabilities and have not signed a payment agreement, or if they are not meeting the terms of any existing payment agreement.

Appendix

Operator Certification Program Contact Information:

- Phone: 907-465-1139
- Fax: 907-465-5177
- Email: dec.opcert@alaska.gov

Remote Maintenance Worker Program Directory: <https://dec.alaska.gov/water/remote-maintenance/>

Drinking Water Program Contact Information: <https://dec.alaska.gov/eh/dw/contact/>

Rural Utility Business Advisor Program:

<https://dced.maps.arcgis.com/apps/webappviewer/index.html?id=39d62deddd2b49c3b9a1aff48ffcaa76>

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

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

IRS 8821 <https://www.irs.gov/pub/irs-pdf/f8821.pdf>

The IRS 8821 form grants IRS the authority to share all communication with the owning entity or contracted third-party with the Division of Community and Regional Affairs RUBA 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 RUBA staff to sign the IRS Authorization to Request Federal Tax Information form on behalf of the entity as required (rather than requiring a signature from the entity's authorized signer quarterly). This form should include access to 941, 720, 730, 11c, and W2 and W3 form tax reports and payment records and histories.