

Report to the Governor
Water System Capacity

September 2011



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Washington State prepared this report to satisfy a requirement in the Safe Drinking Water Act. States must produce a report for their Governor on the effectiveness of capacity development efforts. Information in this report also addresses the Environmental Protection Agency's criteria for assessing the states' implementation of the Capacity Development Program.

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Executive Summary

Last year, the Washington State Department of Health’s Office of Drinking Water (the department) established a new vision:

“We are on the leading edge of advancing water utilities to ensure they can today and in the future provide safe, sustainable, and reliable drinking water at the tap.”

This report describes how the department is carrying out this vision and its mission to protect the health of the people of Washington State by ensuring safe and reliable drinking water.

Requirements

The department regulates public water systems under state law and a formal “primacy” agreement with the U.S. Environmental Protection Agency (EPA) to carry out the Safe Drinking Water Act (SDWA). The EPA provides funding to states as part of the agreement. In Washington, EPA funds about 60 percent of the department’s drinking water program. In 1996, the Act was amended directing states to ensure all new and existing water systems have the technical, managerial, and financial capacity to deliver safe water to their customers. EPA refers to the strategy as the ‘capacity development program’ and can withhold up to 20 percent of a state’s funding if their strategy is not sufficient. EPA reviews the effectiveness of state programs annually.

While water systems of all sizes must demonstrate capacity, the state and national focus is now on strengthening small systems (those that serve less than 1,000 connections) because they tend to have more challenges. These challenges can include difficulty complying with water quality regulations, inexperienced or untrained governing bodies, and higher per-capita costs due to a smaller rate base.

Since October 1, 2002 states have had to report their progress in carrying out their capacity development strategy every three years to the Governor, the public, and EPA. In June 2005, EPA established criteria for states to use when completing their reports, which includes the status of the new systems program and existing systems strategy.

Report summary

This report highlights the department’s progress and action plans to strengthen small water systems. Our efforts are based on recommendations and commitments made in the 2009 report to the Legislature on [Small Public Drinking Water Systems](#). This report covers the areas of:

◆ **Small System Ownership: Encouraging Strong Management**

The Legislature recently passed legislation allowing the department to establish rules to increase operating permit fees for public water systems. The fee structure includes cost breaks for satellite management agencies, which may encourage expanded satellite ownership. The department will use the revenue from increased fees to support our additional efforts to strengthen small systems. *See page 3 for details.*

◆ **Department Oversight: Improving Our Performance**

The department is developing a new process and assessment tool to identify the capacity needs of small systems. The goal is to create a method to continually assess needs, apply the most effective tools and resources, and measure our progress. *See page 4 for more information.*

The department is modifying its planning program to help all systems do the appropriate level of planning. We are developing new guidance to help system owners and operators work together to address the technical, managerial, and financial capacity needs of the system. *See page 5.*

The department is expanding the financial technical assistance offered through third parties. We are increasing our internal financial viability expertise and have been conducting financial trainings for small systems. *Find out more on page 6.*

The department is amending the Drinking Water State Revolving Fund (DWSRF) rule to allow limited principal forgiveness for restructuring and consolidation projects and for disadvantaged communities. The changes work toward our goal to encourage strong water system management and will provide lower-cost loans in communities that need the most assistance. *Details are on page 7.*

◆ **State and National Partnerships: Working Together to Help Small Systems**

The department is working with state and national partners to advance capacity development programs, develop sustainability policies, and support small system capacity needs in Washington's communities. *For more information, see page 8.*

Next steps for advancing the department's progress are on page 11. The appendices include responses to EPA's 2005 reporting criteria, the list of new systems from 2008 through 2010, and the department's new capacity assessment questions. We are optimistic about the steps we're taking to strengthen small systems and we look forward to reporting our progress in 2014.

This report is available electronically on the Office of Drinking Water's website at <http://www4.doh.wa.gov/dw/publications/publications.cfm> .

Report to the Governor

Water System Capacity

Helping Small Systems Succeed: Our Progress

The 2008 Legislature, under Section 2009 of Enrolled Substitute House Bill 2765, directed the department to “...complete a statewide review of small public drinking water systems (less than 1,000 connections) that have, or may in the future, require significant state resources to resolve urgent threats to public health and safety.” In 2009, we completed the [Small Public Drinking Water Systems](#) report and put forth recommendations to improve public health for consumers of small public water systems.

The following report summarizes our progress working toward the legislative report recommendations. (Specific recommendations from the report are listed below in bold italic, followed by the department’s activities and progress working toward these goals.)

Small System Ownership: Encouraging Strong Management

The department recommends that the legislature amend RCW 70.119A.060, RCW 70.119A.110, and RCW 70.116.134 to require all new Group A community water systems to be owned by a satellite management agency, if one is available. If a satellite management agency is not available, require a public entity to own the new water system.

The department recommends that the legislature amend RCW 70.119A.110 to increase the base fee for water systems to obtain an operating permit that would include a variable, declining per-connection charge for every size system. Potentially, the fee could be structured to provide a cost-incentive for systems to be well-managed, and in full compliance with state rules.

Before pursuing regulatory changes, the department is making changes within the drinking water program. The department requested legislation this year to amend the operating permit fee for public water systems. In April, the Governor signed Enrolled Substitute Senate Bill 5364 into law. This legislation allows the department to establish rules that increase operating permit fees for public water systems. We will use the increased fees to help implement a number of the legislative report recommendations.

The law also provides financial incentives for satellite system management agencies (SMAs) to promote good system management and ownership. SMAs will only pay a \$100 base fee no matter how many systems they own. This will reduce costs for SMAs, and may encourage them to expand their ownership of water systems.

Department Oversight: Improving Our Performance

The department will create a new financial capacity assessment tool to evaluate water systems' technical, managerial, and financial capacity.

The department evaluated its capacity strategy for existing systems. We found we were doing great on assessing technical capacity, but needed to improve how we assess financial and managerial capacity. We decided we needed a data collection tool to better assess these two areas and needed to establish meaningful measures to track improvements over time. We created a workgroup that has made significant progress over the past year and a half on these improvements. The workgroup's accomplishments include:

Identify capacity indicators and develop an assessment questionnaire

The department selected, evaluated, and recommended financial and managerial indicators that we think best represent a system's capacity. The department looked to internal data and selected several indicators, such as size, status of a system's operating permit, and compliance history. To get information from the systems, the department developed an assessment questionnaire (*see Appendix C*).

Prioritize systems for the assessments

To make this effort more manageable, the department evaluated which systems would benefit the most from the assessment. The department is focusing on community systems with 100-1000 connections because this group:

- Has a manageable number of systems (about 550 community water systems).
- Serves almost 75 percent of the small system population (about 500,000 of 670,000 small system customers).
- Generally has more capacity than very small systems, and can build on their foundation of capacity.

Benchmark and score indicators

To assess the relative capacity of systems, the department developed a way to score the assessment answers and select capacity data from our data system. This will allow us to establish a baseline and measure progress in coming years.

Build in instant, customized feedback

The department built in a tool to automatically compile feedback into a report that systems can review following their assessment. The report is brief, customized to the system's responses and includes topic-specific resources and staff contacts. The report recognizes when the system has indicated strengths, and encourages the system to take small steps in areas where they need to improve.

Collaborate with the Environmental Finance Center

The department is collaborating with the Environmental Finance Center, an EPA funded network that helps states resolve environmental “how to pay” issues. The network used EPA grant funds to research and purchase assessment software, and developed the first version of the assessment. We will continue to work with them for training and ongoing support.

Get input from utilities and technical assistance providers

The department interviewed utilities and technical assistance providers to find out how they define capacity, what kind of information they use, and how they collect it. We shared the summary of comments with participating utilities and included how we would use their feedback in our strategy revision. We continue to work with technical assistance providers to refine the assessment questions and will pilot test the assessment tool with a small group of utilities before it is used for all systems.

Leverage the efforts of other programs in the drinking water office

The entire drinking water office has a part in helping small systems build capacity. This strategy revision is an opportunity to engage staff and explore how our programs work together to build capacity for small systems. We are taking steps to improve the information programs collect and make it easier for all programs to use. For example, the planning program is evaluating which information from water system plans will go into our data system. Our sanitary survey program is piloting 12 managerial and financial questions this year for surveys done on small systems. The department’s compliance program is developing approaches to bring together indicators of both short- and long-term risks posed by multiple contaminants.

The department plans to roll out the capacity assessment by this fall. In the future, we will use our various programs to collect a more complete set of capacity information from all small systems. This will help us gain a more complete picture of small system needs, provide assistance more effectively, and build a new path for continuous improvement.

The department will modify the water system planning program to help small water systems improve their financial viability.

Our planning vision

Planning activities are essential for water systems to understand and finance their short-and long-term needs. The vision for the planning program is that all water systems do the appropriate level of planning. The department continues to implement the appropriate level of planning strategy, shifting our focus toward smaller systems that are having capacity-related problems. For larger systems with more planning experience, the strategy calls for a more tailored approach to make better use of staff time and planning resources.

Last year, we focused on communicating our planning strategy to water systems. Systems of all sizes will benefit from a system-specific approach. Those required to submit their plans for department approval now have more input into the scope of their plans through discussions with department staff. The increase in staff time spent at the beginning of the

plan development process will result in clearer expectations and an improved understanding of the system’s needs and future goals.

The majority of water systems with less than 1,000 connections are not required to submit their plans for our approval. The department is increasing planning outreach and technical assistance to help these systems understand that planning is a critical step toward their long-term sustainability.

Planning guidance

In keeping with our commitment to ensure small systems successfully plan for their future, we are improving our planning resources. The department is revising its Small Water System Management Program Guidebook to be a more comprehensive and practical planning guide. The guidebook, which will be available later this year, covers the concepts of technical, managerial, and financial capacity. By including indicators of what adequate capacity means—particularly financial capacity—the guide will help small systems know what to aim for as they begin their planning efforts.

Involving the governing bodies of the water systems in the planning process is critical to a plan’s success. The revised guidebook encourages governing bodies and system operators to develop their plan together using the operator’s knowledge of system needs and the financial commitment of the governing body. The department intends this guidebook to help system owners and operators value and invest in their water system as a vital asset. We will complete and share the new guidebook this year.

The department will expand and improve delivery of financial technical assistance through third-party providers.

Our financial expertise

To increase in-house financial expertise, the department hired an Infrastructure Financial Assistance Specialist and trained key staff in asset management.

Financial training

The department partnered with third-party providers to offer asset management and “green” projects training for recipients of the American Reinvestment and Recovery Act (ARRA) funds. The department extended this training to other systems to maximize ARRA training funds, and offered continuing education credits for operators as an incentive to attend. Additionally, our planning staff and third-party providers held financial trainings geared to owners and managers of small systems. The training included information and tools to help systems improve their financial practices and oversight. During the past year, we held about ten trainings.

The operating permit fee increase, described in the previous section, will allow us to expand our financial technical assistance.

Training program for governing bodies

The department's third-party trainers have worked at the national level to develop a management-oriented class on the managerial, financial, and technical aspects of operating and managing a water system. One feature of this comprehensive course is the opportunity for national certification for water system owners and managers. We are examining this certification to determine if it could serve as a future indicator of system capacity.

The department will amend chapter 246-296 WAC to allow limited principal forgiveness for some Drinking Water State Revolving Fund loans.

The department has revised its Drinking Water State Revolving Fund (DWSRF) rule on an emergency basis to incorporate federal requirements for partial subsidization. We met this recommendation by offering limited principal forgiveness for restructuring and consolidation projects and for disadvantaged communities. We are in the process of making principal forgiveness an ongoing practice by incorporating the requirements into a permanent rule.

Restructuring and consolidation projects

These projects involve a water system that acquires other public water systems that have water quality problems or deteriorated infrastructure. The department requires a change of ownership prior to executing the funding contract. Applicants must also demonstrate a history of sound drinking water utility management. To qualify, an applicant must:

- Own at least one Group A public water system.
- Have a minimum of 5 years experience as a Group A water system.
- Have an approved water system plan or be an approved satellite management agency.
- Have *not* received state or federal unilateral enforcement orders or civil penalties in the past 5 years.
- Have *not* had a system's operator license suspended or revoked in the past 5 years.
- Are current with our fee payment schedule.

This change relates to our efforts to facilitate strong ownership for small systems.

Disadvantaged communities

To better reflect actual community needs we are changing the criteria that qualifies a community to be considered a "disadvantaged community." Rather than basing the criteria on county median household income (MHI) alone, we will base it on an affordability index. The affordability index will use the average water bill after the loan and compare it to the MHI of the utility service area. If the average monthly water rate will exceed 2 percent of the MHI for the service area, the project will qualify for partial principal forgiveness. We will offer a lower interest rate to systems with an affordability index between 1.5 and 2.0 percent.

State and National Partnerships: Working Together to Help Small Systems

Re-energizing capacity development

Last year, EPA kicked off an effort to “re-energize” the capacity development program at the national level. Factors driving this effort include:

- A directive in the FY 2010 EPA budget to “...*work with State and local governments to address Federal drinking water policy in order to provide equitable consideration of small system customers.*”
- EPA’s interest in serving underserved populations, developing sustainable community environmental practices, and transparency and solid science behind government action.
- Increased funding over the past several years for various purposes, including technical assistance and capacity development.

EPA formed a workgroup to identify capacity program challenges, best practices, and recommendations. The department participated on this workgroup along with representatives from EPA, other states, and the Association of State Drinking Water Administrators (ASDWA). We presented our strategy revision objectives and contributed information and feedback for a report of findings, recommendations, and best practices. The report is available at http://water.epa.gov/type/drink/pws/smallsystems/upload/re-energizing_april_-2011_508_compliant_final.pdf.

The EPA report provided a framework for the 2010 Capacity Development/Operator Certification Workshop. The workshop gave us an opportunity to collaborate with state and national partners, explore new approaches to capacity development, and present our vision and progress in revising our state’s capacity strategy.

Four workgroups were formed during the 2010 workshop to focus on and develop guidance for four high priority issues: managerial capacity, program collaboration, water system partnerships (restructuring), and operator workforce. We are participating on the first three groups, which continue through the end of the year.

Sustainability policy

EPA has been working with state and local governments to develop guidance, provide technical assistance, and to target state revolving fund assistance to promote sustainable water infrastructure. Washington was one of two states participating in this effort, which allowed us to bring a strong capacity development perspective to the discussion. EPA’s final sustainability policy reflects many capacity development concepts. The policy:

- Encourages collaboration with capacity development programs.
- Targets loan subsidies to encourage effective utility management, proactive planning, water resource management, and energy management.

- Promotes use of revolving loan fund set-aside dollars for technical assistance, asset management, rate evaluations, and planning feasibility studies.
- Evaluates funding barriers for small and disadvantaged communities, and develops approaches to improve access to resources.

Local assistance

The department works with partners across the state to maximize funding, expertise, and assistance to small water systems. Examples of this work include:

- The Small Communities Initiative, a partnership between state Departments of Commerce, Ecology, and Health that helps local elected officials, city staff, and citizens define, prioritize, and identify links between public health, environmental protection, and local development issues.
- The Infrastructure Assistance Coordinating Council (IACC) — a partnership of federal, state, and local entities. The IACC connects Washington communities to resources to develop, improve, and maintain public works programs.
- Funding for third-party technical assistance providers to help small systems develop capacity.

Conclusion

Over the coming years, we will continue to work to be on the forefront of moving utilities down a path of sustainability. To help get us there, we are creating a new “drinking water capacity” section in our office. This section will focus on these next steps:

- Integrate the new capacity strategy throughout our programs to maximize the use of capacity information across programs and help the department use resources in the most effective, responsible and adaptive way.
- Help systems, particularly small systems, increase their capacity so they can be sustainable into the future.
- Facilitate the development of strategies for systems that are ultimately not able to increase their capacity, so that customers of those systems can continue to have access to safe and reliable drinking water.
- Help ensure the department’s program capacity by creating efficiencies, measuring progress and outcomes, and assessing and building on our financial sustainability.

Through this work, the department wants to see public drinking water system owners, managers, and operators do everything they can to ensure their system's long-term success. The department wants to see more “models of sustainability,” like the city of Walla Walla — the 2011 Drinking Water Week Award winner in the “Above and Beyond” category.

Walla Walla’s Public Works Department established a program in April 2010 to provide a forward-thinking, systematic approach to replace the city’s failing infrastructure systems. They raised community awareness of the magnitude of the problem and promoted solutions through public outreach. They plan to fund the program through a six year stepped utility rate increase. We commend Walla Walla for facing this issue head on and providing a positive example for other communities to follow.

As we continue our work addressing Washington’s small system challenges, we are heartened by the progress of national, state, and local partners who have come together to find joint solutions. We will continue to:

- Do our part to educate, build relationships, provide technical assistance, and use enforcement when appropriate.
- Assess needs, find innovative solutions, and measure our progress.
- Strive to be on the leading edge of advancing water utilities, so they can deliver safe and reliable drinking water to the people of Washington now, and into the future.

Appendix A – EPA Reporting Criteria

A. New Systems Program

1. *Has the state’s legal authority (statutes and regulations) to implement the New Systems Program¹ changed in the previous reporting year? If so, please explain and identify how this has affected or impacted the implementation of the New Systems Program. If not, no additional information on legal authority is necessary.*

No.

2. *Have there been any modifications to the state’s control points (its implementing authorities to review and verify a newly proposed water system has satisfied all three aspects of capacity before it may be approved)? If so, describe the modifications and any impacts these modifications have had on implementation of the New Systems Program. If not, no additional information on control points is necessary.*

No.

3. *List new systems in the state within the past three years and indicate whether those systems have been on any of the annual Significant Non-Complier (SNC) lists (as generated annually by EPA’s Office of Enforcement and Compliance Assurance).*

From 2008 to 2010, 29 new systems were added to the state’s inventory (See Appendix B): 10 community water systems and 9 nontransient noncommunity water systems. None of these systems showed up on EPA’s 2010 Enforcement Targeting Tool as a priority for compliance action.

	Community Water Systems	Non Transient Non Community Systems	Total
New in 2008- 2010	10	9	19
On ETT List with score >10	0	0	0

¹ EPA’s definition of a new system “include both community or nontransient noncommunity (NTNC) water systems being newly constructed as well as systems that do not currently meet the definition of a public water system but that expand their infrastructure and thereby grow to become community water systems or NTNC systems.”

B. Existing System Strategy

- 1. In referencing the state's approved existing system strategy, which programs, tools, and/or activities were used, and how did each assist existing federally regulated public water systems (PWS) in acquiring and maintaining technical, managerial and financial (TMF) capacity?*

Washington's strategy for ensuring adequate water system capacity uses a multi-component approach for all federally-regulated public water systems (approximately 4,200 systems called Group A water systems in Washington²) that includes:

Annual Operating Permits

We provide color-coded permits to water systems that identify how well the systems are meeting the requirements. The color of a system's operating permit is available to the public, and is a way for us to share water system performance information with customers, lenders, local permittees, and other stakeholders.

Prioritized Compliance Strategy

We set priorities to assure compliance efforts address the highest public health risks first. We notify water systems when they violate a regulation, and inform them of actions to correct the situation and return to compliance. We use our formal enforcement tools such as administrative orders and penalties for systems that are unwilling or unable to work with us to return to compliance.

Planning Documents

Based on system size, some small water systems submit comprehensive water system planning and engineering documents and some complete a small water system management plan. These documents show how a water system intends to achieve and maintain capacity to provide safe and reliable water. We gear these plans to the appropriate level of system need, so that a system gets the most out of their planning process.

Operator Certification

We require public water system operators to be certified and competent to operate a system, and to meet continuing education requirements to remain certified. We are currently revising the Waterworks Operator Certification WAC 246-292 to:

- Clarify our authority to certify backflow assembly testers (BATs) and cross-connection control specialists (CCSs).
- Strengthen our authority to take immediate, formal enforcement actions in cases of fraud, deceit, or gross negligence.

² In addition to the federally regulated water systems, Washington State also regulates approximately 13,000 small water systems that do not meet the federal government's criteria of a water system. These water systems are Group B systems. Although they are not subject to the federal rules, these systems are subject to Washington State Board of Health regulations.

- Address workforce issues related to operator retirement and facilitate promotion opportunities for competent operators, helping ensure we have an adequate pool of strong candidates for high-level jobs.

Sanitary Surveys (Inspections)

We inspect all water systems on a routine 3-year or 5-year schedule, depending on the system type, source, and performance. When we find deficiencies, we notify systems about how to correct them, we set deadlines, and then follow up to make sure deficiencies have been addressed. We also conduct inspections to investigate problems and provide technical assistance. We perform some of the inspections ourselves, and develop and conduct training workshops for third party inspectors (local health jurisdiction staff and private consultants), who work with small water systems.

Data Management and Communication

We track, store and share public water system data with systems and the public via the Internet. We maintain a website to provide customers with information about their water system, including water quality history, operating permit and compliance status. This site, together with the annual consumer confidence reports, helps keep customers informed about the overall performance of their system.

Security and Emergency Response Program

We actively work with water systems and others to prevent and prepare for security breaches and emergency response. Our mutual aid network, WA-WARN, now has 60 participating water systems ranging in size from 40 – 750,000 people served. We are working with Oregon and Idaho to design a multi-state emergency response exercise.

Drinking Water State Revolving Fund (DWSRF)

Together with the Department of Commerce and Public Works Board, we lend funds to water systems to make improvements for the protection of public health. Since 1997, our loan program has provided over \$430 million in construction loans to 440 water systems to correct compliance and public health problems and replace aging and failing infrastructure.

Small Communities Initiative

We use a portion of our local assistance set-aside for an agreement with Department of Commerce that helps local elected officials, city staff and citizens define, prioritize, and identify links between public health, environmental protection, and local development issues.

DWSRF Set-Aside Funds

We use part of our set-aside funds to:

- Provide technical assistance and communications support to water systems, which includes identifying problems and fixes during inspections, and responding to emergencies and complaints.

- Track and respond to coliform violations and health advisory situations, develop action plans with water systems, and communicate with labs, local health jurisdictions, and the media.
 - Produce communication products and tools to help build water system capacity.
 - Optimize performance and operations at treatment plants through performance-based training.
 - Maintain a Cross-Connection Control Program that collects and analyzes data, shares results, and targets education and outreach efforts accordingly.
2. *Based on the existing system strategy, how has the state continued to identify systems in need of capacity development assistance?*

The section of this report titled “Department Oversight: Improving Our Performance,” describes how we are improving the way we identify systems in need of capacity development assistance.

3. *During the reporting period, if the state has identified any PWS capacity concerns or capacity development needs (Technical, Managerial or Financial), what was the state’s approach in offering and/or providing assistance?*

Local Assistance Set-Aside Funds

We use our Local Assistance Set-Aside funds from our annual capitalization grant to help address capacity development needs that we’ve identified. Over the past year, we provided:

- Technical assistance and training for American Recovery and Reinvestment Act (ARRA) recipients.
 - Technical assistance to small water systems on water quality, wellhead protection, and before and after a sanitary survey to detect and fix problems.
 - Funds for feasibility studies for restructuring and consolidation projects.
 - Partnership support with other state agencies to help local officials, city staff, and citizens define, identify, and prioritize issues related to public health and environmental protection.
 - Capacity information to water systems through our website, communication products, and other media channels.
4. *If the state performed a review of implementation of the existing system strategy during the previous year, discuss the review and how findings have been or may be addressed.*

Beginning on page 3 of this report, we discuss our existing systems strategy review and how we’re addressing the findings.

5. *Did the state make any modifications to the existing system strategy?*

We are in the process of establishing a new assessment tool and process for our existing systems strategy —see page 4 for details. We hope to update our strategy with all of the changes by the end of the year. One legal change occurred this year that modifies our strategy.

On October 28, 2010, the Washington State Supreme Court ruled unanimously that the 2003 Municipal Water Law is constitutional. This means Group A community water systems with 15 or more residential connections must comply with the state water use efficiency (WUE) rule.

The primary goal of the WUE rule is to achieve a statewide water efficiency standard so that the state can be a good steward of our water resources. The rule establishes a number of obligations for affected systems, while giving them increased flexibility with their water rights.

New rules can be particularly challenging for small systems, however this rule offers the opportunity for small systems to build their capacity. Under the rule, systems must install customer meters. Fully metered systems are positioned to implement rate structures that are fair and cover the full cost of providing water, while also saving water supplies. Water systems that use water efficiently also maximize the life of their infrastructure by reducing wear and tear on pipes, pumps and other equipment. Fixing leaks within the water system helps eliminate excess electricity and treatment costs associated with wasted water.

We are working with small systems that are new to the rule to help them understand the requirements and benefits.

Appendix B – New Community and Nontransient Noncommunity Systems 2008-2010

Water System ID	County	System Name	System Type	Group	Residential Population	Residential Connections	Group A Date	Effective Date
AB775	CLARK	BRIDGE ROAD	Comm	A	25	12	5/1/2008	1/1/2008
AB809	FRANKLIN	Clark Addition Water System	Comm	A	189	71	4/16/2009	4/16/2009
AB974	FRANKLIN	Coulee Flats Dairy	NTNC	A	8	3	4/6/2010	4/6/2010
AC463	FRANKLIN	Easterday Ranches Feedlot	NTNC	A		0	7/29/2010	7/29/2010
AB978	GRANT	Columbia Bean	NTNC	A		0	3/12/2008	3/12/2008
AB976	GRANT	General Dynamics - OTS	NTNC	A		0	3/11/2008	3/11/2008
AC581	KING	Darigold Issaquah Water System	NTNC	A		0	9/9/2010	9/9/2010
71400	KING	RAVENSDALE WATER SUPPLY	Comm	A	90	28	11/24/2009	11/24/2009
AC270	KITSAP	Northwest College of Art	NTNC	A		0	1/15/2010	1/15/2010
67398	KITSAP	PINE LAKE MH ESTATES 4	Comm	A	45	17	10/10/2008	10/10/2008
AA317	KITTITAS	SUNCADIA RESORT	Comm	A	70	295	5/29/2008	5/29/2008
AC160	KLICKITAT	PJ Apartments	Comm	A	44	24	10/2/2008	10/2/2008
04434	MASON	EXCEPTIONAL FORESTERS INC	NTNC	A		30	8/12/2008	8/12/2008
AC152	MASON	NEW PINE ACRES	Comm	A	45	18	9/16/2009	9/16/2009
AB409	OKANOGAN	Buckhorn Mountain Water System	NTNC	A		0	11/17/2009	11/17/2009
AC442	OKANOGAN	Fowlers MHP, LLC	Comm	A	40	22	2/10/2010	2/10/2010
AB738	SAN JUAN	Common Field Water System	Comm	A	32	13	7/1/2009	7/1/2009
23111	SNOHOMISH	SNO PUD 1 - KAYAK	Comm	A	907	363	8/26/2009	8/26/2009
AC014	THURSTON	VALLEY NUT & BOLT	NTNC	A		0	4/4/2008	4/4/2008

Appendix C – Draft Capacity Assessment Questionnaire



Division of Environmental Health
Office of Drinking Water

Managerial and Financial Capacity Assessment

1. Are you the owner of the system?

Owner - Someone who can make decisions on water system operating policies, personnel management, budgeting and finances, and regulatory compliance (such as a board member, council member, or sole owner).

- Yes
- No

If no, did you review these questions with the owner before answering the survey?

- Yes
- No

2. Please rate how strongly you agree with each of the following statements about your system's technical, managerial, and financial capacity.

My system has adequate technical capacity.

Technical capacity means the physical and operational ability of the system to serve customers now and in the future. Here are some traits of a system with strong technical capacity:

- The system has qualified operators with the knowledge and skills to operate the system.
- The system's source can meet current and anticipated demand.
- The system's source is adequately protected, treated, and sampled.
- System infrastructure is in good condition.

Strongly disagree		Neutral		Strongly agree
● 1	● 2	● 3	● 4	● 5

My system has adequate managerial capacity.

Managerial capacity means the system has the administrative and organizational ability to be successful now and in the future. Here are some traits of a system with strong managerial capacity:

- Owners, managers, and operators are accountable and knowledgeable about the system.
- Owners, managers, and operators receive ongoing training.
- We plan for current and future needs.
- We interact well with customers and regulatory agencies.

Strongly disagree		Neutral		Strongly agree
● 1	● 2	● 3	● 4	● 5

My system has adequate financial capacity.

Financial capacity means the system can generate or obtain enough funds to maintain the system and pay for future improvements. Here are some traits of a system with strong financial capacity:

- System revenue pays for the full cost of providing service.
- We know and can measure all costs and revenues.
- Reserves are available for unexpected expenses.
- We use good budgeting and accounting practices.
- We can access capital through public or private sources.

Strongly disagree		Neutral		Strongly agree
● 1	● 2	● 3	● 4	● 5

Please provide comments:

3. How many people have served in the lead operator position in the past 10 years?

- 1
- 2-3
- 4 or more

4. Do you have a complete Water System Plan (WSP) or Small Water System Management Program (SWSMP) that is actively used to operate and manage your water system?

- Yes - We have a complete WSP or SWSMP that is used to manage and operate our system.**
- No - We have started a WSP or SWSMP, but it is not complete.**
- No - We have not done any planning, or our planning documents are no longer useful.**

→If you said, “No - We have started a WSP or SWSMP, but it is not complete.” please answer the following:

Do you have complete, current, and useful plans or programs in the following four areas?

	Yes	No
Operations & maintenance	<input type="checkbox"/>	<input type="checkbox"/>
Component inventory and up to date distribution system map	<input type="checkbox"/>	<input type="checkbox"/>
Wellhead protection/source water protection	<input type="checkbox"/>	<input type="checkbox"/>
Emergency response	<input type="checkbox"/>	<input type="checkbox"/>

5. Do you have on-site generator capacity to power your system and supply water to all your customers during a power outage?

- Yes**
- No**
- No - my system has gravity storage.**

6. Is your system willing to consider connecting to a nearby water system, forming a consolidated system?

The responsibilities and costs of owning and operating a public water system can be overwhelming. Some water systems are interested in the economic and operational benefits of consolidating facilities and operations with another utility.

“Near” or “Nearby” means your distribution system is within 1,000 feet of the other water utility’s distribution system.

Example: Valley Pines Water System is a small system that struggles to afford treatment costs and often faces water outages in summer months. They would like to consolidate their system with a system that has a reliable source. Sweet Meadow Water System is a larger, well-operated system located 300 feet from the Valley Pines' distribution system. Both utilities agree to physically connect their two systems. Valley Pines is no longer responsible for owning and operating a public water system.

- There is not another system near our system.**
- Yes - We would consider consolidating with a nearby system.**
- Maybe - We would need to understand the potential costs and benefits first.**
- No - We are not willing to consolidate with a nearby system.**

7. Is your system willing to consider transferring ownership, management, and operations to another water utility?

Sometimes consolidation isn't possible due to the distance between systems. In these situations, some water systems are interested in the benefits of transferring ownership, management, and operations to another utility (known as restructuring).

Example: Volunteers run Pleasant Vista Water System, and there is a lot of turnover. They would like to restructure with another system so they are no longer responsible for owning, managing, and operating a public water system. Sunny Springs is a well-managed utility that owns and operates several small systems. Under an agreement between both parties, Pleasant Vista becomes a satellite system of Sunny Springs. Sunny Springs now owns and operates Pleasant Vista.

- Yes - We would consider transferring ownership of our system to another utility.**
- Maybe - We would need to understand the potential costs and benefits first.**
- No - We are not willing to transfer ownership of our system to another utility.**

8. Do you prepare a budget each year?

- Yes**
- No**

9. For last calendar year, did your system generate enough money to cover all system costs?

- Yes - we broke even or had a surplus last year.**
- No - we had to borrow money or cut expenses.**

10. Is more than one authorization needed to access the water system's financial accounts?
For example, two signatures are required on a check drawn from a water system account and two signatures are required on a deposit into a water system account.

- Yes**
- No**
- No - because it's an investor-owned utility.**

11. What is the average monthly rate charged to your single-family residential customers?
If your water system doesn't send monthly bills, divide the average bill by the number of months in the billing cycle (for example, if the annual bill is \$600, divide that number by 12 for a monthly average of \$50).

If drinking water charges are part of another bill (such as rent), please figure as best you can the monthly amount that represents drinking water charges.

- Less than \$20.00**
- \$20.01-\$40.00**
- \$40.01-\$60.00**
- \$60.01-\$80.00**
- Greater than \$80.00**

12. How many times has the water system's rate been increased in the past 10 years?

- 0**
- 1-2**
- 3-4**
- 5 or more**

13. Which of the following best describes the rate structure you use?

- Flat rate based on unmetered consumption** - Services aren't metered, so each customer pays the same monthly, quarterly, or yearly rate.
- Flat rate per metered unit** - The per-gallon charges for water stays the same regardless of how much water is used. For example, a customer using 75 gallons per day pays the same price for each gallon as a customer that uses 1,000 gallons per day.
- Declining block rate** - The per-gallon charges for water decreases as the amount used goes up. The first block of use is charged at one rate, the next block is charged at a lower rate, and so forth. This rate structure gives price breaks to high-volume users.

- Inclining block rate** - The per-gallon charges for water increases as the amount used goes up. The first block of use is charged at one rate, the next block is charged at a higher rate, and so forth. This rate structure rewards water conservation.
- Seasonal rate** - Prices rise and fall according to water demand and weather conditions. Systems usually charge higher prices in the summer months when demand is highest and water supplies are reduced. This rate structure rewards water conservation.

14. How often do you compare operating expenses with operating revenue?

- Monthly**
- Quarterly**
- Regularly (but not on a set schedule)**
- Semi-annually**
- Annually**
- Rarely or Never**

15. Do you have enough in savings or reserves to cover all of the following?

Operating cash reserve - protects the system from cash flow problems when you must pay bills before customers have paid for service. We recommend setting aside one-eighth of your annual operating expenses.

Emergency reserve - allows you to replace a major component of your system if it fails unexpectedly. This is usually the most expensive critical element of your water system

Short-lived asset replacement reserve - allows you to replace assets with a useful life of 5 years or less (such as electrical controls, filter media, computers, and hypochlorinators) without disrupting your annual budget.

- No - we don't have enough to fund ANY of these reserves.**
- No - we have enough to fund ONE of these reserves.**
- No - we have enough to fund TWO of these reserves.**
- Yes - we have enough to fund ALL of these reserves.**

16. Do you have a plan to make capital improvements (such as replace water mains, construct/rehabilitate a well, or construct/rehabilitate a reservoir) in the next 6 years?

- Yes**
- No - we assessed our facilities and no improvements are needed in the next 6-year period.**
- No - we have not assessed our facilities.**

17. Which source would likely contribute the most funds to complete future capital improvements? (please answer regardless of whether you have a plan to make improvements)

- Water System Funds (example: savings or reserves)**
- Line of Credit/Private Loan (example: bank loan)**
- Government Loan (example: State Revolving Loan Fund)**
- Government Grant (example: Community Development Block Grant)**

18. Our staff and programs are here to help you build your system's capacity. Which areas are you or your system interested in? Check all that apply.

- Completing a State Revolving Loan Fund application**
- Budgeting and rate setting**
- Planning for infrastructure replacement**
- Assistance to consolidate or restructure (transfer ownership)**
- Board training**
- I am not interested in assistance.**
- Other:**

→If you are interested in assistance (such as a phone call or workshop), when is the best time for you to receive assistance? Check all that apply.

- Daytime**
- Evening**
- Saturday**

19. What would be most helpful for improving your technical, managerial, and financial capacity?