

APPENDIX A

A.1 General

In addition to the information required in the circular, information on management, operation, maintenance, and financing of the system must be submitted. The purpose of this information is to allow evaluation of a new system for proper system management, operation and maintenance (O&M), and financial planning that provides long-term stability of the new system. The 1996 Safe Drinking Water Act provides for State development of strategies to ensure the managerial, technical, and financial capacity for new community water systems.

The fundamental goals of capacity development are:

- to protect public health by ensuring consistent compliance with drinking water standards,
- to enhance performance beyond compliance through measures that improve efficiency, effectiveness, and service excellence,
- to promote continuous improvement through monitoring, assessment, and strategic planning.

Capacity terms are defined as follows based on definitions in Title 36, Chapter 23, Sub-chapter 1, ARM:

Managerial capability (capacity) means the management structure of the water system, including but not limited to ownership accountability, staffing, and organization.

Technical capability (capacity) means the physical infrastructure of the water system, including but not limited to the source water adequacy, infrastructure adequacy, and technical knowledge based on information provided.

Financial capability (capacity) means the financial resources of the water system, including but not limited to the revenue sufficiency, credit worthiness, and fiscal controls.

The Department is granted the authority in 75-6-103(2)(f), MCA, to ensure financial viability of proposed public water supply systems (and public sewage systems) as necessary to ensure the capability of the system to meet the requirements of Title 75, Chapter 6, Part 1, MCA.

A separate application form with appropriate guidance is available from the Department to assist in providing information. All new public water supplies and existing systems making modifications must submit a capacity development inventory and self-assessment form.

A.2 Managerial Capacity

Provide the following information:

1. Name, address, and telephone number of the owner(s). If ownership or control of the system is to change in the near future, such as in a subdivision where the developer will eventually relinquish control to the homeowners' association, provide a projected time line for change of ownership.

2. Administrative and management organizational charts. Define the functions and responsibilities of the organization and each administrative/managerial position. For example, if the organization has a secretary, provide a brief description of the secretary's responsibilities.

Plans for staffing the system with a certified operator and back-up operator. Provide the name of the operator if an operator has been selected. An operator should be available to operate the system even if the system has not yet become public. If the system is to be operated under contracted services, provide a copy of the contract.

4. A system or plan for maintaining records (including records of operation, service maintenance, and repairs), plans and specifications for construction, as-built drawings, O&M manuals, and compliance information. Preferably, an office space should be dedicated for storing all information that is readily accessible by the operator, manager(s), and owner(s) of the system.

5. A copy of the articles of incorporation, by-laws, or similar documents that:

a. Define the purpose of the responsible entity.

b. Describe the procedures for compliance with the requirements of the Secretary of State's Office for creating and maintaining a non-profit association.

c. List membership and define membership rights (all lot owners should automatically

d. Define the format and schedule for meetings and requirements for quorums.

e. Describe the powers and duties of the board of directors.

f. Describe the process for transferring control of the system from the developer to the lot owners, where applicable.

g. Explain the procedures for amendment of the by-laws.

h. Confer authority to assess and collect fees for O&M, monitoring, personnel, capital improvements and equipment replacement.

i. Establish the service area of the responsible entity.

j. Confer authority to require water conservation practices, including metering.

k. Confer authority to require installation of water meters, and to own and maintain water meters, and the authority to bill according to water usage.

l. Confer authority to require installation of backflow prevention devices, and to own and maintain such devices.

m. Confer authority and define procedures for disconnection of service (nonpayment, refusal to provide meters or backflow devices or to allow access for maintenance of this equipment).

Also, provide policies on how delinquent accounts, system violations, fee changes, and customer complaints will be addressed. Please note that homeowners' associations must file their articles of incorporation with the Secretary of State.

6. In the event that the responsible entity becomes insolvent, how will perpetuation of the system be maintained? Has a second party been considered for future ownership in the event that the responsible entity becomes insolvent?

The managerial plan must allow for:

- a. Efficient operation of the system.
- b. Adequate control of and accountability for the system by the owner(s), manager(s), and operator(s).
- c. Adequate resources and accountability for regulatory compliance by the owner(s), manager(s) and operator(s).
- d. Dissemination of appropriate information to all customers and regulatory agencies.

A.3 Technical, Operational, and Maintenance Capacity

Provide the following information in the form of an O&M manual that will be available to the operator, owner(s), and manager(s):

1. An explanation of startup and normal operation procedures. Startup should address operation of the system throughout system buildout if applicable (i.e., a subdivision will experience varying demands as the subdivision develops and builds out).
2. Will any equipment be leased or rented? Are easement or lease agreements necessary for any portion of the system? If applicable, provide pertinent information (i.e., copy of easement or lease agreement). Are changes in local zoning necessary to protect the proposed source(s)?
3. Record keeping method and system for reporting to the Department.
4. Sampling and analyses program to demonstrate compliance with drinking water standards (Title 17, Chapter 38, Sub-Chapter 2, ARM) for all sources, entry points, treatment, and distribution systems.
5. Staffing and training requirements to operate the system to maintain compliance with drinking water standards (Title 17, Chapter 38, Sub-Chapter 2, ARM).
6. Documentation of a safety program.
7. Documentation of an emergency plan and emergency operating procedures (e.g., in the event of a chemical spill or loss of power).
8. Manufacturer's manuals for all equipment and contact names for service. A routine maintenance program and maintenance schedules must also be included. Forms for recording routine maintenance checks per manufacturer's guidelines should be provided, including frequency of maintenance and anticipated replacement dates for major equipment.

Items 1 through 5 must be submitted in the form of an O&M manual prior to approval of the system.

A letter from the applicant must be provided prior to system use indicating that the system (or portion of the system that has been completed to date) was constructed per the approved plans and specifications. As-built, record drawings for the system (or portion of the system that has been completed to date) must be provided within 90 days after the system has become operational. The as-built, record drawings must include an O&M manual addressing items 1 through 8 and must contain manufacturer's manuals and other pertinent information to complete the O&M manual.

9. The system must be operated in a manner that:
 - a. Maintains compliance with drinking water standards (Title 17, Chapter 38, Sub-Chapter 2, ARM).
 - b. Allows effective operation of the system in accordance with the approved plans and specifications.
 - c. Supplies adequate water, both in terms of quantity and quality.
 - d. Complies with operating conditions presented in the engineer's report.

A.4 Financial Capacity

The following financial information must be submitted in order to receive system approval:

1. The financial information in Table A-1 must be completed for a 5-year period.
2. O&M rates and capital improvement/replacement rates must be developed based on the information in Table A-1. A capital improvement/replacement plan must be developed for a 20-year period and the rate set accordingly. A reserve fund must be established and maintained to address future replacement of equipment based on anticipated replacement dates.
3. Customers should be metered. If customers are metered, demonstrate how the rates account for metering (cost of meters, cost of operator to read/maintain meters, how rates correspond to meter readings).
4. Connection/system development fee and basis for fee, if applicable.
5. A description of the owner(s) or responsible entity's access to financial capital. If a large sum of money is necessary for replacement, improvement, or expansion, can the owner(s) or responsible entity obtain a loan or grant?
6. Budgetary controls and audit schedule.
7. If the system is privately owned, has the Department of Public Service Regulation been contacted?
8. Provide a financial plan that demonstrates how all improvements will be constructed per the proposed plans and specifications. If bonding or other financial assurance has been provided for improvements with a regulating entity (such as the county), provide information on the bonded improvements.

The financial plan must demonstrate that:

- a. Revenues match or exceed expenses.

- b. Adequate funds will be maintained for replacement of equipment.
- c. Appropriate reserve accounts will be maintained.
- d. The budget will be controlled, preferably by audits every 3 to 5 years.
- e. The 5-year cash flow presented in Table A-1 is sufficient to properly operate the system.

All proposed improvements will be constructed completely and in accordance with the approved plans and specifications.