**Capacity Development Self-assessment for Existing Systems**

**Montana DEQ PWS Capacity Development Resources:**

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Capacity Development webpage [Capacity Development | Montana DEQ (mt.gov)](https://deq.mt.gov/water/Programs/dw-capacity)

PWSID No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Project Name/Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Application Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Reviewer/Review Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Instructions: Write in the appropriate response on the line adjacent to the checklist item (i.e. yes, no, NA

or any other appropriate comment). Use comment areas at the end of checklist to explain as appropriate.]

**A. Technical, Operational, and Maintenance Capacity Checklist**

1. Maintains compliance with drinking water standards

(Title 17, Chapter 38, Sub-Chapter 2, ARM). \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

a. Is the system an EPA significant non-complier (SNC)? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b. Is the system currently under DEQ enforcement action? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. Allows effective operation of the system in accordance with the approved plans and specifications, including record keeping method and system for reporting to the DEQ. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. Allows effective operation free of major deficiencies as supported by most recent sanitary survey report? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. Supplies adequate water, in terms of both quantity and quality \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Complies with operating conditions presented in the engineer's design report. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**B. Financial Capacity Checklist**

1. Revenues match or exceed expenses. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. Adequate funds will be maintained for replacement of equipment.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. Appropriate reserve accounts will be maintained.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. The budget is controlled by administrative oversight or regular audits \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. The 5-year cash flow presented in Table A-1, or the budget information submitted with the plan review application indicates a budget sufficient to properly operate the system. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

**C. Managerial Capacity**

1. System organization will promote efficient management of the system. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. Adequate control of and accountability for the system by the owner(s), manager(s), and operator(s). \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. Adequate resources and accountability for regulatory compliance exist for the owner(s), manager(s) and operator(s). \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. Demonstrates an effective mechanism for dissemination of appropriate information to all customers and regulatory agencies. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Final Capacity Determination

The PWS demonstrates adequate technical, financial and managerial capacity to maintain compliance

with drinking water standards.Yes No

If No, identify deficiencies. PWS must formally commit to correcting these deficiencies prior to

receiving an approval for water system expansion or improvement.

Comments:

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**D. Asset Management**

Do you have an up-to-date asset management plan? Yes No

The five-core-question framework of asset management is an excellent tool to begin or strengthen your asset management program. Please assess the following:

 **Asset Inventory:**

* What is the current state of the utility’s assets?
* What does the utility own?
* Where is it?
* What condition is it in?
* What is the remaining useful life?
* What is its remaining economic value?
* What is the energy use?

 **Level of Service:**

* What is the utility’s required sustained level of service (LOS)?
* What are the utility’s performance goals?
* What are the physical capabilities of the utility’s assets?
* What is the demand by my stakeholders?
* What do regulators require?
* What is my actual performance?
* How will you measure performance?

 **Criticality:**

* Which assets are critical to sustained performance?
* How can assets fail?
* How do assets fail?
* What are the likelihoods and consequences of asset failure?
* What does it cost to repair the asset?
* What are other costs that are associated with asset failure?
* What is the overall business risk based on probability and consequence of asset failure?
* Is there redundancy to reduce risk?
* Is the asset failures due to capacity, level of service, mortality or financial efficiency?

 **Life Cycle Costing:**

* What are the utility’s best “minimum life-cycle cost” capital improvement plan (CIP) and operation and maintenance (O&M) strategies?
* Is there a strategic plan for operating and maintaining the utility’s assets?
* What alternative management options exist?
* Is a process, based on risk, in place to determine when to repair, rehabilitate or replace assets?
* Are you considering energy efficiency?
* Which are the most feasible for my organization?

 **Long-Term Funding:**

* What is the utility’s best long-term funding strategy?
* Do you have funding sources to provide the capital you need for O&M, capital replacement and energy efficiency improvement?
* Last date of rate assessment?
* Is our rate structure sustainable for our system’s long-term needs?

**Guidance for Part A**. Technical, Operational and Maintenance Capacity Assessment

To complete the above checklist, the DEQ project engineer may request additional information from the

applicant. Suggestions for additional information that may be requested include:

1. A current operation and maintenance manual, if available, or a description of operation and

maintenance procedures.

2. A description of the record keeping method and system for reporting to the Department.

3. A description of the 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.

4. A description of staffing and training requirements to operate the system to maintain compliance

with drinking water standards (Title 17, Chapter 38, Sub-Chapter 2, ARM).

5. Documentation of a safety program.

6. Documentation of an emergency plan and emergency operating procedures (e.g., in the event of a

chemical spill or loss of power).

**Guidance for Part B**. Financial Capacity Assessment

To assist in completing the above checklist, the DEQ project engineer may request additional information

from the applicant. Suggestions for additional information that may be requested include:

1. The financial information in Table A-1 completed for a 5-year period.

2. Documentation of O&M rates and capital improvement/replacement rates developed based on the

information in Table A-1. Documentation of a capital improvement/replacement plan developed for a 20-

year period and the rate set accordingly. Documentation of a reserve fund 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. Documentation of connection/system development fee and basis for fee, if applicable.

5. Documentation of budgetary controls and audit schedule.

If the system is privately owned, documentation that the Department of Public Service Regulation has

been contacted.

**Guidance for Part C**. Management Capability Assessment

To assist in completing the above checklist, the DEQ project engineer may request additional information

from the applicant. Suggestions for additional information that may be requested include:

1. The 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 each administrative/managerial position. For example, if the organization has a secretary, provide a

brief description of the secretary's responsibilities.

3. 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 should be dedicated for storing all information so it is readily

accessible by the operator and manager(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 c.

Office for creating and maintaining a non-profit association.

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

members unless they are not in good standing, which should be defined).

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 home owners' 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?