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# Rural and Small Water System Self-Assessment for Capacity Development

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NORTHEAST RURAL WATER ASSOCIATION. P.O. BOX 622, COLCHESTER, VT 05446. 802-660-4988



## **Index**

<b>Section 1 - Information for Capacity Development Questionnaire</b>	<b>3</b>
<b>Section 2 - Finance</b>	<b>4</b>
<b>Section 3 - Management</b>	<b>5</b>
<b>Section 4 -Technical</b>	<b>5</b>
<b>Section 5 - Self-Assessment for Capacity Development</b>	<b>7</b>

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## Section 1 - Information for Capacity Development Questionnaire

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Every water system in this nation should have the managerial, financial and technical capacity to comply with the federal Safe Drinking Water Act. Good management and good operations cannot be regulated into existence, people make them happen. Thus, every Board member, council member, owner, and manager need to know certain critical aspects of their water system and how they affect its operations. To this end, RWA has developed a self-assessment tool for water systems that will identify the critical areas and focus on improvements that could be made in their operations. This instrument is intended to be used in two ways:

1. In a public water system board or council meeting
2. By a private water system's owner

Its purpose is to inform owners or board or council members of their existing managerial, financial and technical capacity and areas that may be strengthened. It is important to stress that this assessment is to be conducted by the water system. It is solely the choice of the water system whether this assessment is to be shared with any regulatory agency.

Special consideration was given to the very small privately owned systems. Some questions will be difficult for such entities to answer. However, regardless of the size of system, Northeast Rural Water field staff will be available to assist in both administering this instrument and in improving any area.

A lengthy process involving several hundred rural water field staff, water managers, operators and board members developed this questionnaire. For each of the three areas of capacity development, participants were asked the top ten indicators of sufficient capacity for that area. These results were compiled and evaluated by a NRWA committee. The committee also reviewed capacity development instruments from several states and their Finance Centers. The questionnaire was then reviewed by a distinguished group of field staff and field tested in four states.

A successful business must be capable of dealing with any change that occurs in its environment. Some of these changes may be perceived as threats or opportunities. Regardless, having the appropriate financial, managerial and technical resources at your disposal allows every threat to become an opportunity. Extending your facilities to add customers, reacting to the impact of new SDWA regulations or a host of other issues may require new financing. Losing customers to an adjoining urban area dramatically impacts a water system. All of these situations can be opportunities with sound business planning that will come through completing this document.

The following discussion shows the importance of each question.

Remember, if you have any difficulty with any of these questions or need further examples of any of these items, please call Northeast Rural Water Association.

**Section 2 – Finance** *Copyrighted by the National Rural Water Association for use by Northeast Rural Water Association*

Very simply stated, water systems provide water to homes and businesses and receive money for it. When the bottom line is positive – that is you get more money in than you send out – you get to stay in business. When the bottom line is negative – that is when you send out more money than you take in – you will not be in business long. Budgeting is an important part of this process. It allows one to project the expected income and expenses for the upcoming year. This will show if sufficient funds will be available to pay the bills.

The budget should be written and reviewed with the financial statements. If your assets (the value of all your money and property) are greater than your liabilities (the value of all you owe), your water system is solvent. The more that assets exceed liabilities, the more funds that can be put aside for replacing equipment and future construction. In the event that liabilities exceed assets, you should have a plan that will quickly correct this problem. To do otherwise will result in bills not being paid and eventually bankruptcy. Your last audit is a good place to find these numbers because it is based on the accrual accounting method. This is the established method of determining your true financial picture.

A long-range financial plan establishes financial goals and is a roadmap detailing how your water system will remain financially healthy and achieve these financial goals. Having reserves and properly accounting for depreciation are fundamental to keeping your water system healthy. Sometimes reserves are designated for future projects. Funding depreciation is a method of setting aside funds to replace equipment or facilities.

A capital improvement plan shows how these funds will be used to replace items as they wear out and how when new items will be purchased to upgrade the system.

There are many necessary controls that insure the financial integrity of your water system. Having monthly financial statements will assist in managing activities. Having them reviewed by the governing board or council or owner is also important. This is because they have a fiduciary responsibility for their water system. Most public water systems are required to undergo some type of audit. This audit will show the accuracy of the monthly financial reports. Written financial policies assure that matters are dealt with in a consistent fashion. Reviewing the financial reports will show when it is time to review the rate structure.

Your rate structure should produce enough income to cover your current expenses, replacement costs for existing equipment and structures, produce sufficient reserves and meet all your contractual obligations. If it does not, it should be adjusted immediately.

It should be review on an annual basis to determine if it is sufficient for the upcoming year. All your contractual obligations must be met. Otherwise you will not be considered financially sound.

## Section 3 – Management

The ownership or governance structure of your water system dictates the legal obligations that must be followed. You should be aware of your responsibilities as an owner or a council member or board member. They are all different.

For municipalities and non-profit organizations, it is important that the by-laws and covenants effecting the entity be kept up to date and changed when necessary. They should be dated with the last time they were changed.

Public entities are often required to meet on a regular basis. Minutes of these meetings are usually required to be kept.

Public entities are typically required to have an annual budget presented and approved by the governance.

All water systems are required to have an IRS ID number. Water systems should have written operational policies. This insures that customers are treated equally and does much to avoid lawsuits. These policies should also be kept up to date to reflect actions of the governance body and changes in state and federal laws.

The person in charge of the water system should be clearly defined. If more than one person is employed, there should be a staffing chart or communications chart. Also there should be written and up to date personnel policies. These insure that every employee is treated consistently and fairly.

There are over forty federal agencies that are involved in some aspect of water. Remaining in compliance with all these federal and state regulations is important yet often complex.

## Section 4 -Technical *Copyrighted by the National Rural Water Association for use by Northeast Rural Water Association*

Your water source can be surface, ground or purchased water or any combination of the three.

Each of these sources has different requirements of which you must be aware. In the western states, you must have sufficient and secure water rights.

Good planning requires that you continually evaluate your source to determine if it is adequate to deliver the amount of water required not only for the present but also into the future.

Although not generally a requirement, a source water or ground water/wellhead protection plan is a good idea. Increasingly, more and more water systems are taking steps to protect their water source by ordinances and planning.

All water systems must meet the requirements of the SDWA and other such standards set by VT.

All water systems should have clearly defined service areas. Some states certify service areas and others do not.

Plans for operations and maintenance are good ideas that prevent problems of memory and employee turnover.

All certification requirements imposed by the state and county governments should be met.

The majority of water systems in this state belong to the Northeast Rural Water Association for very obvious reasons. They offer help when you need it. Training on a variety of subjects and technical help at your doorstep are but two important reasons to be a part of this organization.

Keeping your water loss at a very low level is a well-recognized method of keeping costs down. Your water loss should be below 5 percent.

For water systems with a limited source or that purchase water, a conservation plan insures that this limited product is used to its greatest benefit.

Accurate maps are a necessity for all well run systems. Relying on human memory only lasts one generation.

All operators must have a level of certification required for their system. In addition to certification, operators should attend training to assist them in keeping their skills at their highest level. Northeast Rural Water Association training sessions are an excellent source of information and a method of staying current.

Emergency plans are needed only when the event you believed would never happen do. Planning for all contingencies allows vital water service to be continued during a time of crisis.

Facility service manuals are another method of insuring that water systems continue to operate properly even with a change of personnel.

A sanitary survey is an onsite review by the state primacy agency of the water source, and the facilities, equipment, operation, and maintenance of a public water system. A sanitary survey is meant to identify problems, which may affect the safety of the water. The survey is based on a physical inspection of the water system and how the system is operated and maintained.

Violations of the SDWA are serious and should be corrected immediately. Last year less than ten percent of the water systems exceeded a maximum contaminant level or a treatment technique. Most violations are for monitoring and sampling. While these violations are not as serious as exceeding a contaminant level, they should be promptly corrected. Steps should be taken to insure that this type of incident is prevented in the future.

Safety programs are designed to protect employees and the public. Water systems have many potentially dangerous situations that can be eliminated with a little planning.

It is the responsibility of every water system to offer quality service and be responsive to customer needs. To do otherwise is to invite trouble.

The following questionnaire will allow you to focus on several critical aspects of the operations of your water system. We hope that some of these questions will be thought

provoking and challenging. If you have found that certain additional things are needed for you to be able to answer all the questions you need assistance in understanding some of the suggestions offered, please call Northeast Rural Water Association at 802-660-4988.

Water systems must strive to improve every aspect of their operations. By using this questionnaire on an annual basis, your water system can see the changes that have been made and how the improvements have brought better water, better service and better prices to your customers.

## Section 5 - Self-Assessment for Capacity Development *Copyrighted by the National Rural Water Association for use by Northeast Rural Water Association*

### **Background:**

The Safe Drinking Water Act requires that new public water supply systems or systems applying for state revolving loan funds be able to demonstrate certain capabilities. Those water systems must have the technical, managerial and financial capability to meet present and foreseeable regulations, provide adequate water service and operate as financially viable entities. This responsibility is referred to as "Capacity Development." Northeast Rural Water Association feels it's important that all public water systems have appropriate technical, financial and managerial capacities. However, we feel it is essential that smaller public water supply systems recognize that their systems are most vulnerable in their ability to demonstrate Capacity Development.

The following self-assessment provides your public water system with the opportunity to review and assess the various areas that are generally considered as critical, basic components in achieving and maintaining Capacity Development. We encourage you to complete this assessment to demonstrate that your system is prepared to meet its present and future obligations as a viable public water system. We also encourage you to complete this assessment on an annual basis since things change very rapidly on water systems. A few of the following questions may not be applicable for your systems depending on its ownership type. In those cases, it is appropriate to ignore those questions. Northeast Rural Water Association is ready to assist you in preparing and meeting these new challenges. Your professionalism and commitment will help rural water be the leader of the new millennium

**[The Self-Assessment for Capacity Development starts on next page](#)**

**Self-Assessment for Capacity Development** (copyrighted by the National Rural Water Association for use by Northeast Rural Water Association)

Name of System: \_\_\_\_\_

Type of system ownership (municipal, districts, homeowner assoc., co-op, etc) \_\_\_\_\_

Is system for-profit or non-profit? \_\_\_\_\_ Formed under what statute? \_\_\_\_\_

Name of person in charge (Owner, Manager, President) \_\_\_\_\_

Address \_\_\_\_\_ Phone \_\_\_\_\_

Number of connections \_\_\_\_\_ population served \_\_\_\_\_

**Financial**

Are you on target with budgeted income and expenses? Yes No

From last audit are current total assets greater than your liabilities? Yes No

If not, do you have a plan to change the situation? Yes No

Do you have a long-range financial plan? Yes No

Are you following it? Yes No

Do you adequately fund depreciation or have other reserves? Yes No

Do you have a capital improvement plan Yes No

Financial controls (circle all that apply) Yes No

    Monthly financial statements Yes No

    Monthly review of financial statements by board, council or owner Yes No

    Annual audit Yes No

    Written financial policies Yes No

Do you review your rate structure annually? Yes No

Does your current rate structure produce income to cover?

    Current expenses Yes No

    Replacement costs Yes No

    Reserves Yes No

Are all contractual obligations being met? Yes      No  
**Management**

Indicate your governance structure (i.e. elected board, council, appointed, sole ownership, etc) \_\_\_\_\_

Are applicable by-laws, resolutions, ordinances or covenants up-to-date? Yes      No  
 Date of last review? \_\_\_\_\_

Does governing body meet on a regular basis? Yes      No

Are minutes of meetings available? Yes      No

Is an annual budget prepared and reviewed at board or council meetings? Yes      No

Do you have a federal ID number from the IRS? Yes      No

Do you have written operational policies (i.e. connection, cut-off, payments etc)? Yes      No

Are policies up-to-date? Yes      No

Is the person in charge clearly defined? Yes      No

If applicable, is there a staffing chart organizational chart (if applicable)? Yes      No

Are there written personnel policies? Yes      No

Are they up-to-date? Yes      No

Is system in compliance with all state and federal laws? Yes      No

**Technical**

What is your water source? Surface\_\_\_\_ Ground\_\_\_\_ Purchased\_\_\_\_\_

Are water rights sufficient and secured? (For Western states) Yes      No

Do you have a source water protection plan? Yes      No

If purchased, does your supplier have a source water protection plan? Yes      No

Is the quantity of your water source adequate for the next five years? Yes      No

Does your source meet or exceed SDWA standards? Yes      No

Does or will it meet standards without extensive treatment? Yes      No

If no, are you aware of :

What treatment is or will be required Yes      No

Treatment costs? Yes      No

Operator skills required? Yes      No

Likely contaminants that may affect your system in the future? Yes      No

Is your service area clearly defined?	Yes	No
Does your system have a plan for operations and maintenance? (Examples: line flushing and storage tank maintenance)	Yes	No
Have all the certification requirements for operations been met?	Yes	No
Is your operator certified?	Yes	No
Is the system aware of the benefits of industry related service organizations such as state rural water associations?	Yes	No
Does the system calculate and control water loss?	Yes	No
Does your system have a conservation plan?	Yes	No
Does your system have accurate maps of distribution system?	Yes	No
Do your operators have the appropriate level of certification?	Yes	No
Do your system personnel attend appropriate and current training sessions?	Yes	No
Is your system required to have an approved emergency plan?	Yes	No
If so give date of last review: _____		
Does your system have and use facility service manuals?	Yes	No
Have you corrected any deficiencies noted on your last sanitary survey?	Yes	No
Has your system had a violation of the SDWA in the last year?	Yes	No
Does your system periodically review safety programs? (i.e. OSHA requirements, etc)	Yes	No
Does your system strive for quality service and to be responsive to customer needs?	Yes	No

If you had difficulty answering any question or answered "no" to any of these questions, we encourage you to contact us. Your water system should set up a strategy to resolve all issues that could not be answered positively. The attached information addresses some of the critical issues raised on this questionnaire. Northeast Rural Water Association is committed to providing the technical assistance and resources that can assist with your system's Capacity Development. For more information contact: \_\_\_\_\_