

**State of Ohio**  
**Environmental Protection Agency**  
**Division of Drinking and Ground Waters**

**CAPABILITY ASSURANCE PROGRAM GUIDELINES**

**DRAFT: October 18, 1999**

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**1. CAPABILITY ASSURANCE PROGRAM**

Sections 1420. and 1452.(a)(G)(i) of the federal 1996 Safe Drinking Water Act (SDWA) amendments require each state to implement a capability assurance program to ensure that each community (CWS) and non-transient non-community (NTNC) public water system has the technical, managerial and financial capability to ensure long term compliance with all public drinking water regulations. In order to avoid the withholding of twenty (20) percent of the United States Environmental Protection Agency (USEPA) capitalization grant for the drinking water state revolving loan fund each year, the program must include three parts:

- 1.1 **New systems.** The State must have the legal authority to ensure that all **new** CWSs and NTNCs which commence operation after October 1, 1999 can demonstrate technical, managerial and financial capability with respect to each national primary drinking water regulation in effect, or likely to be in effect on the date of commencement of operations. These legal authorities are contained in section 6109.24 (New systems to demonstrate technical, managerial and financial capability) of the Ohio Revised Code (ORC) and chapter 3745-87 (Capability Assurance Plans) of the Ohio Administrative Code (OAC).

A new water system is defined in Ohio Administrative Code Rule 3745-87-01(A) (Definitions) as: **“new community and non-transient non-community public water system” means any water system that meets the definition of a community or non-transient non-community public water system in chapter 3745-81** (Primary Drinking Water Rules) **of the administrative code by constructing infrastructure.** New systems include both CWSs and NTNCs being newly constructed as well as systems which do not currently meet the definition of a public water system (PWS) but which expand their infrastructure and thereby grow to become CWSs or NTNCs. Systems which are not currently PWSs and which add additional users and thereby become CWSs or NTNCs **without constructing any additional infrastructure** are

not “new systems” for the purposes of the capability assurance program.

**The control point for new water systems is the approval of plans.** Section 6109.24 (New systems to demonstrate technical, managerial and financial capacity) of the ORC provides that the director may deny approval of plans submitted under section 6109.07 (Construction plans to be approved by director)of the ORC if the public water system that submitted the plans fails to demonstrate technical, managerial, and financial capability. Section 6109.07 (Construction plans to be approved by director) of the ORC requires the approval of plans by the director of the Ohio Environmental Protection Agency (OEPA) prior to the construction of a public water system or any substantial change in a public water system.

1.2 **Water Supply Revolving Loan Account (WSRLA) applicants** must demonstrate technical, managerial, financial capability in order to be eligible for WSRLA loans. The authority for this is contained in section 6109.22(J)(1) (Drinking water assistance fund) of the OAC. **The control point for WSRLA applicants is the loan award.**

1.3 **Capability Assurance Strategy.** By August 6, 2000, the State must develop and implement a strategy to assist **(all)** public water systems acquire and maintain technical, managerial and financial capability. As part of this strategy, the State must:

1.3.1 **describe the methods or criteria that the State will use to identify and prioritize the public water systems most in need of improving technical, managerial, and financial capability.** It has been determined that Significant Non Compliers (SNCs) as defined in USEPA guidance and systems identified using the **Capability Assurance Screening Check List in Appendix A** during scheduled sanitary surveys will be targeted for assistance improving technical, managerial and financial capability. Capability assurance evaluation will continue to be included as part of Comprehensive Plant Evaluations (CPEs) conducted by the Division of Drinking and Ground Waters (DDAGW) or required under the Surface Water Treatment Rules (SWTRs).

1.3.2 **describe the institutional, regulatory, financial, tax or legal factors at the Federal, State, or local level that encourage or impair capability assurance.**

The factors identified are:

Incentive	Impediment	Level
Management	Management	Local

Maximum Contaminant Levels and other drinking water requirements	Maximum Contaminant Levels and other drinking water requirements	Federal, State and Local
	Taxes	Federal, State and Local
State and local tax exemptions		State and Local
	Low income areas	Local
Federal and State financial assistance		Federal and State
Awards		State
	Political and community rivalries	Local
Escrow requirements		State
	Tax base issues	Local
Federal Emergency Management Agency relief capability assurance requirements		Federal
	Annexation requirements	Local
	No legal requirement for capability assurance	Federal and State
	Local control issues	Local
	Revenue diversion	Local
Auditing and financial control requirements		State

**1.3.3 describe how the State will use its authorities and resources to-**

**1.3.3.1 assist public water systems in complying with national primary drinking water standards.** The state will include capability assurance requirements in enforcement actions against SNCs as appropriate. Capability assurance will continue to be included in CPE recommendations, and may be enforced for large surface water systems under Interim Enhanced Surface Water Rules (IESWTR) currently being developed. The DDAGW will provide technical assistance, guidance, and referrals to training providers and other technical, funding and planning assistance providers to systems identified during sanitary surveys as lacking in technical, managerial and financial capability. The DDAGW will also include recommendations and requirements for system improvements in their sanitary survey letters to the extent of their authority.

**1.3.3.2 encourage the development of partnerships between public water systems to enhance the technical, managerial, and financial capacity of the systems.** During sanitary surveys and other interactions, the DDAGW will encourage water systems to network with similar water systems, training providers, technical, funding and planning assistance providers, and governmental agencies such as funding agencies, health departments, county engineers, the Ohio Department of Natural Resources (ODNR), and the Ohio Emergency Management Agency (OEMA). The DDAGW will continue to strive to maintain positive, open, non-adversarial relations with water systems. The DDAGW will continue to work with the Ohio Section of the American Water Works Association (OAWWA), the Ohio Rural Water Association (ORWA), regional planning agencies, the Small Communities Environmental Infrastructure Group (SCEIG) and other industry organizations (such as the Manufactured Housing Association, the Ohio Water Quality Association and the Homebuilders Association) to encourage networking with and outreach to water systems.

**1.3.3.3 assist public water systems in the training and certification of operators.** The DDAGW will provide regional training seminars for small systems, support the Operator Training Committee of Ohio, refer water systems to technical assistance and training providers such as the ORWA and regional planning agencies. Technical assistance will be provided by DDAGW, ORWA and providers in a training manner. Ohio may also utilize operator reimbursement provisions of section 1419.(d) of the SDWA.

**1.3.4 describe how the State will establish a baseline and measure improvements in capability with respect to national primary drinking water regulations and State drinking water law.** DDAGW will track the following:

- number and percent of enforcement referrals containing capability assurance provisions;
- number and percent of systems passing capability assurance screens as part of

- sanitary surveys;
- compliance reports (number and percent of systems in compliance with drinking water rules);
- number and percent of WSRLA applicants denied loans due to lack of capability assurance; and
- number and percent of plans for new CWS and NTNC water systems denied due to lack of capability assurance.

**1.3.5 identify persons that have an interest in and are involved in the development and implementation of the capability assurance strategy (including all appropriate agencies of Federal, State, and local governments, private and nonprofit public water systems, and public water system customers).** The capability assurance program for the State of Ohio was developed by a primary work group consisting of:

- Ashley Bird, Monica Hogan, Gary Cutler, and Beth Messer of the Ohio EPA DDAGW;
- Jeff Davidson of the Ohio EPA Southwest District Office, Steven Bople of the Ohio EPA Northeast District Office, and Jose Quinones of the Ohio EPA Central District Office;
- Ralph Martinsek of WSOS/Great Lakes Rural Community Assistance Program (GLRCAP);
- Sue Daly of the Public Utilities Commission of Ohio;
- Al Wansing of the Ohio Section of the American Water Works Association;
- Charlie McFarland of the Ohio Rural Water Association; and
- Sue Farmer of the Ohio Water Development Association.

The workgroup identified the following additional interested parties:

- public water systems,
- lenders,
- US Department of Agriculture, Rural Development,
- US Department of Housing and Urban Development,
- US Department of Commerce, Economic Development Administration,
- US Army Corps of Engineers,
- Ohio Public Works Commission,
- Ohio Department of Development,
- Ohio Consumers' Council,
- Ohio Township Association,

- League of Women Voters of Ohio,
- Ohio Home Builders Association,
- Ohio Nursing Home Association,
- Ohio Hospital Association,
- Ohio Industrial Association, and
- the attached **Appendix B**, DDAGW list of **Organizations Affected by Drinking Water Rules**.

These persons will be provided an opportunity to comment on this guidance. The DDAGW will consider offering workshops and public outreach presentations as interest warrants and resources permit.

## 2. PROCEDURE

The following procedure is recommended as the method to develop the system Capability Assurance Plan. The goal of the process is development of a comprehensive document which can be readily approved by Ohio EPA. Ohio EPA can provide assistance in the development of this plan.

The scope of the Capability Assurance Plan needs to be developed as an agreed upon outline between the system owner and the Ohio EPA, and PUCO if applicable. To coordinate this effort, Ohio EPA recommends a discussion of the scope occur through a meeting between the Agency and the owner of the proposed or existing water system.

The purpose of the meeting with Ohio EPA is to identify the scope of the plan and the needs of the system with respect to the water supply project. The objective of this meeting as related to the development of the Capability Assurance Plan is to perform a pre-feasibility assessment to identify possible approaches, particularly possible financial mechanisms to be explored as part of the Financial Plan. The requirements and procedures of the Capability Assurance Plan will also be discussed. Agency representatives involved in the engineering plan review, and coordination of the loan process (for WSRLA loan applicants) as well as the community's representatives may be present at this meeting. It is recommended that the applicant's engineer be a participant and be prepared to discuss all existing or potential water supply problems, associated with the potential costs of the design and selected alternative solution.

The following items as related to the development of the Capability Assurance Plan should be discussed at the meeting.

The existing condition and identification of any problems in the infrastructure, operational or financial management of the water system, as well as proposed

alternatives.

Projected water use and type of user or financial base within the proposed and existing project service area. Any additional users which can reasonably be expected to be served by the water system based on potential or existing zoning should be included.

Regionalization should also be evaluated as an alternative to repair of an existing system. In the case of a new water system, regionalization should be discussed as an alternative to be evaluated through economic and non-monetary cost-effectiveness analysis.

Method of assessment to identify and select alternative financial mechanisms to ensure optimal system operation..

The Financial Plan development, submission , and cost recovery implementation schedule.

Capability Assurance Plan formats, requirements, and procedures.

The next step in the preparation of the Capability Assurance Plan is to develop a draft document for submittal. Development of the document should occur concurrently with the engineering of the selected alternative as it is likely that at this time reasonable costs will be available upon which to base operations and maintenance, budgeting, rate analyses, and financial mechanism analyses to complete the document.

The information in the plan will be key in demonstrating to the Agency that the owner has the capability to generate sufficient revenue to retire the proposed project debt as well as any existing system debt. The information also plays a key role in the selection and identification of the most cost effective alternative (required for WSRLA applicants, recommended for others).

As engineering of the project progresses, cost estimates will need to be updated in the Capability Assurance Plan. Any other changes that occur in the development of the selected alternative which may have an impact on the technical, managerial or financial situation of the owner or the operation and management of the water supply system must also be updated and included in the final document.

It is important to contact Ohio EPA early in the process. The initial meeting with the Agency may be the most important step to preparing a strong Capability Assurance Plan. Agency staff are available to work with owners to develop the best and most viable possible system for supplying drinking water. The development of a sound Capability Assurance Plan will result in

public drinking water system which will have minimized adverse situations and issues for the owner, consumers, regulators, and funding providers.

## 2.1 **New Water Systems**

- Applicants for new CWS and NTNC water systems shall submit a complete capability assurance plan with general or detail plans.
- For district office plans, the technical portion of the plan will be reviewed by the plan review engineer, and the management portion of the plan will be reviewed jointly by the plan review engineer and the sanitary survey field staff assigned to that system. For central office plans, the technical portion of the plan will be reviewed by the plan review engineer, and the management portion of the plan will be reviewed by the plan review engineer and Operations Group staff in consultation with the sanitary survey field staff assigned to that system. The financial portion of all plans will be forwarded to the central office for review by DDAGW fiscal specialists.
- The applicant shall be notified of any deficiencies in the general plans, detail plans or capability assurance plan within 21 calendar days of receipt of the complete package for district plans, and within 60 days for central office plans.
- Approval of the general or detail plans shall be recommended once the general, detail and capability assurance plans are acceptable. If the applicant is unable to submit acceptable revisions to the general, detail or capability assurance plans, the plan review engineer shall recommend a proposed denial of the plans.

## 2.2 **WSRLA Loan Applicants**

- WSRLA loan applicants shall submit a complete capability assurance plan with general or detail plans.
- For district office plans, the technical portion of the plan will be reviewed by the plan review engineer, and the management portion of the plan will be reviewed jointly by the plan review engineer and the sanitary survey field staff assigned to that system. For central office plans, the technical portion of the plan will be reviewed by the plan review engineer, and the management portion of the plan will be reviewed by the plan review engineer and Operations Group staff in consultation with the sanitary survey field staff assigned to that system. The financial portion of all plans will be forwarded to the central office for review by DDAGW fiscal specialists.

- The applicant shall be notified of any deficiencies in the general plans, detail plans or capability assurance plan within 21 calendar days of receipt of the complete package for district plans, and within 60 days for central office plans.
- Approval of the WSRLA loan shall be recommended once the general, detail and capability assurance plans are acceptable. If the applicant is unable to submit acceptable revisions to the general, detail or capability assurance plans, the plan review engineer shall recommend a proposed denial of the WSRLA loan.

### 2.3 **Capability Assurance Strategy**

2.3.1 Significant Non-Compliers will be asked to submit a complete capability assurance plan package as part of enforcement actions. The cost of preparing the plan may be used to offset any penalty at the discretion of the OEPA. A partial capability assurance plan which addresses only deficiencies identified by

DDAGW may be acceptable in appropriate circumstances. Correction of capability assurance deficiencies shall be included in enforcement orders and agreements. Required corrections will be tracked and enforced.

2.3.2 Where capability deficiencies are identified during sanitary surveys or CPEs, the district office staff or CPE team will determine what information needs to be submitted. Approaches for correcting deficiencies will be determined on a case-by-case basis. CPE recommendations for capability improvements may be enforced for large surface water systems under Interim Enhanced Surface Water Rules currently being developed. The district office will track implementation of agreed upon or required improvements.

## 3. **ACCEPTANCE CRITERIA**

- 3.1 **Technical capability** shall be accepted based on compliance with all Safe Drinking Water Act requirements and industry standards in accordance with Section 6109.07 (Construction plans to be approved by director) of the ORC and Chapter 3745-91 (Plans Approval) of the OAC, and compliance with OEPA operator certification rules in accordance with Section 6109.04(C)(1)(b) (Director to adopt and enforce rules) of the ORC and Chapter 3745-7 (Water Supply Works and Wastewater Works Personnel) of the OAC. The facilities shall be designed and constructed in accordance with the Great Lakes-Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers, **Recommended Standards for Water Works**, industry standards and other DDAGW guidance. The water system shall be operated under the

responsible charge of a properly certified operator where required, or an otherwise qualified operator.

- 3.2 **Management capability** shall be accepted based on clearly identified ownership and accountability; clearly defined table of organization and adequate staffing, demonstration of adequate understanding and expertise in the regulation and operation of water systems; compliance with certified operator (if required), monitoring, reporting, treatment, disinfection, minimum pressure, license to operate, contingency plan, laboratory certification, plan approval, escrow deposit (if required), and backflow prevention and cross-connection control requirements of the OAC; and demonstration of effective external linkages.
- 3.3 **Financial capability** shall be accepted based on a demonstration of revenue or budgeting sufficiency, credit worthiness and adequate fiscal management and controls.

#### 4. TECHNICAL CONTENT

- 4.1 A **general plan** is required as part of the Capability Assurance Plan. The purpose of the general plan is to ensure that the owner has made a sound technical evaluation of the proposed project. The general plan shall:
  - a. contain an assessment of the current and reasonably foreseeable requirements of Chapter 6109 (Safe Drinking Water) of the ORC and rules adopted thereunder, based on monitoring data from the proposed source of supply;
  - b. describe the existing and projected area and population to be served;
  - c. estimate the existing and projected water demand;
  - d. describe project alternatives considered and the rationale for the selected alternative; this description shall include the technical, managerial, financial, operational and local decision making rationale for the selected approach; unless a new system is a consecutive water system, the general plan shall include the rationale for creating a separate system; and
  - e. include an engineering description of the existing facilities and facilities to be constructed. The engineering description must comply with the requirements of Chapter 3745-91 (Plans Approval) of the (OAC), and demonstrate that the project will comply with industry standards for design and construction. The

general plan should, at a minimum, address the items listed in the DDAGW, **Minimum Requirements for a General Plan for Capability Assurance Plans**, attached as **Appendix C**.

Detail plans of construction must be submitted to the Division of Drinking and Ground Waters (DDAGW) for approval by the director prior to construction of the facilities. Detail plans may accompany, or be submitted following acceptance or approval of, the Capability Assurance Plan. The detail plans must be capable of compliance with all Safe Drinking Water Act requirements and industry standards in accordance with Section 6109.07 (Construction plans to be approved by the director) of the ORC and Chapter 3745-91 (Plans Approval) of the OAC.

The Ohio EPA uses the latest version of the Great Lakes- Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers (GLUMRB), **Recommended Standards for Water Works** (also known as Ten State Standards or TSS), American Water Works Association (AWWA) standards and publications, National Sanitation Foundation (NSF International) standards, certifications and equipment verifications, DDAGW guidance documents (including the Ohio EPA, **Guidelines for Design of Small Public Water Systems**) and policies to evaluate public water system infrastructure. Infrastructure includes, but is not limited to: raw water source, treatment, storage, pumping and distribution. Detail plans must comply with all of the applicable criteria cited in the above publications and Ohio EPA guidance and policies. **Appendix D** contains a list of **Reference Documents for Plan Approval**.

#### 4.2 Qualified Operator

The Capability Assurance Plan shall contain a description of the technical qualifications of the operator in responsible charge of the water system. Describe the operator's certification, and his/her training, knowledge of applicable standards, and experience at and technical knowledge of operating and maintaining similar water systems.

#### 4.3 Metering

The Ohio EPA uses the TSS, AWWA standards and publications, and DDAGW guidance documents and policies to evaluate flow metering in public water systems. Documentation submitted as part of the capability assurance plan - general plan,, must show that flow metering within the treatment plant and throughout the distribution system has been provided for process control, lost water inventory and customer billing needs.

## 5. MANAGEMENT PLAN

The purpose of the Management Plan is to provide assurances that the entity has both the ability and commitment to provide for effective management and operation of the drinking water system. The Management Plan consists of five sections; 5.1) Documentation of ownership and legal authority to operate the system; 5.2) Documentation of staffing, organization, cooperative agreements and service contracts; 5.3) Demonstration of the ability to address customer and compliance issues; 5.4) Operating plan; and 5.5) Description of effective external linkages. **Minimum Requirements for a Management Plan for Capability Assurance Plans** are listed in **Appendix E**. **Appendix F** contains **Outlines for Operations Manuals and Maintenance Manuals**.

## **5.1 Ownership and Legal Authority Section**

Section 5.1 of the Management Plan should document that the applicant has the legal right and authority to take all measures necessary for the financing, construction, operation, and maintenance of the public water system. The applicant shall provide copies of documents that clearly set forth the applicant's control and authority for the system. The applicant shall disclose any encumbrances, trust indentures, bankruptcy decrees, legal orders or proceedings, or other items that affect or limit the applicant's control over the system. The

applicant shall identify if the applicant, owner(s), officers, parent, or affiliated organization currently owns or operates any other public drinking water systems.

The applicant shall disclose if the ownership of the system is expected to change once the system is completed. For example, a municipality may own the drinking water system during planning and construction, with the intent to transfer ownership to an authority once the project is operational. Likewise, a builder or developer may own the system during the planning and construction, with the intent to transfer ownership to a homeowners' association, separate corporation, or municipal water system once the project is operational. If this is the case, the Management Plan must clearly spell out who is the current owner, who will be the ultimate owner, the history and abilities of both, and what steps have been taken to ensure that the receiving owner will be able to properly manage, operate and maintain the system. Non-governmental applicants must disclose any affiliated interests with developers of the area to be served by the applicant, including a full explanation of any co-mingling of funds.

If the applicant is a wholly owned subsidiary, all requested ownership information for the parent as well as the subsidiary shall be provided.

The applicant must disclose and describe if there are any other public drinking water systems with common or affiliated ownership.

Information to be provided to satisfy the ownership/authority section of the Management Plan should include:

5.1.1 Identification of the type of organization which owns or will own the drinking water system. If current ownership will change in the future, describe the planned change and the proposed time frame for the change of ownership. Ownership categories include but are not limited to:

- Political Subdivisions such as; SCHOOL DISTRICTS, TOWNSHIP, STATE, FEDERAL, CONSERVANCY DISTRICT, CITY, COUNTY, OR VILLAGE
- Privately Held such as; INVESTOR, PUBLIC UTILITIES COMMISSION OF OHIO (PUCO) REGULATED, HOME OWNERS ASSOCIATION, TRUST, COOPERATIVE, SOLE PROPRIETOR, PARTNERSHIP, CORPORATION, ESTATE, REGIONAL WATER ASSOCIATION

5.1.1.1 If the system is owned by a municipality that operates under a home rule charter:

- provide the name of the incorporated municipality and the county in which it is located;
- provide a copy of the charter;
- if the municipal owner has any inter-government agreements relating to the provision of drinking water with other entities, include the name of the other entities and the counties in which they are located; also attach copies of the agreements; and
- describe the extent to which the applicant provides direct bill service to customers in any area outside of the applicant's authority; if such service is provided, identify the areas and counties in which they are located; also attach copies of any agreements relating to the arrangement.

5.1.1.2 If the owner is a political subdivision other than a home rule charter municipality:

- provide the name and county of each incorporating political subdivision;

- describe the extent to which the applicant provides direct bill service to customers in any political subdivision not a part of the applicant; if such service is provided, identify the political subdivisions and the counties in which they are located;
- if the applicant has any agreement relating to the provision of source water or drinking water with any other political subdivision or entity, please provide a list of their names and copies of the agreements;
- if the applicant leases its system to an entity for operations, please provide a copy of the lease or agreement, and indicate who is responsible for establishing rates and tariffs; and
- provide a copy of the incorporation or other authorizing documents and by-laws of the applicant; if contained in the ORC, provide applicable sections by reference.

5.1.1.3 If the owner category is a sole proprietorship: provide the name , address, and phone number of the individual who owns the system.

5.1.1.4 If the owner category is a partnership: provide the name , address, and phone number of the general partner and the nature, character, and extent of the interest. Also provide a copy of the partnership agreement.

5.1.1.5 If the owner category is a corporation:

- is the corporation Closely Held, Publicly Traded, or a Wholly Owned Subsidiary?;
- list the officers of the corporation, as well as the ten largest shareholders and their share of ownership;
- if the corporation is owned by a parent company, describe the ownership of the parent, including related companies;
- provide a copy of the corporate charter, articles of incorporation and by-laws; and

- information on initial capital structure.

5.1.1.6 If owner category is a Water Association:

- list the officers of the association and their respective titles;
- note whether the association is managed by the members or by a contract management organization; if by a contract, please identify the contractor and provide a copy of the contract; and
- provide a copy of the charter documents, articles of incorporation or other authorizing documents, and the by-laws of the association.

5.1.1.7 Other ownership categories:

sufficient information and documentation must be provided to clearly establish the ownership and authority of the system.

5.1.2 Identify any other public drinking water systems currently owned or operated by the applicant, owner(s), parent organizations, or affiliated organizations.

## **5.2 Staffing, Organization, Cooperative Agreements and Service Contracts**

Section 5.2 of the management plan should catalog the resources that will be needed to manage and administer the system. This section should provide assurances that the applicant has in place an organization and staffing capable of managing and operating the system and responding to routine and unforeseen circumstances. The following minimum information should be provided:

- a copy of the organizational chart and/or table;
- a copy of job descriptions and/or job manuals as they relate to the water system;
- identification and minimum qualifications of the operator, including certificate number if a certified operator is required;
- the number of employees projected to run the system, including operations, administration, and management; please identify projected employees by number, type, minimum qualifications, and designate as full or part time;
- for a new system, a timetable for staffing; it is recommended that key staff be hired or

retained to assist in the design and construction of the system; a missing or incomplete timetable may result in delay of the approval of the system;

- water system management experience of the key personnel and affiliated organizations, including experience in other states;
- a copy of the budget estimates by category; the more detail that is supplied, the better support there is for budget estimates;
- copies of any management policies and standards already developed, or a timetable for development of any remaining policies and standards;
- copies of the system's general rules and regulations, including connection policies, extension policies, standard specifications, records management plan, cross-connection control plan, sample siting plan, and contingency plan;
- **CROSS-CONNECTION CONTROL**; the Ohio EPA requirements for cross-connection control is contained in Chapter 3745-95 (Backflow Prevention and Cross-Connection Control) of the OAC; these are primarily managerial requirements; the Ohio EPA **Manual of Backflow Prevention and Cross-Connection Control**, the TSS, and AWWA and other industry and DDAGW guidance documents are used to evaluate cross-connection control aspects of the general, and management plans portion of the Capability Assurance Plans, as well as of the subsequent detail plans;
- **SAMPLE SITING**; Ohio EPA OAC Chapter 3745-81-21 (Coliform Monitoring requirements). DDAGW guidance documents are used to evaluate total coliform sample siting in public water systems; documentation, as deemed necessary, submitted as part of the capability assurance plan - management plan, must show that a plan for the location, supervision, collection, and analysis of total coliform bacteria and other contaminants has been developed.-- and will be followed; and
- **CONTINGENCY**; Ohio EPA requirements for contingency (or emergency) planning are contained in Chapter 3745-85 (Contingency Plans) of the OAC. USEPA, DDAGW and industry guidance documents are used to evaluate contingency preparedness for public water systems; documentation, submitted as part of the capability assurance plan - general plan, must show that emergency and contingency response procedures have been established for the proposed project;
- agreements relating to provision of source water or drinking water with any other public water system or other source water supplier; provide names and copies of agreements; provide the name of the incorporated municipality and the county in

which it is located; provide the name and county of each incorporating political subdivision;

- if applicant leases its system to another entity for operations, please provide a copy of the lease or agreement, and indicate who is responsible for establishing rates and tariffs;
- if management or operation of the system is to be contracted with another entity, identify the contractor and provide a copy of the contract;
- A description of any other outside services anticipated to be used; how the selection will be made; if there are already contracts for outside services, identify the providers and attach a copy of the agreements; outside services include, but not limited to: LEGAL, ENGINEERING, MONITORING AND LAB WORK, ACCOUNTING, BILLING AND COLLECTING, FINANCIAL ADVISOR; and
- describe and provide copies of any other cooperative agreements or service contracts.

### **5.3 Addressing Customer and Compliance Issues**

The applicant shall describe their plan for addressing the current and reasonably foreseeable compliance requirements identified in Section 4.1(a) of these guidelines. The applicant shall also describe their plan for outreach to their customers and addressing customer and consumer complaints.

### **5.4 Operation and Maintenance**

The Ohio EPA requirements for operation of public water systems are contained in Chapter 3745 (State of Ohio Environmental Protection Agency Regulations) of the OAC, TSS, AWWA standards and publications, DDAGW and other industry guidance documents and policies to evaluate operations and maintenance procedures for public water systems. An operations and maintenance manual, submitted as part of the capability assurance plan, managerial plan, must show that routine operations and maintenance issues related to system infrastructure have been addressed for the proposed project. The size and content of the O&M manual can be expected to vary greatly depending on the size and complexity of system infrastructure.

Section 5.4 of the management plan shall provide details that support the budget estimates for Operation and Maintenance, and assurances that the applicant has in

place a mechanism and structure to properly operate and maintain the system. The operating plan should conform to accepted practices of the water supply industry and provide sufficient detail in describing the operation and maintenance of the public water system to assess the operating plan. The following minimum information must be provided when detailing the operations and maintenance section:

- a description of the facilities or proposed facilities;
- an explanation of startup and normal operation procedures;
- the routine maintenance program;
- records and reporting system;
- sampling and Analyses program;
- staff Training program;
- sanitary Survey program;
- safety program;
- emergency plan and operating procedures, (is this the same as C8 above);
- manufacturer's manuals; and
- an interconnect, valve and blow-off exercise and testing program.

**Appendix F** contains **Suggested Outlines for Operations Manuals and Maintenance Manuals.**

## **5.5 Effective External Linkages**

Section 5.5 of the management plan should identify the external linkages that are available to the owner to address technical, customer, managerial and financial issues, as well as manpower, resource and emergency needs which may arise in the operation of the water system and describe the system's interaction with customers, regulators, and other entities. A listing of such linkages may include but is not limited to: USEPA, Ohio EPA, PUCO, suppliers; engineering, operations and other technical consultants; AWWA, Ohio Rural Water Association, Operator Training Committee of Ohio (OTCO), regional planning agencies, business and industry organizations, etc.;

investment, banking and financial consultants; planning consultants. The listing should include contact names, addresses, fax and phone numbers, e-mail addresses and how they are expected to be effectively utilized. Water systems are encouraged to maintain active participation in water industry organizations.

## **6. FINANCIAL PLAN**

Development of a Financial Plan is essential to ensure the stability of the operation of a public water supply (PWS) system. The capital and operating costs required to address the needs of a system in order to maintain compliance and adequate operation can be projected and addressed through sound financial planning. A Financial Plan should build on information submitted in the general plan and include the following components: demonstration of revenue sufficiency, demonstration of adequate capitalization, and assurances that the Financial Plan will provide sufficient financial resources to ensure ongoing viability. A public water system can better achieve financial stability by development and implementation of a Financial Plan.

The Financial Plan provides an instrument to ensure that the public water system has continued financial viability. Financial viability is defined as the ability to obtain sufficient funds to develop, construct, operate, maintain, and manage a public water system, on a continuing basis, in full compliance with federal, state, and local requirements. The benefits of this type of planning far outweigh the costs of its development and implementation. These benefits have been recognized in the 1996 amendments to the Safe Drinking Water Act through its program requirements concerning demonstration of adequate technical, managerial, and financial capability assurance. The Financial Plan describes the system's revenues and cash flow for meeting the cost of construction and the costs of operation and maintenance for at least five full years from the date the applicant anticipates implementing improvements or initiating operation.

The purpose of this guidance document is to provide all applicants to the WSRLA program, and to those owners proposing the development a new public water supply system with the tools and techniques to prepare and submit a completed Financial Plan as required by OAC 3745-87-02 (Capability Assurance Plans), for submittal and Agency review. This guidance also applies to capability assurance evaluations of any PWS under the state public drinking water capability assurance strategy.

The Financial Plan is important as a planning tool when considering the creation of a new public water system. Before making a significant investment in a new system, it is necessary to identify the risks that exist and provide assurances that the proposed plan will be capable of meeting the financial needs of the system in order to provide a safe and adequate supply of water for human consumption over time. In the case of a new public water system, applicants will be required to establish a system of user charges or cost recovery mechanisms, including a financial management system that will accurately account for revenues generated by or funding of the

PWS (as appropriate) and expenditures for operation and maintenance. The plan shall be based upon an adequate budget identifying the basis for determining annual operation and maintenance, capital and/or debt repayment costs and the cost of personnel, materials, energy, utilities, and administration.

In the case of applicants with existing PWSs, appropriate annual financial statements and/or audit reports will be requested and reviewed for adequacy of fiscal management. Generally, five years of annual financial statements and /or audit reports are required as financial documentation of each applicant.

Review of the documentation will be completed with the goal of meeting the test of financial capability in terms of fiscal management and control. This review will ensure that adequate recording and documentation are maintained and that appropriate budgeting, accounting and financial planning methods are being used. The purpose of the review is to determine if the PWS will manage its revenues effectively. When necessary recommendations will be provided to ensure effective management.

The goal of the Financial Plan development will be to demonstrate that the public water system can remain financially viable. It must show that the administration and operation of funds associated with the system:

- are self generating or sustainable;
- have the financial capability to reliably meet performance requirements over a period of time; and
- have obtained the financial commitment of the system owners and operators, and customers.

The Financial Plan must be submitted with the General Plan and the Management Plan to be considered for review. The Financial Plan can be prepared by any individual familiar with the service area, any related existing systems, and the system's financial arrangements. Plan development may also be completed by a team which includes community, company, or institutional representatives. Persons who may have valuable input into development of this document include:

Village or City Clerk  
Financial Director or Secretary  
System Operator(s)  
Governing Board  
Municipal Council

Chief Accountant  
Auditor  
Administrator  
Financial Advisor  
Engineer (Consulting or Community's Own)  
Planner or Planning Commission  
School Board  
Treasurer  
Board of Directors  
Business Manager  
Chief Executive Officer

Responsibility for the validity and implementation of the plan remains with the system owner. It is therefore critical that the owner play a key role in its development, including the basis for all assumptions, development of all cost estimates, and the identification and understanding of all risks associated with the plan and the system.

#### 6.1 **Financial Plan Format**

There is no single recommended format for the Financial Plan. The Financial Plan shall describe revenues and cash flow for meeting the costs of construction and the costs of operation and maintenance for at least five full years from the date the owner or applicant anticipates initiating operation. The Plan will include projections, assurances, and explanations of all assumptions which were utilized. The following basic information is required to be in the Financial Plan in order for it to be considered complete. The Financial Plan must include at a minimum:

- (1) pro forma statements for five full years from the date of anticipated initial operation including the following:
  - (a) a balance sheet,
  - (b) an income statement,
  - (c) a statement of cash flow, and
  - (d) an amortization schedule of all water system debt;
- (2) demonstration of ability to fund any cost of repairs and capital replacement and compliance with any applicable *Escrow Requirements* as contained in ORC Section 6109.08 (Escrow deposit for certain systems) and OAC Chapter 3745-92(Escrow

Requirements); (required only for: privately owned community water systems, that serve less than 500 residences, that serve properties not owned by the owner of the water system, and that are not regulated by the Public Utilities Commission of Ohio (PUCO). These systems must, before construction plans to start or change a water system are approved, set aside monies in escrow to be used at the director's discretion to insure compliance with drinking water requirements in Ohio);

- (3) organizational structure of the financial management personnel and information demonstrating bond or credit rating; and
- (4) in addition, for existing systems, data and information contained in the last five years of annual financial statements which describe performance of:
  - (a) all assets, liabilities, income, expenditures, and balances of the owner of the entity of which the water system is a part (for governmental entities this would be the General Fund);
  - (b) all assets, liabilities, income, expenditures, and balances of the water system (for governmental entities, the Water Enterprise Fund); and
  - (c) a schedule of water system indebtedness or a comprehensive amortization schedule.

The remainder of this guidance describes the sections above and their components in greater detail. A checklist of information that must be included in the Financial Plan is also included in **Appendix I**. Since there are three main parts of the total Capacity Assurance documentation which must be developed, other utilized documentation can be incorporated by reference to minimize duplication of effort. **Appendix G** contains forms to include in the development of the Financial Plan. These forms can be modified to fit the specifics of the type of ownership, the water supply system, and the proposed projects. The forms are included as recommended formats to follow, and should be used to supplement the Financial Plan. The more detailed the information which is submitted in the Financial Plan, the less likely the need for follow-up questions and delays in obtaining Agency approval or acceptance of the Plan.

All justification or documentation for all assumptions used in developing the Financial Plan should be provided with the document. Worksheets and calculations should also

be included as appendices to the document. Narratives which describe assumptions and the basis for their development must also be included as supporting documentation. Inclusion of this information in the Plan to support any projections made will serve to minimize time required for the review to be completed.

The Plan should provide the water system owner, operator, Ohio EPA, local officials and water users with *assurance that the proposed system is strong enough to remain financially viable even if some of the assumptions or targets are not realized*. The purpose of preparing the Financial Plan is to develop a drinking supply system that will be viable for the expected life of the system.

## 6.2 **Financial Plan**

The Financial Plan is the final component of a comprehensive Capability Assurance Plan. The Financial Plan consists of intended rate revenue or funding projections and pro forma financial statements for a period of at least five years, a narrative description of assurances that the proposed system will be able to meet its financial obligations and be able to maintain its viability, escrow information, financial organizational structure documentation, and (for existing systems) information contained in annual financial statements. *The information submitted must show a positive trend over the projected five year period.*

The purpose of the Financial Plan is to assure that the system has the financial ability to support the water supply project and operate for at least five years. *All Financial Plan assumptions should be moderately conservative. Rate or funding coverage (the generation of revenues above those which are necessary to cover debt obligations and operation and maintenance costs) must be provided* and reserve funds must be established, even if not directly required by any capital provider involved in the financing of the water supply project. Coverage has proven to be a key indicator of the future viability of small drinking water systems. The Agency will be reviewing all assumptions and estimates, and will be conducting sensitivity analyses on projections. A Capability Assurance Plan should demonstrate system strength to remain viable even under adverse changes in the operation of the drinking water supply system.

### **Part A: Pro Forma Statements and Support**

#### *Projected Rate Revenue or Funding Method*

- ~ 1. Projected rate revenue from both residential and commercial/industrial customers, and other sources of funding (see **Financial Plan Form 1** in **Appendix G** for an example of the requested information).

Projected revenue information is important for two reasons. First, without adequate revenue, the system will not be capable of self support. *The system needs sufficient revenue to cover operating and maintenance costs, debt service, capital improvements, replacements, and emergencies.* If there is not sufficient revenue to cover current expenses and reserves, it is likely that at some point the system will face an emergency or need for new or updated equipment that it cannot meet without an extraordinary rate increase or additional capital provider assistance.

The second reason this information is important is to *provide assurance that the projected user rates or funding sources are reasonable and have the probability of generating sufficient revenue.* The *funding also needs to have some elasticity* to address unforeseen events which require an increase in revenue for the water system. System owners should review their rate structure, all funding mechanisms, and generated revenues annually to evaluate total funding for adequate coverage and performance. If warranted, appropriate adjustments should be made.

#### A: Rate Revenue

The Total Projected Rate Revenue can be calculated in a number of ways. If Equivalent Dwelling Units (EDUs) or a flat rate for all customers is used, it is not necessary to separate revenues by Residential versus Commercial/Industrial users. If Financial Plan Form 1 is used, include in the Commercial/Industrial category any institutional or other large water users that might skew the Average Annual Residential User Rate.

To support projections, a list of assumptions which were used and the basis for their use must be included. It is also necessary to provide any intermediary calculations which were utilized in the development of final projections.

#### B. Other Revenue or Funding Sources

Describe all other utilized revenue or funding sources and the projected amounts from each source for the five year period. Support projections with a list of all assumptions and the basis for their use. Provide any intermediate calculations utilized in development of the final projections.

*Pro Forma Financial Statements*

- ~ 2. Pro forma income, expense and cash flow statements for at least five years. **Financial Plan Form 2** is an example of a consolidated pro forma income, expense, and cash flow statement for five years of system operation (see **Appendix G**). This form may be used directly or provide the same information in a similar format.
- ~ 3. Pro forma balance sheet summary for at least five years. **Financial Plan Form 3** is a sample five-year balance sheet summary (see **Appendix G**). This form may be used, or provide the same information on a separate sheet, but all of the same information must be provided.

The purpose of the pro forma financial statements is to show projections of the finances of the proposed water system over five years beginning at the date of anticipated initiation of operation. Statements should provide assurances that income will exceed expenses to such a degree as to allow for the creation and funding of any necessary reserve funds and for funding of emergencies and equipment replacement. *At a minimum, there should be a positive cash flow every year, net income for most years, and positive equity.* Pro Forma statements will also allow many traditional financial analyses to be conducted on the proposed water system including but not limited to; determining *debt to equity ratio, coverage ratio, quick ratio, liquidity evaluations, etc.* These will also allow *comparison with indicators and benchmarks.* Projecting this information for at least five years will allow for appropriate review and the evaluation of trends and patterns.

The level of detail contained in the Plan must enable the reviewer to understand the basis for all assumptions used in the pro forma financial statements. The plan shall explain how the cost and income estimates were developed, and any explanatory narrative or worksheets that show the calculations shall be attached. An explanation or basis should be provided for any unusual estimates. A range of estimates for the items most difficult to project should be included. Indicate how conservative or aggressive the estimates are. If the projections show changes from year to year that are caused by more than inflation, an explanation of all assumption(s) for the variance shall be provided.

The Income, Expense, and Cash Flow Statement format provided combines the elements of the traditional income and expense statement with that of the traditional cash flow statement into a single form. This combined format was developed to eliminate duplication. If, however, the provided form is not used, include the traditionally accepted Income, Expense and Cash Flow Statements for at least five years shall be provided.

In the provided Income, Expense, and Cash Flow Statement form, the terms Extraordinary Income and Extraordinary Expenses refer to cash flow items not normally entered or itemized on an income statement. These are generally non-recurring events and capital adjustments to cash flow rather than normal accrual-based income or expenses. It is not necessary to use all the categories provided, however the more detail that is provided, the less likely it is that follow-up questions will be required. All "Other" and "Miscellaneous"

entries shall be specified and explained. For any items not already covered in the General Plan, explanatory narratives and/or supporting worksheets shall be included which describe how the estimates were developed.

### *Assurances*

~ 4. Identification of all financial assurances, including all assurances being offered to capital providers.
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The Plan shall describe any assurances which apply or are appropriate and available that demonstrate future financial viability of the water system. Possible assurances which should be provided include, but are not limited to, the following:

- a significant coverage ratio;
- reserve funds, including debt service, emergency, and replacement funds;
- escrow fund(s);
- letters of Credit;
- inter-Governmental Agreements;
- guarantees from parent or affiliated organizations, possibly supported by an escrow fund or letter of credit;
- evidence that the potential customers are fully informed of the costs and benefits and support the plan;
- assurances of commitment by other financial sources to provide capital or other support, including terms of that capital or support;
- rate ordinance expected to be enabled to support the costs of the project;
- mandatory tap in ordinance;
- pledge of another asset;
- appointment of a trustee, board, etc.;
- verification of all necessary approvals, permits, waivers or releases required by federal, state or local law; and
- review and certificate from PUCO, where required.

Some of these assurances may be those offered to capital providers. Some may be in addition to any loan collateral which may have been obtained.

### **Part B: Escrow Account Establishment (if required)**

Ohio Revised Code Section 6109.08 (Escrow deposit for certain systems) and Ohio Administrative Code Chapter 3745-92 (Escrow Requirements) requires escrow accounts to be established only for certain water supply systems. The requirements pertain to small private community water systems (serving less than 500 customers), which are not regulated by the

Public Utilities Commission of Ohio (PUCO), and which supply water to properties owned by others. Before construction plans are approved by the Agency to develop or change such a water system, these systems must set aside monies in an escrow account. All water supply systems which meet the criteria as defined must set up an escrow account and document its creation in order to demonstrate compliance with OAC 3745-92 (Escrow Requirements). **Appendix H** contains the step by step procedure to enable this demonstration. This attachment also includes a Sample Escrow Agreement with suggested language.

~ 1. A copy of an executed escrow agreement and all required supporting documentation (if required).

**Part C: Financial Organization Structure and Support**

This section of the Financial Plan should identify the intended or existing financial management structure and financial staffing requirements of the water supply system. Items provided in the management section of the Plan may be incorporated by reference. The Plan should include the following information, in addition to any other relevant materials related to the financial organizational structure:

1. A copy of the organization chart and/or table for all financial management personnel.
- (1) 2. Job descriptions and/or job manuals prepared for all financial management staff.
- (2) 3. The number of employees projected to be involved in the administration or operation of the water system, including administrators and management. Identify projected employees by number, type, and designate as full or part time.
4. Copies of any financial management policies and standards which have been developed.
- (3) 5. Estimates (by category) of the amounts to be expended on outside services for the first full year of regular operation. Outside services include the following:

- Legal
- Engineering
- Monitoring and lab work
- Accounting, billing and collecting
- Financial Advisor
- Other services

- ~ 6. Documentation which demonstrates any bond or credit rating which the system owner has obtained.
- ~ 7. Please provide copies of or refer to any sections of the Operation and Maintenance Plan from section 5.4 of this guidance which include sufficient detail to support budget estimates for annual operations and maintenance costs of the water system.

## Part D: Annual Financial Statements

This section of the Financial Plan should identify and document the historical performance of the financial functions of the operation and administration of the water supply system and the owner. **Only existing systems need to submit the following information.** For all information, the most recently available five years of *Annual Financial Statements* should be used, unless otherwise noted.

- ~ 1. General Fund information including/or Balance Sheets, Statements of Income, Statements of Changes in Financial Position, Statements of Investments, and any fund distribution activities of the owner of the water system.
- ~ 2. All attached schedules and notes to statements described in item 1. Information should include, for example, the method of calculating replacement fund deposits, any equipment depreciation, etc. Information should support any assumptions or intermediary calculations made for values contained in item 1.
- ~ 3. Fiscal year basis and method of accounting utilized in the development of *Annual Financial Statements*.
- ~ 4. The same type of information described in items 1 and 2 which pertain to the Water Enterprise Fund or any Operating Funds for the water supply system.
- ~ 5. Amortization Schedules or water system Schedule of Indebtedness for all existing debt service on the water supply system.
- ~ 6. Audit statements, reports or opinions which were developed for any of these data.
- ~ 7. Definitions and itemizations of all “Miscellaneous” or “Other” entries which may be contained in submitted documents.

If the system owner is a governmental entity, the majority of this information can be found in the *Annual Financial Statement* document which must be submitted to the Auditor of State. If the system is operated by a non-governmental entity (one that is regulated by PUCO for example) it is likely that annual financial statements which are like or similar are developed on an annual basis.

Copies of the pages from five years of annual financial statements or documents which contain the following may be submitted:

- (a) General Fund *or* Balance Sheets showing all assets and liabilities and Income Statements of the system owner;
- (b) Water Enterprise *or* Operating Fund for the water supply system; and,
- (c) Schedule of water system indebtedness *or* amortization schedules for all existing debt on the water system showing terms and conditions.

This completes the information needed to prepare a comprehensive and effective Financial Plan. Giving thought to the questions raised during the process, and using reasonable

assumptions, will provide a strong basis on which to make decisions regarding the supply of public drinking water. **Appendix I** contains a checklist of all information that is necessary to submit a comprehensive Financial Plan.

## APPENDIX A

### OHIO EPA

Division of Drinking and Ground Waters

#### Capability Assurance Screening Check List

August 30, 1999

A = acceptable

D = deficient

N/O = not observed

N/A = not applicable

item	technical rating	managerial rating	financial rating	comments
<b>OPERATIONAL / AUTHORITY</b>				
cross connection control				
contingency plan				
operation & maint				
sample siting plan				
system rules / regulations / policies				
ordinances				
<b>ORGANIZATION</b>				
table of organization				
staffing				
<b>COMPLIANCE</b>				
compliance status				
ccr / public notice				
monitoring / reporting				
sample siting plan				
<b>OPERATOR QUALIFICATIONS</b>				
operator certification				
training				
linkages				
<b>INFRASTRUCTURE</b>				
source				
treatment				

storage				
pumping				
distribution				

<b>FINANCE</b>				
budget				
debt service				
<b>METERING</b>				
<b>SOURCE WATER PROTECTION</b>				

## APPENDIX B

### **Organizations Affected by Drinking Water Rules**

Division: DDAGW  
Number: ADM-01-002  
Category: Administration--Procedure  
Issued: June 10, 1999

#### **I. PURPOSE:**

The purpose of this procedure is to document the list of organizations that the Division of Drinking and Ground Waters will send notice to when it intends to adopt a new rule or amend an existing rule concerning public drinking water systems in Ohio.

#### **II. BACKGROUND:**

Amended Substitute House Bill 106 became effective on March 5, 1996. In part, it established Ohio Revised Code 129.39 paragraph (D), which requires Ohio EPA to “consult with organizations that represent political subdivisions, environmental interests, business interests, and other persons affected by” a proposed rule or amendment concerning environmental protection.

The Division of Drinking and Ground Waters has developed the attached list of organizations, which will receive notice when the division intends to adopt a new rule or amend an existing rule.

#### **III. PROCEDURE:**

At least sixty days prior to proposing a new drinking water rule or amending an existing drinking water rule, the Division of Drinking and Ground Waters will send a notice to each of the organizations on the attached list. The notice will state the division’s intent to propose a new or amended rule and summarize the content of the new or amended rule. The notice will also list the name, address, and phone number of a person in the central office to get in touch with to obtain a copy of the new or amended rule.

If appropriate, the division will also send notice to other organizations that may be affected by a particular new rule or amendment.

#### **IV. ATTACHMENT:**

A. DDAGW List of Organizations Affected by Drinking Water Rules

#### **V. HISTORY:**

The Division of Drinking and Ground Waters issued the initial procedure for Organizations Affected by Drinking Water Rules on June 1, 1998. Two additional organizations were added on June 10, 1999.



ASSOCIATION OF OHIO HEALTH  
COMMISSIONERS  
37 WEST BROAD ST SUITE 650  
COLUMBUS OH 43215

MID OHIO REGIONAL PLANNING  
COMMISSION  
285 EAST MAIN ST  
COLUMBUS OH 43215

OHIO CONSERVATION CONGRESS  
1509 PORTAGE ST  
NORTH CANTON OH 44720

AWWA, OHIO SECTION  
3972 INDIANOLA AVE  
COLUMBUS OH 43214

NATURE CONSERVANCY  
6375 RIVERSIDE DR #50  
DUBLIN OH 43017-5045

OHIO DEPT OF AGRICULTURE  
65 SOUTH FRONT ST ROOM 606  
COLUMBUS OH 43266-0302

CITIZEN ACTION  
402 TERMINAL TOWER  
CLEVELAND OH 44113

NORTHEAST OHIO AREAWIDE  
COORDINATING AGENCY  
668 EUCLID AVE 4TH FLOOR  
CLEVELAND OH 44114-3000

OHIO DEPT OF HEALTH  
PO BOX 118  
COLUMBUS OH 43266-0558

COMMON CAUSE  
16 EAST BROAD ST SUITE 204  
COLUMBUS OH 43215

OFFICE OF LOCAL GOVERNMENT  
SERVICE  
STATE OFFICE TOWER FLOOR 24  
30 EAST BROAD ST  
COLUMBUS OH 43215

OHIO DEPT OF NATURAL RESOURCES  
FOUNTAIN SQUARE  
COLUMBUS OH 43224-1387

COUNTY COMMISSIONERS ASSOCIATION  
OF OHIO  
37 WEST BROAD ST SUITE 650  
COLUMBUS OH 43215

OHIO AUDUBON COUNCIL  
3776 WALES AVE NW  
MASSILLON OH 44646

COUNTY ENGINEERS ASSOCIATION OF  
OHIO  
37 WEST BROAD ST SUITE 660  
COLUMBUS OH 43215

OHIO CAMPGROUND OWNERS  
ASSOCIATION  
3386 SNOUFFER RD  
COLUMBUS OH 43235

EASTGATE DEVELOPMENT &  
TRANSPORTATION AGENCY  
25 EAST BOARDMAN ST  
SUITE 400  
YOUNGSTOWN OH 44503-1805

OHIO CHAMBER OF COMMERCE  
ENERGY AND ENVIRONMENT  
35 EAST GAY ST  
COLUMBUS OH 43215-3181

MIAMI VALLEY REGIONAL PLANNING  
COMMISSION  
400 MIAMI VALLEY TOWER  
40 WEST FOURTH ST  
DAYTON OH 45402

OHIO CHEMICAL COUNCIL  
17 SOUTH HIGH ST SUITE 410  
COLUMBUS OH 43215

OHIO ENVIRONMENTAL COUNCIL  
1207 GRANDVIEW AVE #201  
COLUMBUS OH 43212-3449

OHIO PUBLIC HEALTH ASSOCIATION  
8746 EASTFIELD CT  
PICKERINGTON OH 43147

ORSANCO  
5735 KELLOGG AVE  
CINCINNATI OH 45228

OHIO ENVIRONMENTAL HEALTH  
ASSOCIATION  
2786 BUXTON LANE  
GROVE CITY OH 43213

OHIO RURAL WATER ASSOCIATION  
1630 NW PROFESSIONAL PLAZA  
SUITE 201  
COLUMBUS OH 43220

OTCO  
3972 INDIANOLA AVE  
COLUMBUS OH 43214

OHIO FOOD PROCESSORS ASSOCIATION  
PO BOX 312  
WORTHINGTON OH 43085

OHIO SCHOOL BOARDS ASSOCIATION  
PO BOX 6100  
WESTERVILLE OH 43086-6100

PUBLIC UTILITIES COMMISSION  
OF OHIO  
180 EAST BROAD ST  
COLUMBUS OH 43255-0573

OHIO MANUFACTURED HOUSING  
ASSOCIATION  
201 BRADENTON AVE SUITE 100  
DUBLIN OH 43017-3540

OHIO SIERRA CLUB  
145 NORTH HIGH ST SUITE 509  
COLUMBUS OH 43215

RETAIL MERCHANTS ASSOCIATION  
50 WEST BROAD ST  
COLUMBUS OH 43215

OHIO MANUFACTURERS ASSOCIATION  
33 NORTH HIGH ST SIXTH FLOOR  
COLUMBUS OH 43215-3005

OHIO STATE BAR ASSOCIATION  
ENVIRONMENTAL LAW COMMITTEE  
PO BOX 16562  
COLUMBUS OH 43216-6562

TOLEDO METROPOLITAN AREA COUNCIL  
OF GOVERNMENTS  
PO BOX 9508  
TOLEDO OH 43697-9508

OHIO MUNICIPAL LEAGUE  
175 SOUTH THIRD ST SUITE 510  
COLUMBUS OH 43215

OHIO STATE MEDICAL ASSOCIATION  
1500 LAKE SHORE DRIVE  
COLUMBUS OH 43204

WATER MANAGEMENT ASSOCIATION OF  
OHIO  
590 WOODY HAYES DR ROOM 262  
COLUMBUS OH 43210-1057

OHIO PETROLEUM COUNCIL  
88 EAST BROAD ST  
COLUMBUS OH 43062

OHIO WATER WELL ASSOCIATION  
PO BOX 310  
CALEDONIA OH 43314-0310

OHIO WATER ENVIRONMENT  
ASSOCIATION  
6448 RED FOX COURT  
COLUMBUS OH 43068

OHIO PETROLEUM MARKETERS  
ASSOCIATION  
PO BOX 490  
DUBLIN OH 43017

OKI REGIONAL COUNCIL OF  
GOVERNMENTS  
801 B WEST EIGHTH ST  
SUITE 400  
CINCINNATI OH 45203

STATESIDE ASSOCIATES  
2300 CLARENDON BLVD. STE 407  
ARLINGTON, VA. 22201

COLUMBIA GAS TRANSMISSION

CORPORATION  
PO BOX 1273  
CHARLESTON, W. VA. 25235-1273

## APPENDIX C

Ohio EPA  
Division of Drinking and Ground Waters

Minimum Requirements for a General Plan  
for Capability Assurance Plans  
September 2, 1999

Map showing:

- existing service area
- proposed new service areas
- existing major distribution system and pressure zones
- proposed major water lines, pump stations, distribution storage and pressure zones in the proposed new service areas
  - \*initial phase
  - \*future phases
- proposed major water line extensions/replacements/reinforcements, pump stations and distribution storage in existing and proposed service areas

Current total population in:

- existing service area
- proposed new service areas

Population projections for:

- existing service area
- proposed new service areas

Maximum potential water demand (average and peak) if all potential customers tied in for:

- existing service area
- proposed new service areas

Projected actual water demand (average and peak) for the actual number of customers expected to tie in for:

- existing service area
- proposed new service areas

Pressure ranges to be maintained in each area

Fire flows and residual pressures to be provided in each area

Water demands should be broken down by residential, commercial and industrial. Projections should be for at least 20 years in a maximum of 5 year increments.

Planned phased water source development and water treatment construction to meet expected peak demands prior to their

projected occurrence.

Estimated costs of construction for each phase.

## APPENDIX D

### Reference Documents for Plan Approval

The following is a list of documents that are used for reference during the plan approval process:

1. Ohio Administrative Code; available on the Division web site.\*
2. Ohio Revised Code; available on [www.avv.com/orc](http://www.avv.com/orc)
3. **Recommended Standards for Water Works**, Great Lakes-Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers; available on [www.hes.org](http://www.hes.org)
4. American Water Works Association Standards; available on [www.awwa.org](http://www.awwa.org)
5. **Guidelines for Design of Small Public Water Systems**; available from the Division.
6. **Backflow Prevention and Cross-Connection Control**; available from the Division.
7. Guidelines for Clarifier and Filter Ratings at Surface Water Treatment Plants; available on the Division web site.\*
8. Guidelines for Treatment Process Ratings at Precipitative (e.g., Lime) Softening Ground Water Treatment Plants; available on the Division web site\*.
9. Minimum Requirements for a General Plan for Self Certification Agreements; available from the Division.
10. Water Well Waivers for the Use of PVC Casing; available from the Division.
11. Required Analysis for New Wells to be Used by Public Water Supplies; available from the Division.
12. State of Ohio Technical Guidance for Sealing Unused Wells; available from the Division.
13. Air Stripping Towers (Design Requirements); available from the Division.
14. Drinking Water Treatment Plant Waste Recycling; available from the Division.
15. Policy Statement on Pellet Chlorinators; available from the Division.
16. Data Requirements for New Surface Water Sources; available from the Division.
17. Guidelines for Tracer Studies; available from the Division.
18. Laboratory Construction and Remodeling; available on the Division web site\*.
19. Guidance for Designation of Water Sources as Surface Water or Ground Water; available from the Division.

20. Upground Reservoirs; available from the Division.

21. Additional documents are posted on the Division web site as they are adopted. \*[www.epa.state.oh.us/ddagw/](http://www.epa.state.oh.us/ddagw/)

## **APPENDIX E**

### **Ohio Environmental Protection Agency Division of Drinking and Ground Waters**

#### **Minimum Requirements for a Management Plan for Capability Assurance Plans**

September 24, 1999

#### Ownership and Legal Authority

Documentation of Ownership.

Documentation of Authority.

Disclosure of encumbrances, trust indentures, bankruptcy decrees, legal orders or proceedings, or other items that limit or affect the applicants control.

Ownership or operation of any other public drinking water system.

Any expected change of ownership or control once the system is completed.

Any affiliated interests with developers in area to be served, and any co-mingling of funds.

Ownership information of any parent company.

Disclosure of any other public drinking water systems with common or affiliated ownership.

#### Staffing, Organization, Cooperative Agreements and Service Contracts

Table of organization.

Job descriptions.

Identification and minimum qualifications of the operator.

Number, type and minimum qualifications of employees.

Timetable for staffing a new system.

Water system management experience of key personnel.

Budget estimates by category.

Management policies and standards.

General rules and regulations:

connection policies

extension policies

standard specifications

records management plan

cross-connection control program

sample siting plan

contingency plan.

Agreements with other public water systems or water source suppliers

lease agreements

management or operation agreements  
outside services agreements

Addressing customer and compliance issues:

Plan for addressing current and reasonably foreseeable compliance requirements identified in the general plan.  
Plan for outreach to customers and addressing customer and consumer complaints.

Operation and Maintenance

Operation plan.  
Maintenance plan.

Effective External Linkages

Customers.  
Regulatory agencies.  
Engineering, operations and other technical consultants.  
Technical assistance providers.  
Water industry organizations.  
Business organizations.  
Investment, banking and financial consultants.  
Planning consultants.

## **APPENDIX F**

### **Outlines for Operations Manuals and Maintenance Manuals**

#### **OPERATIONS MANUAL GUIDANCE OUTLINE**

- I. **START UP**
  - A. Facility plan with detailed equipment locations
  - B. Sequence of turning on unit and/or pumps
  - C. Specific details of each unit {place instruction cards at each unit }
  
- II. **UNIT PROCESS PARAMETERS** [use for each process, when applicable; for various ranges of raw water conditions (temperature, turbidity, hardness, alkalinity, etc.)]
  - A. Chemical dosages
  - B. Testing parameters
    - 1. Laboratory procedures
    - 2. Sampling locations
  - C. Mixing energies
  - D. Residual withdrawals
  - E. Flow
  - F. Loss of head
  - G. Backwash procedures
  
- III. **DETAILED PLAN OF VALVING AT PLANT**
  
- IV. **DETAILED PLAN OF VALVING IN DISTRIBUTION SYSTEM**
  
- V. **SAFETY**
  
- VI. **STAFF TRAINING PROGRAM**
  
- VII. **RECORDS AND REPORTING SYSTEM**

## MAINTENANCE MANUAL GUIDANCE OUTLINE

### I. EACH PIECE OF EQUIPMENT

- A. Manufacturer's manual
- B. List of spare parts or recommended parts
- C. Maintenance schedule
- D. Written procedures for preventive routine maintenance

### II. INVENTORY OF SPARE PARTS FOR ALL EQUIPMENT

- A. Addresses of suppliers
- B. Approximate cost of key parts
- C. Method for identifying and replacing used inventory

### III. ROUTINE HOUSEKEEPING

- A. Key areas
- B. Assignment of duties
- C. Minimum frequency for cleaning

### IV. Interconnect, valve and blow-off exercise and testing program

### V. SANITARY SURVEY PROGRAM

**APPENDIX G**

**Financial Plan Form 1: Revenue Projection and Summary**

		Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
		_____	_____	_____	_____	_____	_____
1	Number of Residential Customers						
2	Average Annual Household Bill Per Residential User						
3	Total Potential Annual Average Revenue from Residential Users (line 1 times 2)						
4	Amount Uncollected						
5	Total Annual Average Revenue Collected from Residential Users (line 3 less 4)						
6	Total Annual Average Commercial/ Industrial Revenue (Bills Collected)						

7	Other Revenue Sources (explain)						
8	TOTAL ANNUAL PROJECTED REVENUE (add lines 5, 6, and 7)						

**Financial Plan Form 2**  
**Combined Income, Expense and Cash Flow Statement**

	INCOME, EXPENSE AND CASH FLOW STATEMENT		Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
			_____	_____	_____	_____	_____	_____
OPERATING REVENUES								
1	Water Rates							
2	Bulk Water Sales							
3	Fire Protection							
4	Fees and Services							
5	Other (Explain)							
6	TOTAL (lines 1 through 5)							
OPERATING EXPENSES								
	Operation and Maintenance							
7		Salaries (operators)						

8		Benefits						
9		Utilities						
10		Chemicals & Treatment						
11		Monitoring & Lab Fees						
12		Materials, Supplies & Parts						
13		Transportation						
14		Purchased Water Costs						
15		Outside Services						
16		Other (Explain)						
17		TOTAL (lines 7 through 16)						
Administrative								
18		Salaries						
19		Benefits						
20		Building Overhead						
21		Office Supplies & Postage						
22		Insurance						
23		Customer Billing & Collection						
24		Accounting						
25		Legal						
26		A/E & Professional Services						
27		Other (Explain)						
28		TOTAL (lines 18 through 27)						
29	Depreciation Expense							

30	Other (Explain)							
31	TOTAL (line 17 plus 28 plus 29 plus 30)							
32	OPERATING INCOME (line 6 less line 31)							
	INCOME, EXPENSE AND CASH FLOW STATEMENT		Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
			_____	_____	_____	_____	_____	_____
			-	-	-	-	-	-
	NON-OPERATING REVENUES							
33	Interest Income							
34	Interfund Transfer							
35	Proceeds From the Sale of Assets							
36	Leases and Extraction Fees							
37	Other (Explain)							
38	TOTAL (lines 33 through 37)							
	NON-OPERATING EXPENSES							
39	Interest Expense							
40	Inter-fund Transfers							
41		To General Fund or Owner's Fund						
42		To Replacement Fund						
43		To Emergency Fund						
44		To Other (Explain)						

45		TOTAL (lines 41 through 44)						
46	Other (Explain)							
47	TOTAL (line 39 plus 45 plus 46)							
48	NET INCOME BEFORE TAXES (line 32 plus 38 less 47)							

	TAXES							
49	Income Taxes							
50	Other than Income Taxes (Explain)							
51	TOTAL (line 49 plus 50)							
52	NET INCOME AFTER TAXES (line 48 less 51)							
	EXTRAORDINARY REVENUES							
53	Construction Grants							
54	Proceeds from Borrowing							
55	Equity Contribution							
56	Other (Explain)							
57	TOTAL (lines 53 through 56)							
	EXTRAORDINARY EXPENSES							
58	Debt Repayment - Principal							
59	Capital Improvements, Acquisition of Plant and Equipment							
60	Other (Explain)							
61	TOTAL (lines 58 through 60)							
62	CASH FLOW (line 52 plus 29 plus 57 less 61)							

**Financial Plan Form 3: Balance Sheet**

BALANCE SHEET			Last Year	Year 1	Year 2	Year 3	Year 4	Year 5
			_____	_____	_____	_____	_____	_____
<b>ASSETS</b>								
Current Assets								
1		Cash						
2		Investments						
3		Accounts Receivable						
4		Inventories						
5		Other (Explain)						
6		TOTAL (line 1 through 5)						
Fixed Assets								
7		Property, Plant & Equip. at Cost						
8		Contributions in Aid of Construction						
9		Construction Work in Progress						
10		Other (Explain)						
11		Less Accumulated Depreciation						
12		TOTAL (line 7 through 10 less 11)						
Other Long Term Assets								
13		Restricted Assets/Trust Funds						
14		Unrestricted Replacement Fund						
15		Unrestricted Emergency Fund						
16		Other (Explain)						
17		TOTAL (lines 13 through 16)						
18		TOTAL ASSETS (line 6 plus 12 plus 17)						

--	--	--	--	--	--	--

LIABILITIES								
Current Liabilities								
19		Accounts Payable						
20		Accrued Payroll and Withholdings						
21		Current Portion of Long Term Debt						
22		Short Term Debt						
23		Other (Explain)						
24		TOTAL (line 19 through 23)						
25 Long Term Debt (less current portion)								
26 TOTAL LIABILITIES (line 24 plus 25)								
	FUND EQUITY							
	Retained Earnings							
27		Reserved						
28		Unreserved						
29		TOTAL (line 27 plus line 28)						
30 Capital Stock (corporations only)								
Contributed Capital								
31		Government Grants						
32		Other Contributions						
33		TOTAL (line 31 plus 32)						
34 TOTAL FUND EQUITY (line 29 plus 30 plus 33)								
35 TOTAL LIABILITIES AND FUND EQUITY (line 26 plus 34)								

## APPENDIX H

### Escrow Agreements

Only certain privately owned community water systems are required to provide escrow agreements by Section 6109.08 of the Ohio Revised Code and Chapter 3745-92 of the Ohio Administrative Code. Escrow agreements are only required if the system is:

1. privately owned (not owned by a public entity);
2. is not regulated by the Public Utilities Commission of Ohio (PUCO);
3. serves less than 500 service connections (customers); and,
4. supplies water to properties owned by others.

If an escrow agreement is required, the following must be provided:

- I. One agreement required between “the Association” and “the Bank”. See sample agreement next page.
- II. There should be three signed originals, one each for:
  - A. Director’s Journal
  - B. Owner (i.e., the Association)
  - C. the Bank
- III. Make one copy each for the district office and central office files.
- IV. Distribution
  - A. at the same time as the plan approval and approved plans.
  - B. separate from the plan approval and approved plans.
  - C. by the DDAGW office processing the escrow agreement.
- V. Need
  - A. Articles of Incorporation of the homeowners’ association.
  - B. Bylaws of the homeowners’ association.
  - C. The three signed originals of the escrow agreement.
  - D. Proof of deposit of the required funds into the escrow account.
- VI. A copy of an “Appointment of Agent”.

SAMPLE ESCROW AGREEMENT

The Home Owners Association of \_\_\_\_\_, hereinafter referred to as “the Association”, an Ohio corporation whose principal place of business is \_\_\_\_\_, Ohio \_\_\_\_\_ and \_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, Ohio 43 \_\_\_\_\_, hereinafter referred to as “the Bank”, hereby agree as follows:

WHEREAS, the Association owns and operates a community water system which serves fewer than five hundred service connections;

WHEREAS, such system is not owned and operated by a public entity, as such term is defined in Section 6109.08 of the Revised Code, does not supply water only to premises owned by the Association, nor is regulated by the Public Utilities Commission of Ohio;

WHEREAS, pursuant to Section 6109.07 of the Revised Code, the Association desires to have the plans for the construction and installation of its community water system approved by the Director of the Ohio Environmental Protection Agency, hereinafter referred to as “Director”;

WHEREAS, pursuant to Section 6109.08 of the Revised Code, the Director shall not approve plans for construction, installation, or substantial modification of a community water system unless the owner or operator of such system has deposited in escrow an amount equal to fifteen per cent of the cost of such system;

WHEREAS, the Bank has issued Certificate of Deposit No. 903534 in the amount of Two Thousand Five Hundred and no/100 dollars (\$2,500.00), hereinafter referred to as "Certificate of Deposit", to the Association;

WHEREAS, the Association desires such Certificate of Deposit to be held by the Bank as an Escrow Deposit pursuant to Section 6109.08 of the Revised Code;

WHEREAS, the Bank desires to hold such Certificate of Deposit as an Escrow Deposit;

WHEREAS, in consideration of the mutual covenants and stipulations set out herein, the Bank and the Association hereby agree as follows:

4. The Certificate of Deposit is hereby deposited with the Bank, pursuant to the provisions of Section 6109.08 of the Revised Code as an Escrow Deposit for the purpose of ensuring the proper construction, maintenance, repair and operation of the community water system owned and operated by the Association.
5. Upon issuance of an Order by the Director that the Association has failed to properly construct, maintain, repair, or operate the community water system, and upon written notification of such Order by the Director to the Bank, the entire amount, or any part thereof, of the Certificate of Deposit may be withdrawn by the Association and used, pursuant to the provisions of Chapter 6109 of the Revised Code and any applicable rules that may be adopted thereunder, for such construction, maintenance, repair, or operation as may be necessary to achieve compliance with such Order. The amount of all moneys withdrawn under this paragraph shall be returned by the

Association, pursuant to the provisions of Chapter 6109 of the Revised Code and any applicable rules that may be adopted thereunder, to the Bank for deposit to the account of the Certificate of Deposit.

6. The Association is to receive and be paid directly all interest payments from said Certificate of Deposit, as such interest may accrue, with the express proviso that should, at any time, the value of the Certificate of Deposit be less than Two Thousand Five Hundred and no/100 dollars (\$2,500.00), the interest shall be paid by the Bank directly into the account of the Certificate of Deposit until such time as the Certificate of Deposit attains the value of Two Thousand Five Hundred and no/dollars (\$2,500.00).
  
7. The Certificate of Deposit shall be returned by the Bank to the Association only after a showing satisfactory to the Director, and upon written notification of such showing by the Director to the Bank, that the community water system:
  - A. Has gone out of service and is no longer needed by the persons it formerly served, or
  - B. Any other circumstances if the Director determines that retention of an Escrow Deposit is unnecessary.

Should the ownership of the community water system be transferred to a public entity, as such term is defined by Section 6109.08 of the Revised Code, or a public utility, as such term is defined by Section 4905.02 of the Revised Code, the Certificate of Deposit shall be released to the new owner of such community water system.

8. Should any provision of this Escrow Agreement conflict with any provision of Chapter 6109 of the Revised Code or any applicable rules that may be adopted thereunder, the provision of said Chapter and rules shall govern.
  
9. This Escrow Agreement constitutes the entire agreement between the signatories hereto and supercedes any and all other agreements, either oral or written, between the signatories with respect to the subject matter herein, and this Escrow Agreement shall not be modified except by express written agreement between the signatories and approved by the Director.

## APPENDIX I

### FINANCIAL PLAN CHECKLIST

The Financial Plan is the third and final component of a comprehensive Capability Assurance Plan. Some of the information required in the Financial Plan can be developed based upon information in the General Plan. The Financial Plan should be built from a preliminary estimate of capital and operating expenses for that base and include the following components:

1. Demonstration of revenue sufficiency;
2. Demonstration of adequate capitalization; and
3. Assurances that the Financial Plan will provide sufficient financial resources to ensure ongoing water supply system viability.

Total project cost and operation and maintenance cost estimates were developed in the General Plan and should be used in the Financial Plan as well. In addition, the Financial Plan must include a summary of intended system revenues and pro forma financial statements for a period of at least five years. Following is a brief checklist of the required information:

#### Part A:

- ~ 1. Projected rate revenue from both residential and commercial/industrial customers, and other sources of funding (see **Financial Plan Form 1** in **Appendix F** for an example of the requested information).
- ~ 2. Pro forma income, expense and cash flow statement for at least five years. **Financial Plan Form 2** is an example of a consolidated pro forma income, expense, and cash flow statement for five years of system operation (see **Appendix F**). This form may be used directly or provide the same information provided in a similar format.
- ~ 3. Pro forma balance sheets for at least five years. **Financial Plan Form 3** is a sample five-year balance sheet (see **Appendix F**). This form may be used or the same information provided on a separate sheet, but all of the same information must be provided.
- ~ 4. Identification of all appropriate financial assurances, including all assurances being offered to capital providers.

#### Part B:

- ~ 1. A copy of an executed escrow agreement and all required supporting documentation (if required).

#### Part C:

- ~ 1. A copy of the organization chart and/or table for all financial management personnel.
- ~ 2. Job descriptions and/or job manuals prepared for all financial management staff.
- ~ 3. The number of employees projected to be involved in the administration or operation of the water system, including administrators and management. Identify projected employees by number, type, and designate as full or part time.
- ~ 4. Copies of any financial management policies and standards which have been developed.

- ~ 5. Estimates (by category) of the amounts to be expended on outside services for the first full year of regular operation. Outside services include the following:

- Legal
- Engineering
- Monitoring and lab work
- Accounting billing and collecting
- Financial Advisor
- Other services

- ~ 6. Documentation which demonstrates any bond or credit rating which the system owner has obtained.
- ~ 7. Provide copies of or refer to any sections of the Operation and Maintenance Plan from section 5.4 of this guidance which include sufficient detail to support budget estimates for annual operations and maintenance costs of the water system.

**Part D:**

- ~ 1. General Fund information including/or Balance Sheets, Statements of Income, Statements of Changes in Financial Position, Statements of Investments, and any fund distribution activities of the owner of the water system.
- ~ 2. All attached schedules and notes to statements described in item 1. Information should include, for example, the method of calculating replacement fund deposits, any equipment depreciation, etc. Information should support any assumptions or intermediary calculations made for values contained in item 1.
- ~ 3. Fiscal year basis and method of accounting utilized in the development of *Annual Financial Statements*.
- ~ 4. The same type of information described in items 1 and 2 which pertain to the Water Enterprise Fund or any Operating Funds for the water supply system.
- ~ 5. Amortization Schedules or water system Schedule of Indebtedness for all existing debt service on the water supply system.
- ~ 6. Audit statements, reports or opinions which were developed for any of these data.
- ~ 7. Definitions and itemizations of all "Miscellaneous" or "Other" entries which may be contained in submitted documents.

## Appendix J

### Acronyms

American Water Works Association (AWWA)  
Community Water System (CWS)  
Comprehensive Plant Evaluations (CPEs)  
Division of Drinking and Ground Waters (DDAGW)  
Equivalent Dwelling Units (EDUs)  
Great Lakes Rural Community Assistance Program (GLRCAP)  
Great Lakes-Upper Mississippi River Board of State and Provincial Public Health  
and Environmental Managers (GLUMRB)  
Interim Enhanced Surface Water Rules (IESWTR)  
National Sanitation Foundation (NSF International)  
Non-Transient Non-Community Water System (NTNCWS)  
Ohio Revised Code (ORC)  
Ohio Administrative Code (OAC)  
Ohio Environmental Protection Agency (OEPA)  
Ohio Department of Natural Resources (ODNR)  
Ohio Emergency Management Association (OEMA)  
Ohio Section of the American Water Works Association (OAWWA)  
Ohio Rural Water Association (ORWA)  
Operator Training Committee of Ohio (OTCO)  
Public Utilities Commission of Ohio (PUCO)  
Public Water Supply (PWS)  
Safe Drinking Water Act (SDWA)  
Significant Non Compliers (SNCs)  
Small Communities Environmental Infrastructure Group (SCEIG)  
Surface Water Treatment Rules (SWTRs)  
Ten State Standards (TSS)  
United States Environmental Protection Agency (USEPA)  
Water Supply Revolving Loan Account (WSRLA)

**Appendix K**

**FROM THE OHIO REVISED CODE**

**Section 6109.22**

*General Assembly: 122.*

*Bill Number: Amended Sub. House Bill 321*

*Effective Date: 11/26/97*

(A) There is hereby created the drinking water assistance fund to provide financial and technical assistance for the purposes of protecting public health and achieving and maintaining compliance with the Safe Drinking Water Act and this chapter. . . . .

!  
!  
!

(J) The director may provide financial assistance from the water supply revolving loan account after determining all of the following:

(1) The applicant for financial assistance has the legal, institutional, managerial, and financial capability to construct, operate, and maintain its public water system and the proposed improvements to it;

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**Section 6109.24**

*General Assembly: 122.*

*Bill Number: Amended Sub. House Bill 321*

*Effective Date: 11/26/97*

A public water system that is a community water system, or that is not a community water system and serves a nontransient population, and that proposes to commence providing water to the public after October 1, 1999, shall include with the submission of plans required under section [6109.07](#) of the Revised Code documentation that demonstrates the technical, managerial, and financial capability of the system to comply with this chapter and rules adopted under it. The director of environmental protection shall adopt, and may amend and rescind, rules pursuant to section [6109.04](#) of the Revised Code establishing requirements governing the demonstration of technical, managerial, and financial capability for the purposes of this section.

The director may deny approval of plans submitted under section [6109.07](#) of the Revised Code if the public water system that submitted the plans fails to demonstrate technical, managerial, and financial capability in accordance with this section and rules adopted under it.

## APPENDIX L

### FROM THE OHIO ADMINISTRATIVE CODE

#### 3745-87-01 Definitions.

Except as otherwise noted, the definitions in rule 3745-81-01 of the Administrative Code shall apply to this chapter.

1. “New community or nontransient noncommunity public water system” means any water system that meets the definition of a community or nontransient noncommunity public water system in Chapter 3745-81 of the Administrative Code by constructing infrastructure.
2. “General plan” means a planning report containing information regarding proposed and existing water sources, treatment, and distribution for the provision of water for human consumption.

Effective: October 1, 1999

RC 119.032 review dates: October 1, 2004

Promulgated under: RC Chapter 119

Rule authorized by: RC Section 6109.24

Rule amplifies: RC Section 6109.24

Prior effective dates: none

#### 3745-87-02 Capability assurance plans.

All applicants for financial assistance from the water supply revolving loan account established in division (H) of section 6109.22 of the Revised Code and all applicants for approval under section 6109.07 of the Revised Code that are new community or nontransient noncommunity public water systems which will commence operation after October 1, 1999, shall submit a capability assurance plan to the director, in a format acceptable to the director, consisting of, at a minimum, the following parts.

3. A general plan identifying the scope of the water service to be provided. In addition to the requirements of Chapter 3745-91 of the Administrative Code, the general plan shall include, but not be limited to, the following:
  - (1) An assessment of current and reasonably foreseeable requirements for complying with

Chapter 6109. of the Revised Code and the rules adopted thereunder, based on monitoring data from the proposed sources of water supply.

2. A description of the alternatives considered and the rationale for the approach selected to provide water service. This description shall include the technical, managerial, financial, operational and local decision-making rationale for the selected approach. Unless the new public water system obtains all of its water from another public water system, the plan shall also include the rationale for creating a separate system.
- (3) An engineering description of the existing facilities and the facilities to be constructed, including the construction phases and the plans for future expansion. This description shall include an estimate of all the costs of any required construction, operation, and maintenance and anticipated sources of funds to cover estimated costs.
4. A management plan specifying the financial and personnel commitments that are needed to provide for effective management and operation of the public water system. The management plan shall include, but not be limited to, the following.
  - (1) Documentation of ownership accountability which includes the legal authority to take the measures necessary for construction, operation, and maintenance of the system. The documentation shall include, but is not limited to, documentation of ownership where the applicant is the owner of the public water system or, where the applicant is not the owner, legally enforceable management contracts or agreements.
  - (2) Assurances that the applicant has committed to proper operation and management of the public water system including assurance of compliance with certified operator requirements in accordance with Chapter 3745-7 of the Administrative Code, contingency plan requirements in accordance with Chapter 3745-85 of the Administrative Code, and all other operational requirements as applicable. These assurances shall be in the form of documentation of the organizational structure, credentials of management and operations personnel, and cooperative agreements or service contracts.
  - (3) Demonstration of the applicant's ability to address both customer and compliance issues, including violations of applicable portions of the Revised Code and the Administrative Code.
  - (4) An operating plan defining the tasks to be performed in managing and operating the public water system. The operating plan shall consist of at least the following:
    - (a) A description of management and administrative duties; and
    - (b) An operation and maintenance plan.
  - (5) A listing of external contacts and resources and a description of how they will be effectively utilized.

3745-87-02

- (C) A financial plan describing the public water system's revenues and cash flow for meeting the costs of construction and the costs of operation and maintenance for at least five full years from the date the applicant anticipates initiating operation. At a minimum, the financial plan shall include:
- (1) Projected financial statements for each of the first five years of operation, including:
    - (a) A balance sheet;
    - (b) An income statement;
    - (c) A statement of cash flow; and
    - (d) An amortization schedule of all water system debt.
  - (2) A demonstration of ability to fund the cost of repairs, capital replacement, and compliance with the escrow requirements of section 6109.08 of the Revised Code and Chapter 3745-92 of the Administrative Code.
  - (3) The organizational structure of the financial management personnel and information demonstrating bond or credit rating.
  - (4) Applicants that are existing public water systems shall submit data and information contained in the last five years of annual financial statements which describe the performance of:
    - (a) All assets, liabilities, income, expenditures, and balances of the owner of the water system;
    - (b) All assets, liabilities, income, expenditures, and balances of the water system; and
    - (c) Schedule of water system indebtedness.

Effective: October 1, 1999

RC 119.032 review dates: October 1, 2004

Promulgated under: RC Chapter 119

Rule authorized by: RC Sections 6109.24, 6109.22(M)

Rule amplifies: RC Section 6109.23

Prior effective dates: None