



**ALASKA DRINKING WATER FUND PROGRAM  
DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
CAPACITY ASSESSMENT WORKSHEET FOR POTENTIAL  
PROJECTS**

The 1996 amendments to the federal Safe Drinking Water Act require Alaska to assess the capacity of potential recipients of loans from the Alaska Drinking Water Fund (ADWF). By capacity, EPA means the technical, financial and managerial capabilities of a water system for proper long-term operations. If a loan applicant is found lacking in these areas, we may not be able to provide financial assistance from the ADWF unless the capacity of the system is guaranteed.

Consequently, we are asking for detailed information from potential loan applicants to help us in this assessment. Such things as financial records, enterprise fund budgets and audits, along with detailed planning and engineering information for your system will help ensure our ability to provide you this loan for your project.

The following is an outline of our assessment process. Please carefully review and complete these worksheets and make sure the information you provide us is current and accurate.

**TECHNICAL CAPACITY ASSESSMENT**

We intend to use the following questions and answers to help us evaluate your systems technical capacity. These questions address the physical components of your drinking water system and are related to water treatment facilities, water sources, storage and pumping capacity and water distribution capacity. Pertinent technical documentation such as engineering feasibility studies and reports should be provided as appropriate.

- 1.) Are the existing water treatment facilities adequate and functional?**  
Please provide a description of the system and the proposed project.  
Will this system likely meet federal and state drinking water regulations expected to be enacted within the next four years? *This includes the ICR, Groundwater Disinfection Rule and Enhanced Surface Water Treatment Rule.*
- 2.) Is the existing water source developed and protected?**  
Will this system likely meet future source protection requirements?
- 3.) Is the current system able to meet peak demand flow and pressure in all points of the treatment and distribution system?**  
What is the current peak demand and minimum pressure at peak demand?  
Does the system experience seasonal or periodic difficulties?  
When was the last leak detection survey? Please describe any corrections made.

**4.) Does the system employ, or have access to, the correct level of certified or qualified operators?**

*Under State regulation, all water systems serving more than 500 people are classified as to complexity and require either a I,II,III or IV level operator or a qualified surface water system operator.*

Please provide the name and certification number of your lead certified operator or operators in charge of your water treatment and water distribution systems.

**5.) Has the water system been out of compliance with federal or state drinking water regulations within the past year?**

Please provide any compliance or enforcement actions taken recently such as Notices-of-Violation (NOVs), Compliance-Order-By-Consent (COBCs), boil water notices and the most recent sanitary survey.

**FINANCIAL CAPACITY ASSESSMENT**

Financial capacity is assessed by examining the fiscal condition and financial management aspects of the system. Financial aspects relate to the systems ability to raise the necessary funds to ensure proper operation and maintenance, including long-term depreciation and reserve accounts. Financial management refers to the management of those fiscal aspects.

If a system is regulated by the Alaska Public Utilities Commission (APUC), information contained in the application for the current Certificate Of Public Convenience And Necessity or the annual APUC Report may help demonstrate financial capacity. A copy of the annual report to the APUC may also contain the necessary information related to financial capacity. For example, if a system is applying for the APUC certificate, a copy of the application package should be submitted for review with the ADWF loan application. If a system already has a current APUC Certificate, a copy of the annual report to the APUC should be submitted for review with the ADWF loan application.

For those systems that are not regulated by the APUC, have not completed an application package for certification by APUC, or have not submitted an annual report to the APUC, the following questions will help us evaluate the financial aspects of the system. These questions relate to total user charge revenues and total system expenses, other revenue streams, fairness and affordability of user charges, cash budgeting, preparation and use of annual and capital budgets, and periodic financial audits

**1.) Does the water system have user ordinances and a rate structure?**

How often are the rates reviewed or updated? When was the last update?

**2.) Does the water system revenue from user charges meet or exceed system expenses?**

Please submit your water utility budget documents that clearly show revenue and expenses.

**3.) Are other funds contributed to water system operations to offset expenses?**

**4.) How affordable are water system rates?**

What are the estimated residential rates per household (after the project) compared with the median household income and other similar system rates?

- 5.) **Does this system use an annual budget?**
- 6.) **Does the system include a cash budget within the annual budget for operations and emergency purposes?**
- 7.) **Does the system use a capital budget?**
- 8.) **Does this system use a capital improvement plan?**
- 9.) **Does this system undertake regular financial audits?**  
Please provide the most recent financial audit of the water utility accounts, including any appropriate state single audit documents along with the auditor management letters.
- 10.) **How will this loan be repaid?**  
Please describe how this loan debt will be retired. If user fees are proposed as the repayment source, how much will rates need to be increased to retire this loan?

### **MANAGERIAL CAPACITY ASSESSMENT**

Managerial capacity is assessed by evaluating managerial qualifications and experience, organizational structure, the compliance history of the system, training programs offered, preventive maintenance programs, and documentation of ownership and responsibility.

The following questions help us to assess the systems managerial capacity and address the following aspects of system management:

- 1.) **How is the water system managed?**  
Who is the system owner(s) and manager?  
Does the system utilize personnel and policy procedures or manuals?  
Does the system require or encourage continuing education for personnel?  
What type of organizational structure exists?
- 2.) **Does the system have written operation and maintenance manuals?**
- 3.) **Does the system employ, as needed, the services of a professional engineer?**
- 4.) **Does the system have up-to date record or as-built drawings?**
- 5.) **Does the system implement a preventative maintenance program?**
- 6.) **Does the system have an emergency operating plan and safety program?**
- 7.) **What types of public outreach education programs are implemented?**
- 8.) **What professional organizations are operators & system managers members of?**