

November 2009

Capability Assurance Plan for Water Supply Revolving Loan Account Applicants

The Safe Drinking Water Act Amendments of 1996 only allow Drinking Water State Revolving Fund assistance to public water systems that have the technical, managerial and financial capability to comply with the Act's requirements. This is demonstrated through submission of a Capability Assurance Plan (CAP) to Ohio EPA.

Additionally, assistance may be provided to a public water system that is in significant noncompliance with any requirement of a national primary drinking water regulation if the project will bring the system into compliance.

U.S. EPA designates a public water system a significant noncomplier if the system has serious, frequent or persistent violations that may pose a threat to public health.

If you are not sure whether your system falls into the significant noncompliance category, please contact the appropriate Ohio EPA district office contact listed at the end of this fact sheet.

Before beginning the process of developing a CAP, Ohio EPA recommends requesting assistance from Ohio EPA staff, Ohio Rural Community Assistance Program (Ohio RCAP) or a consultant that is familiar with completing these plans.

This fact sheet lists major items that need to be included in a CAP, but a more detailed list must be utilized to ensure your CAP is complete prior to submittal to Ohio EPA.

To ensure that the loan application review is not delayed, it is important to have a complete and accurate CAP submitted three to four months prior to submitting the loan application.

Information to Include in a CAP

A CAP must include three plans: technical, managerial and financial.

Technical Plan

This plan must explain why the proposed project is needed and a justification for the project compared to the needs of the rest of the system.

For a **construction** loan:

- Detail plan submittal information or approval letter, or
- Date when plans are expected to be submitted.

For a **design** loan:

- Copy of engineering contract, and
- Expected date of detail plan submittal.

For waterline **extensions/replacements**:

- Expected number of new customers on the waterline.
- Actual number of signed agreements received including information on collected tap-in fees or other financial commitments received.
- A statement concerning the status of any required easements.



For **water treatment plant or source upgrades or installations**:

- A description of the alternatives including the reasoning for the chosen option.
- Monthly calculations of water loss for the existing system for the past year.
- A five-year capital improvement plan. This plan should include a list of possible funding sources for the future projects. If a system does not maintain a five-year improvement plan, a list of expected upcoming projects is acceptable.

Managerial Plan

This plan must include the system's operational procedures and a description of the modifications needed as a result of the proposed project.

- An updated contingency plan (if not submitted to Ohio EPA in the past 12 months).
- An organizational table for the system including staff names and titles.
- If it is a private system, include ownership structure and operator licensing information.

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- A description of the backflow prevention program. If this program is not fully implemented, a compliance schedule must be included.
- A copy of the user's agreement including the system's rules and regulations, if applicable.
- A copy of any intergovernmental agreements if part of the proposed project.

Financial Plan

This plan must describe the system's current and projected revenues and cash flow for meeting the annual costs and long-term liabilities for at least five years. In addition, describe the financial resources to ensure ongoing water supply system viability.

Projected system performance

Projected financial statements or a *pro forma* statement for each of the next five years of operation:

- ⇒ a balance sheet;
 - ⇒ an income statement;
 - ⇒ a statement of cash flow; and
 - ⇒ an amortization schedule of all water system debt.
- Past performance data and the most recent five years of annual financial statements or reports must be submitted. This information needs to describe the performance of the funds.

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Projected and existing cost recovery

Documentation detailing the system's ability to fund the cost of repairs, capital replacement, and operational costs through a user charge or other periodic cost recovery revenue-generating mechanism.

System financial background

The organizational structure of the financial management personnel and information describing bond or credit rating.

If the entity ownership is *governmental, non-profit, water district or a public utility*, include all assets, liabilities, income, expenditures and annual balances for the most recent five years of the general fund, water enterprise fund and the schedule of the water system indebtedness. In addition, if the entity operates a wastewater system, the same information listed above needs to be submitted for that system.

If the entity ownership is *private*, include all assets, liabilities, income, expenditures and the annual balances of the fund that accounts for the operation of the water system.

Also include details of the terms, conditions and accounting of each amortized long-term debt or liability for each financial source that has an outstanding balance.

For More Information

If you have questions about Water Supply Revolving Loan Account loans please contact Ohio EPA's Division of Drinking and Ground Waters at (614) 644-2752, or a district drinking water representative at the one of the numbers listed below:

- Central District Office (614) 728-3866
- Northeast District Office (330) 963-1178
- Northwest District Office (419) 352-8461
- Southeast District Office (740) 380-5207
- Southwest District Office (937) 285-6112