

KANSAS PUBLIC WATER SUPPLY CAPACITY DEVELOPMENT PROGRAM

Status Report

For
State Fiscal Year 2007
EPA Capitalization Grant
September 21, 2006



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Division of Environment
Bureau of Water
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INTRODUCTION

This report is provided as required by Section 1420 of the 1996 Amendments to the Safe Drinking Water Act and to comply with EPA drinking water revolving loan fund Capitalization Grant requirements. Information is provided on activities conducted to implement the Kansas Capacity Development Assurance Program during State Fiscal Year 2006, for the 2007 grant.

The Kansas Capacity Development Assurance Program consists of two components: 1) New System Capacity Assurance reviews and permitting; and 2) Implementation of the Capacity Development Strategy for Existing Public Water Supply Systems. This report is organized by these two components. A copy of the Kansas Capacity Development Strategy and Report of Findings is available on the KDHE webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

NEW SYSTEM REVIEWS

During FY 2006, no new system permit applications were submitted to the Kansas Department of Health and Environment (KDHE) for review. New system permit reviews were conducted for applications received in SFY 2003, SFY 2004 and SFY 2005. These systems and the status of the permit reviews are listed in Table 1.

The New System Permit Application consists of two parts. Part 1 is the engineering and design component, which is reviewed and approved by the Engineering and Permitting Unit. Upon approval of Part 1 and the budget section of Part 2, a conditional permit or a letter of approval is issued authorizing construction of the public water supply system. Part 2 of the permit application is the technical, financial and managerial capacity assurance component. Before the system begins operation, the elements in Part 2 of the application must be completed and approved. A final inspection must also be conducted and approval to initiate operations must be granted by KDHE. There were no changes to KDHE's statutory authority or new system permitting process during FY 2006.

Table 1 – New System Permit Review Status

Public Water Supply System	Status
Public Wholesale Water Supply Dist. #13 (SFY 2003)	Under Review, Permit Not Issued
Public Wholesale Water Supply Dist. #20 (SFY 2004)	Permit Issued (SFY 2006)
Public Wholesale Water Supply Dist. #23 (SFY 2004)	Under Review, Permit Not Issued
Wilsey, City of (SFY 2005)	Permit Issued (SFY 2006)

The Capacity Assurance Strategy for new systems includes a review and evaluation component that KDHE uses to determine if the review and permitting process is effective. Any new system appearing on either a significant non-compliance (SNC) listing, or a pre-SNC listing, will receive special review to ascertain why the new non-compliance is occurring. KDHE will evaluate whether the system's appearance on a SNC listing is because of any short-coming in the new system permitting process or whether the appearance is due to other reasons, such as not following a proposed budget or providing proper training for the system's certified operator. In accordance with EPA reporting criteria, KDHE evaluates compliance data for new systems permitted in the previous 3 state fiscal years. Table 2 lists the compliance data for systems permitted in SFY04 and SFY06. There were no new permits issued in FY05. Although two systems did have violations, these were corrected in a timely manner. No systems evaluated during the 3-year reporting period appeared on the SNC list.

Table 2 – New System Compliance History

System	Permitted	Violations	Corrective Actions
McPherson Co RWD #6	SFY 04	CCR (SFY 06)	CCR completed, returned to compliance
Public Wholesale Dist. #20	SFY 06	None	N/A
Wheatland Electric	SFY 04	CCR & Nitrate Monitoring (SFY 06)	CCR & Monitoring completed, returned to compliance
Wilsey, City of	SFY 06	None	N/A

CAPACITY DEVELOPMENT STRATEGY FOR EXISTING SYSTEMS

Strategy Background

The Kansas Capacity Development Workgroup developed 15 recommendations for KDHE to consider in implementing the Kansas Capacity Development Strategy for Existing Systems (see Report of Findings). KDHE selected eight of these recommendations for the initial implementation of its strategy. These eight recommendations were considered to have the greatest potential to generate significant capacity gains in a relatively short time. Since EPA approval of the Strategy in September 2000, KDHE’s primary focus has been on implementation of these initial 8 recommendations. Table 3 summarizes the implementation status of the eight initial recommendations.

Table 3 – Initial 8 Strategy Recommendations

Recommendation	Implementation Status
TFM Surveys for all community water systems	Implemented – Conducted every 3 years
Require water use reports from all systems	Implemented – Required annually By DWR
Develop a PWS business planning guidebook	Implemented – Part of KanCap
Develop PWS finance training program	Implemented – KanCap/EFC Financial Tools
Require all systems to install customer meters	Under Development – See Other Related Activities Section, p.8
Expand KDHE “Survival Guides” for PWS systems	Implemented – TCR, CCR, DBPR1, LT1ESWTR, IESWTR, FBRR, PNR http://www.kdhe.state.ks.us/pws/survival.html Capacity Development Fact Sheets: http://www.kdheks.gov/pws/capdev.html
Develop facilities management plan guidelines (Asset Management)	Under Development
Develop board/council member education program	Implemented – KanCap

The remaining seven recommendations were retained for implementation as need and resources allowed. These 7 recommendations are summarized in Table 4. Some of these 7 have been implemented through incorporation into one of the initial 8 and some have been implemented as opportunity arose.

Table 4 – Remaining 7 Strategy Recommendations

Recommendation	Implementation Status
Kansas Lawmakers information packets	Not Implemented
“As Built” mapping assistance program	Partially Implemented – PWS GIS Database of RWD service areas, distribution system, interconnects, and storage facilities
Encourage partnerships among PWS systems	Implemented – Planning Grant Program, Participate in KWO and/or local sponsored regional PWS planning activities
Develop drinking water public information program	Not Implemented
Develop program to help select engineers/consultants	Implemented – Part of KanCap
Develop newsletter – KDHE spending, compliance, etc.	Not Implemented
Third-party assessment of KDHE resource needs	Not Implemented

In addition to state agency implementation activities, 3rd party technical assistance providers help public water supply systems address capacity development challenges. KDHE contracts with the Kansas Rural Water Association (KRWA) using the Small System Technical Assistance 2% Set Aside to provide assistance to small systems to help achieve Safe Drinking Water Act compliance, develop and maintain proper operation and maintenance procedures, develop appropriate financial and management procedures and provide technical assistance to systems using surface water as their source of supply. The goal of technical assistance provided under this contract is to help prevent Safe Drinking Water Act compliance problems before they occur. It is anticipated that this contract will be renewed with KRWA annually. Additionally, KDHE contracts with Ranson Financial Consultants, LLC to provide on-site financial planning assistance including rate setting, budget review and capital improvement planning with priority given to systems in SNC. This contract will also be renewed annually.

Other technical assistance providers, including the Midwest Assistance Program (MAP), League of Kansas Municipalities (LKM), and Kansas Section American Water Works Association (KsAWWA) provide a variety of assistance to public water suppliers as part of their ongoing activities. These organizations are not under contract with KDHE. Their funding comes from a variety of sources including EPA, USDA Rural Development, and membership fees. Their activities do support the goals of the Kansas New and Existing system strategies. All of the organizations mentioned above participated in development of the Kansas strategies and continue to provide input on KDHE implementation activities. Their activities are important to the overall success of the Capacity Development Program.

MAP primarily provides assistance to water system governing bodies seeking funding from the USDA Rural Development loan and grant programs for water and wastewater systems. KsAWWA provides training to water system operators through its Operator Training Committee (OTC) and works with KDHE’s Operator Certification Program to coordinate training activities. LKM provides training for city council/commission members, city managers/administrators and city clerks through the Municipal Leadership Academy. LKM also provides legal advice and sample ordinances for cities in Kansas.

State Fiscal Year 2006 Programs and Implementation Activities

General Activities and Assistance

In addition to activities directly related to implementation of the recommendations in the State Capacity Development Strategy, the Capacity Development Program provides a variety of assistance to public water supply systems. This assistance includes presentations at workshops and conferences, attendance at board/council meetings, telephone, FAX and email consultations. KDHE tracks the number of systems that receive this assistance. This tracking information is sent to EPA's National Information Management System (NIMS). In SFY 2006 the Capacity Development Program reported to NIMS that assistance was provided to 256 public water supply systems. Other general activities include coordination with the Source Water Protection and Operator Certification programs.

The Capacity Development Webpage was also updated during SFY 2006. The webpage is located at: <http://www.kdheks.gov/pws/capdev.html>. The webpage provides information on Capacity Development Program initiatives, documents for download, and links to technical assistance providers.

KanCap

KanCap focus shifted from development to implementation during SFY 2006. The KanCap program is a combination interactive CD and manual that will accommodate a variety of learning preferences ranging from formal classroom training to computer self-study. Train-the-Trainer sessions were conducted for TA providers on classroom techniques using the CD and manual. These sessions were held in Topeka on January 11 & 12, 2006 and at the EPA Region 7 Office on June 21 & 22, 2006. A total of 17 people, including TA providers, KDHE staff, EPA staff, and Indiana and Nebraska staff participated in these 2 sessions. It is anticipated that TA providers will use or incorporate KanCap in their existing training programs.

KDHE encourages participation in the program by providing incentives for board and council member participation. These incentives include additional credit in the ranking system for SRF loans and 3 levels of certification based on the number participants from an individual water system. KanCap was developed to provide water system governing bodies with the information they need to make decisions that help protect the public health. Emphasis is placed on managerial and financial responsibilities. During SFY 2006, 75 board/council members, representing 41 public water supply systems completed KanCap training.

Regional PWS Planning Grants

FY 2006 was the third year of the Regional PWS Planning Grant Program. This program provides 50% matching funding for preliminary engineering studies that evaluate regional solutions to address public water supply system needs and challenges. KDHE uses a portion of the 1452(k) capitalization grant set-aside to provide up to \$12,500.00 to match funding provided by the project sponsors for these studies. There were no new grant applications received in SFY 2006. However, 2 groups expressed interest and may submit applications during SFY 2007. Table 5 lists the studies that were completed in SFY 2005. During SFY 2006 KDHE continued to work with Elk River PWWSD #24 to implement the recommended alternative identified in the engineering report. It is anticipated that this process may take 5 to 7 years because of USDA Rural Development funding restraints. KDHE budgets cost-share funding for approximately 4 regional PWS studies per year.

The planning grant application and program instructions are available on KDHE’s capacity development webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

Table 5 – Regional PWS Planning Grant Projects

Project Sponsors	Systems Benefiting	Status
Hillsboro-Marion Water Cooperative	Hillsboro, Marion, Peabody, Marion Water Improvement Dist. #2	Study Complete – will not construct joint system
Elk River PWWSD #24 (Elk City, Howard, Longton, Severy, & Moline)	Elk City, Howard, Longton, Moline, Severy, EK Co RWD #1, MG Co RWDs #9 & #13	Study Complete – PWWSD #24 is pursuing consolidation with PWWSD #20 as the best solution. Project dependent upon agreement by #20 and USDA/RD funding. Construction of this project will result in decommission of 5 small surface water treatment plants.
Pomona Lake Water Cooperative	DG Co RWDs #2, #3, & #5, OS Co RWDs #2 & #8, SN Co RWD #8 and Overbrook	Study Complete – Most feasible option is to pursue development of 2 wholesale water systems: DG 2&5, OS 2&5 and Overbrook will pursue KS R. east of Lawrence and DG 3 and SN 8 will pursue KS R between Topeka & Lawrence.

SRF TFM Reviews

In addition to the financial reviews conducted by KRWFA for all SRF loans, KDHE conducts reviews using the Capacity Development Survey to ensure that all loan recipients demonstrate TFM capacity. KDHE can require water systems to correct any deficiencies identified on the survey as a condition of the loan. For example, a water system that did not adequately conduct routine maintenance on its surface water treatment plant was required to submit an operations and maintenance plan and then submit quarterly reports on the activities conducted to implement the plan. This requirement can remain in place for the life of the loan if necessary. During State Fiscal Year 2006, KRWFA conducted 23 new loan reviews and 4 supplemental reviews for increased loan amendments.

Financial Planning Assistance

KDHE has contracted with the Environmental Finance Center (EFC) at Boise State University to develop a Kansas specific rate-setting and financial planning tool that will be made available via the internet to all Kansas water systems. Under the contract, the EFC is providing a statewide license for CapFinance (asset inventory and financial analysis), included with this license purchase is Rate Check-up (rate analysis). The EFC will tailor Rate Check-up to meet Kansas specific rate-setting and analysis needs. As part of the contract the EFC is developing a website that will enable water systems to log on and download the software tools.

The EFC conducted “train-the-trainer” sessions for technical assistance providers in January 2006. During this session several changes needed to the software were identified. It was anticipated that the corrections would be made and the final version of the software would be delivered in the Spring/Summer of 2006. Due to EFC staffing shortages the final version of the software has not been delivered to KDHE. When completed, water systems will be able to use the software to review budgets, audits, rates and financial planning procedures. The software generates reports that will help the system achieve and maintain financial capacity, including a rate analysis that illustrates the rates required to maintain long-term financial health and keep the system in compliance.

TFM Capacity Development Survey

The second triennial TFM Capacity Development Survey was conducted during FY 2005. The first survey was conducted in 2002 and provided the baseline set of data that future progress will be measured against. KDHE uses the survey for several purposes: 1) to measure water system capacity building progress; 2) identify and prioritize systems in need of technical assistance; 3) to help measure the success and identify weaknesses of the Capacity Development Program; and 4) provides a self-assessment tool for water systems to use as a capacity building tool. The survey scores are used in conjunction with compliance data, drought vulnerable data and other information to prioritize systems in need. The prioritization process continues to evolve as the ability to use SDWIS/State develops and improves. The TFM Survey is conducted every 3 years in conjunction with the Report to the Governor. A full analysis of the survey data is provided in the Governor's Report.

KDHE also used the Survey to identify 81 water systems that did not have a capital improvement plan or had not conducted a rate review in the previous 3 years. These systems may be eligible for planning assistance under the Financial Planning Assistance Contract KDHE has negotiated with Ranson Financial Consultants LLC. This assistance will be provided during SFY 2007.

Special Capacity Concerns

Compliance with the Long Term 1 Enhanced Surface Water Treatment Rule (LT1ESWTR or LT1) and the Stage 1 Disinfectants and Disinfection Byproducts Rule (D/DBPR) is a concern for small surface water systems. Approximately 84 community water systems (9% of all community systems) located in the eastern half of Kansas were in violation of one or both of these rules during SFY 2006 (see Table 6). Some of these 84 water systems have already returned to compliance either through changes in operations and/or modifications to their treatment plants. For those systems still out of compliance, KDHE has conducted or is currently conducting special inspections to help identify improvements that could be made in operations or treatment process. These inspections result in recommendations that water systems can implement to achieve compliance. Where feasible, small water systems are encouraged to consolidate and construct new regional wholesale water supply systems. KDHE continues to provide assistance to these systems by providing ongoing technical assistance and funding for regional water supply studies. In addition, Consent Orders are issued outlining the actions water systems are required to take and establishing the time frames in which compliance will be achieved. KDHE anticipates that compliance with Stage 2 Disinfectants and Disinfection Byproducts Rule (Stage 2 D/DBPR) and Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR) will be an ongoing concern. The number of systems impacted will be determined at the conclusion of the monitoring period. KDHE will use the same approach for Stage 2 and LT2 as was used for Stage 1 and LT1.

Table 6 – SFY 2006 LT1 & D/DBPR Violations

Nbr. PWS	Rule Description
84	Total of PWS systems in violation TTHM/HAA5/TOC/LT1 Monitoring (1 or more)
24	LT1 Monitoring – LT1ESWTR
65	Total Trihalomethanes (TTHM) – D/DBPR
54	5 Haloacetic Acids (HAA5) – D/DBPR
43	Total Organic Carbon (TOC) – D/DBPR

Other Related Activities

KDHE recognizes that other state agencies and non-governmental organizations play an important role in helping water systems achieve and maintain TFM capacity. Two that KDHE frequently partner with are the Kansas Water Office (KWO) and KRWA. KDHE provided funding in cooperation with the KWO and KRWA to develop a Geographic Information System Public Water Supply Database. This database will include service area boundaries, location of facilities (treatment plants, interconnects, storage, intakes, and pumping stations) and main distribution system pipelines for rural water districts in Kansas. The database is scheduled for completion in early SFY 2007.

KDHE also serves on technical advisory committees (TAC) convened by the KWO. The first committee is developing regional public water supply strategies. When completed KDHE will use these strategies as guidance for the SRF and Regional Public Water Supply Planning Grant programs. KDHE is participating in the South Central Kansas Water Coalition study initiated in SFY 2006. This regional study is jointly sponsored by the Coalition, U.S. Bureau of Reclamation and the State of Kansas. The study area includes a 9 county area in south central Kansas with the potential to impact approximately 118 public water supply systems. It is anticipated this study will take 3 years to complete.

The second committee addresses drought and water conservation. KDHE used data from the TFM survey to identify water systems that may be drought vulnerable. The KWO and KDHE will use the TFM survey and historical information to update the PWS Drought Vulnerable list. This list will be completed during SFY 2007. KDHE will use this list to provide technical assistance to water systems needing to address drought vulnerability. The committee is also updating the water conservation planning guidelines. This effort supports and helps to implement the recommendation in the Existing System Strategy to have water systems install customer meters.

During FY 2006, KRWA provided technical assistance to 105 small public water supply systems under the 2% Small System Technical Assistance Set Aside contract discussed in the Strategy Background Section. Assistance provided under this contract addressed many technical issues including surface water treatment, well testing, new operator training, nitrate compliance and record keeping. Technical assistance was also provided to address managerial issues such as personnel policies and line extension and new service connection policies.

Strategy Review and Modification

KDHE recognizes that periodic review and modification of the Strategy for Existing Systems is vital in keeping KDHE's Capacity Development Program current and relevant to the needs of Kansas public water supply systems. Normally, KDHE accomplishes this review during an annual meeting with the Capacity Development Stakeholders held every August. However, during SFY 2006, KDHE focused on implementation of KanCap and a Train-the-Trainer session was held in August 2006 in lieu of the annual Stakeholder meeting. Consequently, there were no changes to the recommendations made during the August 2005 meeting. These recommendations are listed in Table 7. KDHE will continue reviewing the recommendations and revise the Strategy where appropriate. There were no changes made to the Existing Systems Strategy during SFY 2006.

Table 7 – Strategy Recommendations Revision

Recommendation	Action Recommended
Require all systems to install customer meters	Change from a requirement to a recommendation for all systems. This impacts approximately 17 community water systems. This will be addressed in the new Water Conservation Plan Guidelines
Expand KDHE “Survival Guides” for PWS systems	Continue to develop guides as new rules are adopted.
Develop facilities management plan guidelines (Asset Management)	Develop using existing tools (CapFinance, Rate Check-up) where possible.
Kansas Lawmakers information packets	It is not necessary to provide a packet to all lawmakers. However, KDHE should make the Report to the Governor available to interested lawmakers. Provide notification to appropriate committee chairs or send postcard notification to all legislators (KDHE will determine which approach to take).
“As Built” mapping assistance program	Financial resources only allow for the update of RWD boundaries and facilities currently under development. Should try to add cities in the future. “As Built” maps should be the responsibility of the individual water systems.
Develop drinking water public information program	Provide additional information/templates for water systems to use to enhance CCRs
Develop newsletter – KDHE spending, compliance, etc.	Provide articles for stakeholders’ publications and the annual KDHE Operator Newsletter
Third-party assessment of KDHE resource needs	Remove from strategy. Legislature approved additional staffing requests for the public water supply supervision program and the PWS Fee Fund. An evaluation of resource needs is no longer necessary.

Future Activities

The implementation activities scheduled for FY 2007 will focus on 4 areas: 1) continue development of a Kansas Asset management Planning Assistance Program; 2) promote and deliver KanCap and the EFC financial planning tools to boards and councils 3); revise the Existing Systems Strategy to reflect recommended changes by Stakeholders as appropriate; and 4) develop a Capacity Development Recognition Program. This is the only new recommendation from the Stakeholders not included in the original 15 recommendations. Other ongoing activities include TFM reviews related to enforcement actions and SRF applications, new system application review and approval, and coordination on public water supply issues and projects with the KWO. KDHE will also continue to award Regional Public Water Supply Planning grants as applications are received and approved.

KanCap Sessions

Several KanCap sessions are scheduled for the first half of SFY 2007. Six water systems will participate in a total of 15 sessions conducted between August 2006 and November 2006. MAP is also planning on conducting sessions in January and February 2007 for public water supply systems receiving USDA Rural Development funding assistance.