

DRINKING WATER STATE REVOLVING FUND ADVISORY COMMITTEE

Thursday May 20, 2010
DEQ Metcalf Building Room 35
1520 East Sixth Ave., Helena, MT

ATTENDEES:

Committee Members:

Senator Don Steinbeisser
Representative Margaret MacDonald
Anna Miller

DEQ Staff:

Mark Smith
Gary Wiens
Steve Killbreath
Carol Gilmore

Mark Smith welcomed meeting participants and logistics were taken care of. The meeting agenda was distributed to attendees.

Mark started by going over the program financial status. At this time Anna distributed a handout titled "Montana State Revolving Loan Fund" which contains a map of the state showing the Drinking Water and Wastewater Projects funded by the American Recovery & Reinvestment Act (ARRA). Anna noted that the Federal ARRA passed in February of 2009 and the State Revolving Fund programs received approximately 38 million dollars for work on water and waste water projects in addition to the normal money they receive. The ARRA required our projects be under contract and loans closed by February 17, 2010. This was done and the map shows the communities that had projects and received these funds. After passage of House Bill 645, Mark Smith of the Drinking Water program and Paul LaVigne of the Wastewater program solicited projects. Mark said they had to keep the ARRA money separate and treat as a different program, and did a separate Intended Use Plan, Project Priority List and held a separate public hearing for the ARRA funds. One of the key things for selecting projects is that they be shovel ready and the projects could get under way to meet the deadlines. About half of the projects selected were ones we had been working with and in the process of funding. Most projects take from two to five years from the time they start looking at funding to actual building. So most of these projects were designed and ready for bid. We were able to fund 32 projects in drinking water and 33 in wastewater. If the projects couldn't be underway by February 17th then they didn't qualify for ARRA funds. If we didn't use the funds by that date we would lose the money. The projects had to be under contract and we had to close the loan by that date. We tried to spread the money as far as we could and put a cap at \$750,000 per project. Roughly 50% of that was principal forgiveness and 50% was a low interest loan. Anna directed everyone back to the handouts that show a list of projects with brief descriptions, other sources of funding and the dollar amounts of what was funded. Some of these projects would not have been completed without the ARRA funding because of the low income of the community. The ARRA funds also required 20% of the project work to have green components. A lot of the drinking water projects involved replacing leaking distributions systems, which put them in the water conservation category of green. The Drinking Water SRF program had 49% of their projects with green

components, resulting in Montana being number one in the nation for green projects. Bidding came in low this year and we were able to fund more improvements than we thought.

Along with the ARRA funding, training was provided for us on fraud, waste, and abuse. We had extra reporting and auditing requirements. We have been getting good reviews and are confident that we are doing things well. We are also doing a good job of getting our money out. Drinking water is over 52% spent. Mark said they did bring in a couple of extra people to assist with the extra workload. Margaret asked about the website where you could see the projects helped by the ARRA funds. There are federal and state sites at <http://deq.mt.gov/Recovery/default.mcp> and <http://recovery.mt.gov/default.mcp>

Margaret asked about outreach efforts for these funds. Mark said they held public hearings, news releases, and workshops in the spring and fall that were well attended. One challenge was the EPA sending guidance for administrating the funds as late as August regarding things such as buy American and Davis Bacon wages. Some of our projects were done before we received the guidance. We documented the decisions based on the information we had at the time so if anything is questioned we have an explanation. Margaret would like to know how many Montanan's have cleaner drinking water from this? Mark said we can tabulate the population served and dollar amount. (This information was later provided.) Margaret and Don both wanted to know if we were doing enough outreach to some of these far out communities. Mark commented that looking at the map does show some inactive areas. The highline especially, Don commented.

Anna provided an update of the regular program projects. The population factor could be a part of the lack of projects in some of the state. Grand total of loans is \$162 million. It was noticed that some projects were missing from the map. Anna will get these added. Of the projects listed in our draft IUP for any given year, we will only fund about half of them, typically. They may not get their funding in place or may get funding from someone else.

At this time Mark handed out copies of the draft Intended Use Plan for 2011. There are some new things this year carried over from the federal appropriations bill. The federal 2009 grant was around 8 million dollars and this year it jumped up to \$13, 573,000. At least 30% of this amount will be principal forgiveness, 20% has to have green elements, and Davis Bacon will also be required. The 'buy American' requirement has not been referenced. The principal forgiveness has sparked interest with folks. We plan to set a cap at \$500,000 so this would be the top amount a project could receive in principal forgiven dollars, and the remainder they would be a regular loan. The criteria we are using for the principal forgiveness would be the disadvantage or hardship criteria. In past years they would get a reduced interest rate. This is determined by the resulting target rates established by (Treasure State Endowment Program) TSEP based on the median household income and the user rate. If a hardship or disadvantage criteria are satisfied then you would qualify. If the project qualifies as green then it will qualify for the principal forgiveness also. This allows us to spread it out more. The wastewater program

is in need for additional funds so we are proposing to transfer some of our funds from the drinking water program to the waste water program so they can meet their demand. We plan to transfer 3 million of 1st round funds and the 30% principal forgiveness will also transfer with those funds. So we will have around 10 million for the year. If their user rate is 1.4 % of their annual median household income, or if they have a green element, they qualify for principal forgiveness. This may change with the 2010 census data. Starting on page 8 is our anticipation list of the projects we will fund. These are ranked in accordance to our ranking criteria. A lot of the following pages are financial information, summaries and updates of grant amounts and loan amounts that we have done to date. The last few pages talk about the respective set-aside programs. Last is our ranking criteria and the project priority list. We applied for our 2010 grant and the approval of that will be contingent on this intended use plan. The month of May is our public comment period. Our public hearing was on Monday May 17th and no one attended the hearing. But we need to go through this process and hopefully we will be awarded the funds by July 1, which is the beginning of the fiscal year. We have not received any comments yet. We have had some inquiries. We will take comment through the end of the month and submit a final IUP to EPA. We try to target the beginning of the fiscal year as a completion date.

The set-asides are non project activities that we do within DEQ or with outside organizations to supplement the services to public water supplies. We will discuss each of these individually. The set asides are very important in that they assist the systems in a variety of areas and that when the water is turned on, it is safe coming out of the tap. The money we give to these programs allows them to keep providing these services. The operator certification program keeps the operators trained on the types of systems they operate and up to date on current technology. We've gotten a lot of complements for having one of the best operator certification programs in the country. Steve Kilbreath is with the Public Water Supply Program and he said they have summer water school going on right now here in Helena. There are probably 60 to 100 operators that attend the summer school being held at Helena College of Technology. There are two different teaching tracks going on and this gives the operators continuing education credits they need to keep their license valid. It also helps teach new operators the things they need to know to be certified. They have four water schools a year. There are two spring schools, one in Billings, one in Kalispell, a summer school here in Helena, and a fall school in Bozeman. In these four sessions we have 500 to 600 operators attending each year. We have high level speakers and also training at the level of one on one. At most of the small water systems the operator is also the wastewater operator, public works director, garbage guy, patches the holes in the road, plows the snow etc. The operators must take tests to become a certified operator and there are 7 or 8 levels of certification. They range from a simple groundwater system to a surface water treatment system like the city of Billings, to waste water operators. If you are a community water supply system or a non-transient non-community (which means you serve the same people six months out of the year) you must have a certified operator. In Montana around 95% of the operators are certified and Montana is leaps and bounds ahead of other states. It's hard to find and keep operators for the small systems. You can't afford to pay them what they are worth. You think of public health issues and implementation of the safe drinking water act and certified

operators and monitoring for bacteriological and chemical is one of the best public health programs you can get for the money. Some small communities do work together and the same operator may run both. Also you see contract operators like in the Helena valley, where if you have a subdivision that meets the 25 people 60 days of the year criteria, they are required to have a certified operator. So a contract operator might have 30 systems to monitor. We have national standardized tests for the operators and work on the development questions for the standardization test. At the workshops the SRF also trains on funding availability and the different sources of funding. We also reimburse the operators for their travel to attend the trainings so there is no cost for them.

The Source Water Protection program delineates the watershed that the source water comes from, by defining the boundary, and assessing any potential sources of contamination that might be in this area. By identifying these potential sources of contamination they can implement a management plan to avoid a disaster from ever occurring. They work with individual communities, and when they are in the field they are better defining the exact location of well heads and sources of water and intakes. They also do sanitary surveys or inspections while they are there, and these are also done by the Public Water Supply program. They can identify weaknesses in the system where they could be vulnerable to contamination or failure and suggest ways to mitigate. These can be routine or they can be going out to address a specific problem, such as a health advisory from a coliform positive water sample. Community systems are to receive inspections every three years and non-community systems every five years. They are required to monitor monthly for bacteria and once every three years for organic and inorganic chemicals. All the monitoring and compliance for this is done by the Public Water Supply Program. This data is analyzed and put in a database that is connected to the EPA. The Public Water Supply Program also provides technical assistance as well as plan and spec approval. SRF is just one of 5 or 6 funding sources for the Public Water Supply program.

Mark introduced Gary Wiens to talk about the financial and managerial assistance they provide to operators and managers through out the state. This is funded in part by the SRF set-aside for capacity development. This is split between a technical assistance contract and a financial and managerial contract. The Midwest Assistance Program (MAP) is the contractor that provides these services. Gary provided handouts and he referred to the first sheet as the questionnaire they send out every year. They ask the people receiving services to comment and rate the different aspects of the service they are getting. The second page is a summary of the comments received in a table. The ratings from these surveys have been very consistent from year to year, always being within a few percentage points. They show a positive feedback for the most part. MAP can help with the formation of district in a case where a water users association or subdivision wants to apply for a grants or other funding. They walk them through the steps they need to do to complete this process. When they are doing an application for funding most systems hire a consultant to do this and MAP can assist with finding the consultant. They assist with public meetings, debt elections, by laws, and knowledge base. On the last page Gary listed some of the major systems that were visited. He summarized the amount of time spent with each visit and the dates of the visits. The time includes travel time, report

preparation, phone contact, but this doesn't include administrative time. We don't pay for administration. This may include numerous visits to one system. We try not to put limitations on them and provide service as long as they need it. We typically fund \$75,000 per year for this contract and we plan to renew this one again. As long as we get positive feedback and they appreciate it, then it seems worth while.

Mark talked about the other hand out regarding the technical assistance. For example this is when they need help fixing a chlorinator or filling in for a certified operator that has quit, etc. This is also contracted with the Midwest Assistance Program (MAP). Under this contract they generally only visit a system one time. The funding for this contract is around \$125,000 and they generally spend this out. The first page is the survey that Rob Ashton sends out and second is a summary from these surveys. We want to know from those that were provided the assistance how they felt about the services. This indicates that people are glad to get the help when they need it. As a general rule people are more comfortable calling MAP or Rural Water for assistance then they are calling DEQ. The contractor is required to report any public health threat.

Meeting adjourned.