

Final Meeting Minutes
DRINKING WATER STATE REVOLVING FUND ADVISORY COMMITTEE
Tuesday, June 17, 2014
DEQ Metcalf Building, Room 35, 1520 East 6th Ave Helena, MT

Committee Members Present: Allen Kelm, Public Utilities Director (via phone)
 Anna Miller, DNRC/CARDD
 Bridget Smith, Representative (via phone)
 Todd Teegarden, DEQ/TFAB

Committee Members Absent: John Brenden, Senator
 Susy Foss, Ravalli County Commission

DEQ Staff Present: Gary Wiens, TFAB/DWSRF
 Janelle Egli, TFAB
 Joe Meek, TFAB/SWP
 Mark Smith, TFAB/DWSRF
 Robert Ashton, TFAB/DWSRF

Acronym	Definition
DEQ	Department of Environmental Quality (Montana)
DNRC	Department of Natural Resources & Conservation (Montana)
DOC	Department of Commerce (Montana)
DWSRF	Drinking Water State Revolving Fund
EPA	Environmental Protection Agency (U.S.)
FFY	Federal Fiscal Year
GO	General Obligation (Bond)
IUP	Intended Use Plan
MAP	Midwest Assistance Program
PPL	Project Priority List
PWS	Public Water System (or Supply)
RATES	Rural and Tribal Environmental Solutions
SFY	State Fiscal Year
SRF	State Revolving Fund
SWP	Source Water Protection (DEQ)
TFAB	Technical and Financial Assistance Bureau (DEQ)
WPCSRF	Water Pollution Control State Revolving Fund

OPENING

Shortly after 10:00 a.m., Mark Smith opened the meeting by welcoming attendees, addressing logistics, going over the agenda, and distributing handouts. Mark stated the purpose of the meeting, which is to review the program's plan for using funds (documented in the SFY 2015 IUP). Mark also gave a brief overview of the program, explaining that funding is provided through capitalization grants from EPA, which are matched (20%) by state-issued GO Bonds. He added that both SRF programs are co-administered by DEQ and DNRC, with DEQ overseeing technical aspects and DNRC overseeing financial administration.

STATUS REPORTS

Program Financial Status

Anna Miller provided a brief history of and financial status update for the SRF programs, focusing on DWSRF. [Materials with financial data, including a list of loans, were reviewed.] According to Anna, the WPCSRF program started in 1991 and the DWSRF program started in 1999. Originally interest rates were set at 4% for SRF loans. Now interest rates are at 3% or less. Interest accrued from loans made using state GO Bonds is recycled and the capitalization grant revolves. For the past 3–4 years EPA has authorized loan forgiveness. The DWSRF loan portfolio is more than \$230 million and the WPCSRF loan portfolio is more than \$400 million. In 2013 DWSRF funded \$30 million worth of projects, while WPCSRF funded \$39 million worth of projects. In 2014 both SRF programs (combined) funded \$70–80 million worth of projects. In 2015 each SRF program is anticipated to fund \$30–40 million worth of projects. Both programs anticipate funding small and large projects, many of which will also receive funding from other sources (e.g., Treasure State Endowment Grants, Renewable Resource Grants). Both programs are heavily audited annually. Audits to date have been clean. Anna concluded that the SRF loan program was healthy, observing that no applicants have been turned away to date. Anna noted that both programs are positive for State of Montana because the projects funded through them provide jobs and encourage good environmental stewardship.

SRF Project/Loan Updates

Mark stated that the program anticipates funding \$23–25 million worth of projects in SFY 2015. Anna added that funding is distributed throughout the state of Montana, referring members to a map provided in handouts. Members reviewed Section 6 (page 5) of the draft IUP and discussed specific projects slated to receive funding SFY 2015. Members also reviewed the PPL (Appendix 2), noting that inclusion on the list is a prerequisite (EPA) to funding. Program administrators acknowledged that projects designated to receive funding SFY 2015 may actually receive funding later if they are not ready to proceed. Administrators also indicated that at some point (i.e., if funding becomes tight) the program may have to fund projects based on their ranking (PPL), in addition to their readiness to proceed. Members discussed funding criteria (i.e., ranking) in terms of public health, affordability, and proactivity (to discourage communities from neglecting their systems, proactive compliance measures, in addition to health risks and costs, are weighed). Allen Kelm suggested that maintenance (or asset management), in addition to proactivity, be considered when ranking projects. Mark replied by stating that the program doesn't inspect existing systems, although references and resources to evaluate asset management are available (e.g., sanitary surveys). Mark and others provided details relevant to a recent governor's press release. Essentially, the release documents the SRF program's proposal to (1) lower interest rates to 2.5% on 20-year loans (change is out for public comment and is not finalized), and (2) lower reserve amount requirements. Mark said refinancing at lower rates would likely come later. Members discussed principal forgiveness and eligibility requirements. Administrators informed members that disadvantaged communities qualify for forgiveness (cap at \$500,000 or half of project costs) and defined disadvantaged as communities with water rates at 1.4% or more of the median household income (2.3% for water and wastewater combined). Administrators said up to 30% of the capitalization grant can be designated to forgiveness and verified that the target rate established by DOC is the rate used. Members considered changes to communities' median household incomes as a result of oil industry (median incomes have increased with influx of oil industry workers). Administrators explained that projects must demonstrate readiness to proceed before forgiveness can be obligated.

FFY 2014 Cap Grant Application Status

Mark informed the committee that the capitalization grant application for 2015 was submitted at the end of March and notification of approval was recently received. Mark explained that this meant an additional \$8.8 million were available for projects (plus the state's 20% match). The program has received approximately \$160 million (total) over the years. Mark said capitalization grants usually range from \$8 to \$8.5 million each year. Every 4 years program managers do a needs survey. We have continued to demonstrate a need for funding. Todd Teegarden informed members that capitalization grants would eventually end, requiring both SRF loan programs to be self-sustaining. Todd also mentioned that program administrators have the ability to transfer money between the DWSRF and WPCSRF programs based on need. (Page 15 of the Draft IUP includes a table showing transfers between programs to date.) Mark observed that the DWSRF program would likely transfer money to the WPCSRF program in SFY 2015.

DRAFT SFY 2015 INTENDED USE PLAN

Members reviewed draft IUP, discussed contents, and noted minor edits.

SET ASIDE UPDATES

Mark distinguished between project activities and non-project activities, stating that non-project activities, or "set asides," are partially funded by the SRF program with the intent to benefit communities. Mark reported that services for non-project activities are contracted out, adding that program administrators do not attempt to limit the scope of services provided by the contractor. Members discussed the importance of set asides relevant to project success, observing that supplying communities with cash but failing to provide them with other resources was an ineffectual approach.

Anna commented that DNRC uses an appropriation to hire experts to assist communities on an as-needed basis. This, she added, ensures that state statutes are met and work is done properly. (Mark pointed out that set aside activities are summarized in Table 3, page 13 of the draft IUP.)

SWP (Source Water Protection) (IUP, pages 20–21)

Mark introduced Joe Meek (jmeek@mt.gov, 406-444-4806) of the SWP program. Joe explained that the SWP program uses two set asides: one from the 1986 Safe Drinking Water Act for wellhead protection (encourages examination of potential contaminant sources and is voluntary) and another from a 1996 Amendment for source water protection (mandates source water assessment). According to Joe, source water includes surface water, ground water, springs, etc. Set aside funds are used to write and update SWDARs, which provide information to the public for the purpose of facilitating strategy development to protect drinking water sources. SWP planning (i.e., taking reported information and doing something with it) is voluntary. The program maintains online access to spatial data through the Montana State Library (typically). Sensitive information is managed appropriately. Joe described wellhead protection activities as including the following: (1) review SWP plans, (2) provide input for hydrologic assessments for problematic public water supplies, (3) provide training to PWS operators, and (4) host onsite groundwater and wastewater operation and maintenance workshops (focus on operators, well drillers, and realtors). Joe stated that source water protection activities include improving PWS locational information available electronically. He indicated that the SWP program has completed assessments on the 2,000 public water supplies in Montana; this translates into 4,000 drinking water sources.

According to Joe, in the late 1990s and early 2000s, the program completed about 2,000 source water assessment technical reports (from a hydrogeologic perspective), which are used by staff addressing water system problems and updated as needed.

Joe highlighted program accomplishments, which include (1) DRIFT WATCH, an online mapping tool that provides access to PWS locations and enables licensed pesticide applicators to see where water supplies are when planning an application (2) tracking efforts of the East Helena smelter site and measures focused on assuring nearby supplies were not at risk (3) detailed hydrogeological assessments for Deer Lodge public water supplies (4) coordination with DEQ's PWS program to identify public water supplies at high risk and attempting to reduce risk. Mark declared that the SWP program's preventative, not reactive, approach to managing water resources was exemplary.

O&M Technical Assistance Contract (IUP, page 16)

Mark introduced Rob Ashton (rashton@mt.gov, 406-444-5316) of the DWSRF program who is in charge of the O&M technical assistance set aside. Rob explained that federal set aside funds allows small communities to receive technical assistance as well as operation and maintenance training from contracted providers. MAP provided assistance from 2004 to 2012; RATES now holds the contract and provides such services. According to Rob, RATES's field representatives visit with system authorities and tour facilities, providing non-regulatory assistance. Assistance is surveyed regularly to determine the effectiveness of the program. Surveys received this year have showed satisfaction with services provided. [A summary of survey responses was included in handouts.]

Financial and Managerial Contract (IUP, page 16)

Gary Wiens (gwiens@mt.gov, 406-444-7838) of the DWSRF program reported on the financial and managerial contract, which is also held by RATES. The response to the new contractor has been positive and survey results have been consistent. This year RATES has completed 35 visits to 26 water systems, as well as initiated follow up for work done last year. Financial and managerial assistance has spanned many areas, including (1) consumer confidence reports, (2) policy manuals and standard operating procedures (for operators), (3) emergency response plans, (4) vulnerability assessments, (5) capital improvements (i.e., assistance with loan and grant applications for funding), (6) consulting (i.e., hiring consultants), (7) O&M manuals, (8) rates structuring and increases, (9) SWDARs (guidance), (10) monitoring waivers, and (11) asset management.

Members deliberated the formation of water districts among water systems and considered RATES's role in facilitating discussions involving district forming. Anna advised including counsel in such discussions because of legal intricacies (e.g., transfer of assets, rate structure merging). Anna (annam@mt.gov, 406-444-6689) suggested that the SRF program and RATES could facilitate such discussions and processes.

PWS (Public Water Supply) (IUP, page 20)

Mark provided a quick overview of DEQ's PWS program, explaining that the SRF program has given approximately \$850,000 to PWS. Per Mark, PWS is a regulatory program with substantial responsibility, which includes (1) overseeing monitoring and sampling schedules, (2) completing sanitary surveys, (3) providing technical assistance, (4) reviewing plans and specifications, and (5) facilitating operator training and certification.

Operator Certification (IUP, page 20)

Members agreed that education (i.e., operator training) and innovation are integral to overall project success. Members also concluded that opportunities for discussion should be provided to communities and, specifically, system operators.

OTHER BUSINESS

Mark stated that handouts and minutes would be mailed to members not in attendance. He also informed members that the public hearing for the draft IUP would be held at DEQ Thursday, June 19, 2014, with the IUP finalized to incorporate updates and comments by July 1.

ADJOURN

Meeting adjourned at approximately 12:15 p.m.