

MINUTES  
Drinking Water State Revolving Fund Advisory Committee  
Tuesday April 27, 2004  
DNRC Director's Conference Room, 3<sup>rd</sup> Floor, 1625 11<sup>th</sup> Ave.

**ATTENDEES:**

Committee Members:

Mike Hutchin, Polson  
Joe Menucucci, Belgrade  
Rick Ripley, Wolf Creek  
Todd Tegarden, DEQ

DNRC/DEQ Staff

Anna Miller  
Mark Smith  
Mark Golz  
Gary Weins  
Jenny Chambers  
John Camden  
Joe Meek

OPENING

Mark Smith opened the meeting with the introduction of Todd Teegarden. Mark explained that Todd replaced Tom Livers when Tom went to the director's office. Todd has been in the acting bureau chief capacity for over a year and recently was selected as the permanent for the position. Todd has been manager of the Wastewater SRF Program since the early 90's so he certainly brings some experience.

Mike Hutchins asked if Senator Linda Nelson was still on the council. Mark confirmed that she is still on the council but will be term limited out in December. Todd remarked that she has been very helpful and is up to speed on the programs.

Mark discussed the agenda and the meeting logistics. Mark noted that we haven't physically gotten together for a couple of years and with Rick being new on the board it's the opportune time to have a meeting. Mark explained that he has some people from the DEQ scheduled to come this afternoon to give brief updates on the set-aside programs.

STATUS REPORTS

Mark requested that Anna give a report on the financial status of the loan program. Anna distributed maps of the Drinking Water SRF Program and Waste Water SRF Program that showed the projects that have been completed. Anna explained the Waste Water Program started in 1991 and the Drinking Water Program didn't start until 1997. But they have a lot of similarities.

Ms. Miller explained that in the 80's the federal government gave grants to communities to build waste water systems because that seemed to be a big problem for communities. They decided in the 80's there wasn't enough money to give grants to all of these communities so they replaced the grant system with a low cost finance system. This gave

states a pot of money to work through and build on in the future. In the 90's they decided to give grants to the states and have the states match that money. Because of the low cost of the money granted to the states, they in turn lend that to the communities, and as the communities pay that back it results with this pot of money that keeps revolving for communities to use as they need infrastructure work. So both programs work that way. We get EPA grants for the Waste Water Program and Drinking Water Program and we match those with General Obligation Bonds in the state. We pay off the General Obligation Bonds and then we have the grant money that is recycled and we can loan that again.

Anna explained that at this point in time we have done loans in the Drink Water Program of approximately 57 million dollars and in the Waste Water Program of approximately 160 million dollars. Ms. Miller stated of that money, about 80% of it is loaned out to date and the other money is available for loans for projects that are coming in the future. To give an idea how the loans fluctuate, the first year the Drinking Water Program was up and running the program made 25 million dollars in loans to communities. This year the programs have made 20 million dollars in loans in the Waste Water Program, and 6 million dollars in loans in the Drinking Water Program. Something that is misleading is that if you make 6 million dollar loan to somebody or a 65 thousand dollar loan to somebody, the administrative cost is about the same. The larger communities may have more experience then the smaller communities. So smaller communities need a lot more help.

When the EPA devised this program, they wanted to target the small communities because they have the most problems paying for infrastructure and maintenance, and do not have the work force that bigger communities do. The state of Montana not only meets the target requirements, but also services the very small communities.

Anna distributed a handout of the annual report for 2003. The DEQ, DNRC, and EPA work on this together. Anna said they received some really nice remarks from EPA's review of our 2003 annual report. She pointed out that on page two was the remark that the annual report was a high quality presentation. The state manages the WPCSRF program in an excellent manner and the drinking water program has good results for a strong non-leveraged program.

Anna noted that an audit was recently completed and they've had a clean audit since the program started. The audit was available for anyone to look at.

Anna stated that we get along very well with the EPA and we have a lot of dialogue with them and the programs are very flexible. Ms. Miller said the year that the Drinking Water Program started they had a 25 million dollar year, but the Waste Water Program was not as busy. So they were able to transfer about 9 million dollars from the Waste Water Program to the Drinking Water and help them get their feet on the ground and service all the projects they had. This year we have had just the opposite happen. The drinking water projects have been smaller amounts so we have transferred 2.5 million dollars from the Drinking Water back to the Waste Water Program. So that is one of the things in the

Intended Use Plan that we are going to ask the committee to approve, is that again we can move money between Drinking Water Program and Waste Water Program. This was a minor thing in the past but is now a major thing and we need to disclose to people that we are doing that.

Anna said we want to reduce the costs in the programs. A cash flow of both programs is done every year and updated several times a year. At this point in time we feel we can get along with out the origination fee or administrative fee charged to the communities on their loans. We have enough money in the bank and enough loans being paid back, which include an administrative fee being part of the loan. So this is another thing we are bringing before this committee, is to say that for this year we want to waive those fees. We will evaluate it again next year and if we can continue to have good financial health then that's a cost that we won't have to pass on to the communities.

In 2004 we reduced our interest rate. From 1991 thru 2003 our interest rate was 4% and for hardship situations it was 3%. We were lucky when we went to the bond market and interest rates were down enough that we were able to reduce our loan interest rate to 3.75%. It isn't a lot of money on the 65 thousand dollar loans, but when Great Falls or someone comes in and borrows 10 million it's a huge amount of savings. So we feel good about the fact that we treat every one the same and everybody benefits. Summing up our financial health, we are doing good. We have approximately 10 projects in development on Waste Water that will start happening as soon as July 1<sup>st</sup>. We have about a dozen or so in drinking water projects that seem to be lagging. They maybe waiting for the arsenic rules to come out, for example, or for a variety of other reasons.

Mark Smith noted the dollar volume is in decline but not the number of projects. The drinking water SRF was born in part out of a lot of the new regulations that were implemented with the 96 amendments to the SDWA. One of the biggest was a more stringent water quality requirement primarily with untreated surface water. So a lot of Drinking Water SRF's initial projects were for communities like Seeley Lake that had to build filter plants. A lot of those higher need, higher cost projects have now been built. While the number of loans we are giving is comparable, the scope of the improvements or the price tag associated isn't quite as high. That is why there is a decrease in the dollar amount loaned out this year compared to others. Also systems that are 20 to 25 years old are coming to the end of there useful life so people are having to build new plants or up grade old ones. It's a cycle with ups and downs, but there is certainly no shortage of need or demand.

Anna talked about the information she handed out regarding the wastewater program. Montana is an agriculture state, and when an irrigator or farmer or rancher works with us to improve his irrigation system so we have less chemical fertilizers in the streams and less silt, if they go from flood irrigation to a center pivot, then we loan to individual farmers and ranchers. Anna noted on the handout we don't print people's names for privacy reasons so we just put them on by Zip code. All of these loans represent where we have done loans with farmers and ranchers where they have improved their irrigation system and that's beneficial for the state. We feel like this is a very good program in that

the cities, towns, and communities benefit. It hasn't been competitive to date because we have been able to service everybody that walks in the door.

Todd wanted to add that the Non Point Source projects that are eligible, which are water quality types of projects, made this an innovative use of the program to try to lend to the private irrigators and provide a low interest level of financing to the privates as well as the publics. Our laws basically make us loan to public entities so we give a loan to the DNRC to their private loan program who then gives those loans out. They do the review of the actual loans but its been very positive, about 10 million in total. Anna added that the loan rate to these individuals is 4.1%.

Mark S. talked about the four regional water systems coming to the state of Montana that were discussed at the last legislative session. The one in northeastern Montana is called Dry Prairie and will have federal funds of approximately 200 million. It's hooking up little tiny communities like, Froid, Medicine Lake, Culbertson, Bainville, and Westby. South of Dry Prairie is the Dry Redwater. The North Central Regional System includes, Cutbank, Havre, Loma, Shelby, and many others and they are also looking at over 200 million dollar project. Then we have the Musselshell Valley, which includes Roundup, Milestone, Hobson and those communities that have had a trouble keeping water in their wells. These projects are probably all going to come to the Drinking Water program and will be required to have a state match. The biggest one is Dry Prairie because they started ahead of the others. Mark said that they actually started construction last fall. Right now Culbertson actually had some extra capacity in their treatment plant so they are building the distribution from Culbertson up to Medicine Lake and Froid. Until the regional treatment plant gets built and on line they are buying water from Culbertson and using a regional pipeline to service them. Two of the components of these regional systems service two tribes. Those are real interesting because you have federal FWP and state FWP, federal highways, state highways, city XYZ, the tribes involved and this is challenging for all of us. The good news is financially we are healthy and things are going well.

Mike asked for an explanation of the loans and if there has been a drop in applications or why are we not loaning out 100% of the money. Anna said it could be a number of things, for one it could be getting started, some of these little communities need to define there projects and try to get what grants they can from Treasure State Endowment, STAG, CDBG, and all those and then come to us. It can take about 4 years from beginning planning to construction.

Joe Menucci agreed that they went through 2 cycles of Stag grants and 3 loans to be able to complete the project in Belgrade. He added that another thing that could cause a delay is dealing with elected officials and raising rates for the users or some way to pay for project.

Mike Hutchin talked about the National Rural Water Association of which he is a member of the board of directors for the Montana Association of Rural Waters. This association has been real aggressive at seeking funding at the federal level. He mentioned

that they went back and lobbied in early March with people from every state. Every senator and representative through that organization was asking for strong consideration of an additional 16 million from EPA because of infrastructure needs across this country. It was well received by a lot of these people because politicians like to see their communities pick up money. Burns, Baucus, and Rehberg all said they were in very strong support of this for Montana because these terms are economic. The money would be loaned out here in grants. Mike felt optimistic about an additional 16 million, even if it gets 8 million in the program that's better than diminishing it or holding it at the same level during this time of budget crunching.

Mark said that also on this last federal funding cycle (Omnibus Bill), the SRF's were able to maintain our funding and that says a lot too. At least the recognition of the importance is still there.

Todd talked about factors that determined the diminishing of people returning in the future for more money. As an example, a community will do a project and it will be done for 20 years and because there is minimal growth they fix it once. These systems are designed to last 20 years so unless the community starts to out grow the system capacity or it reaches the end of its designed life, we won't see them again. However some communities like Missoula, Belgrade, and Bozeman have seen growth and will be back to see the program for their annexation needs, capacity design, new well needs or expansion of waste water treatment systems. So growth in Montana is another thing that will push continual use of this program.

Joe M. talked about the Belgrade wastewater facility plant started in 1993. The population of Belgrade was 3500 at the time. The projection for 20-year growth was 7500 people. Joe said that in 1996 they were still jumping through all the hoops and they had to redo that plan three different times because of airport and everything else. Then they looked at that 7500 and realized that they were already at 5500 people. So they adjusted that figure to 10500 and that was the 20-year plan. The latest population estimate is at somewhere around 6500 or 6800 people right now. Point being that it is really difficult to be accurate at predicting growth.

Todd stated that it's really hard from an engineering aspect to try to project reasonable growth rates because you cannot overbuild these things either. So you try to get a balance of where that growth might be. As you all know the eastern part of the state is different than the west. In every community, the projections can change as economics drives it.

Joe mentioned that water and waste water systems make housing a little more affordable in these communities.

Anna said that one of the really good things is anyone who has applied for a loan from us has received the loan. We have had enough money to take care of everybody's needs. Mark said we are starting to see some repeat consumers in 5 or 6 years.

Todd noted that should there become competition for the loans we have in our Intended Use Plan showing how we would fund those. This priority list is based on need.

Anna talked about how world economic factors can change the cost of a project. She used a project in Lewistown as an example where the price of steel and concrete was 600,000 dollars over the estimated cost. Mark talked about how materials for the regional system in Fort Peck, Dry Prairie, were purchased and they were able to warehouse the supplies at the manufacturer. Mark said he didn't know the dollar amount they saved but it was well worth it.

Anna reported that none of the communities have had problems and no one has defaulted. She said one of the biggest things we have had is people go on vacation at Christmas break and they forget to make a payment and she has to call them.

Mark talked about what we are going to do for this upcoming year. He said there are a couple of things that they are changing so he would like to point those out.

Mike asked why on page 4 and 5 we struck out all of the projects?

Mark said it's difficult to know at this stage which projects we are going to fund in a given year. Going through the list that we had last year it's about 50%. We still have our overall priority list. It's still tough to list given the funding cycle of the grants, TSEP, and CDBG. We've got a general feel for who will be ready to go this next year, but are just holding out as long as possible. Until we go out for public comment on this.

Mike asked isn't it a requirement to have some of that list in this document? Mark said they have about 4 or 5 projects right now that he thinks are fairly sure things. Mr. Smith said this is one thing he was going to ask our EPA contact about. Do we need to do this or is simply having our overall priority list adequate? Mark thinks EPA is going to say take your best guess at projects you anticipate to be funded this year. [Follow-up: EPA confirms that a 'fundable' list of anticipated projects for each year needs to be included in the IUP.]

There was some discussion about increase of rates and how they affect the communities. Some are more accepted than others.

Mark wanted to point out the Drinking Water Program was anticipating applying to the EPA for the loan fund portion of the 03 grant right after July 1<sup>st</sup>. Mark said they discussed this yesterday and he thinks they are now going to apply for it right away. The idea is that this will be transferred to the Waste Water Program. As discussed earlier this is where more of the demand is currently. We can better utilize those funds in the Waster Water Program right now. That is one of the corrections that will be made in this draft. With our Capitalization Grants we have our loan fund portion and the set-aside for non-project activities like administration and technical assistance. We applied for just the set-aside portion of the 03 Capitalization Grant. We left the loan fund portion alone. So that's why we haven't received the loan portion of the previous grant yet. We will do the same thing

with the 04 Capitalization Grant, apply for the set-aside funds and leave the loan fund at EPA until we need it.

Mark said that they have a tentative schedule to go out for public comment in May and will give a 30-day comment period. Then we will have a month to address any changes that we might need to make as a result of that and get those in place so it's effective July 1<sup>st</sup>.

Mike asked about page 9 looking at Operator Certification as an example. He asked if what we were saying is that we have a total grant of \$535,000 with a set-aside for 04 of \$90,000?

Under Operator Certification, to date we have set-aside of \$445,000 and are asking for \$90,000 more from the 04 grant to bring the total in Operator Certification to \$535,000.

Mike asked if we have used some of the \$445,000? Mark responded that we have used virtually all of it.

Mike asked if the \$90,000 is for the program cost this year and is it an increase over last year? Mark said they started out about \$70,000 and the last 2 or 3 grants they have increased it to \$90,000 due to normal inflation and increased costs.

Mike discussed that as an operator he gets a lot of stuff he doesn't need. He said maybe he isn't as interested in details as some of the other operators but he still feels like it is over kill. Mike said you have MAP, Montana Rural Water and the state doing the same thing and he thinks they are crossing over. The questionnaire responses indicated that it is beneficial. There were some complaints that the regulators have been pushy and not as helpful as they used to be in the past.

Joe said that one of the problems could be the vast size of the state and the ability of regulators getting around. He said they may see him twice a year but some of these small communities they may have trouble finding the operator when they are only there part time.

Mike discussed the inspections that occur from the state or the contracted county health departments are getting so picky that they write up the fact that the light bulb was burned out in the pump house. That is not a sanitation issue and should be none of their business. They should be there to see that the well caps are on and the seals are good on the storage tank. Mike said he meant to bring a couple of reports that were done by DEQ and he thought that we would be appalled at what they include in them anymore. He was "written up" for the light bulb not working and a ladder not being attached.

Joe asked what the liability would be if the inspector saw this and didn't mention it? Discussion was that it's not their job to deal with these issues. Maybe they have gone too far. Mark said that is what he is hearing and he wouldn't mind seeing some examples particularly if they are being over zealous in the scope of what they are to be doing.

Discussion continued on this subject and it was felt that something could be done about this. Mike said he will give Mark a couple of examples and they will try to address some of the concerns. Mike asked who would be the best person to see about these issues. Mark said that John Camden is now officially Jim Melstad's replacement and oversees the Public Water Supply Program.

Mike also talked about a well seal in Polson that the sanitary survey showed should be replaced and in reality it was one of the best kinds of seals available. Mike felt that the person doing the sanitary survey did not have enough training to know.

On page 7 Anna mentioned that we lowered our interest rate and she just wanted to point that out.

Anna noted that on Page 8 is the location of the proposal to waive the loan origination fee. We will re-evaluate each year and hopefully pass this saving on if we can afford it.

Mark asked if there were any other questions on the set-aside table on page 9? Anna said she needed to get some updated numbers for some of those fees and interest down on the end. But basically this is the proposed amount that the other programs want from this grant.

Rich asked what is the reserve authority for? Mark responded saying by reserving authority and by not using the full amount in one year, you reserve the authority that allows you in future years to exceed it. For example the statutory limit is at 2% for small systems technical assistance. We started out taking the full 2% of the Capitalization Grant and we haven't spent it all. If there is any increase in the demand, or if we need to exceed that statutory limit in the future years, we will be able to use it then because we have reserved the authority.

Mark said on page 11 regarding transfer of funds, he will have more changes to make on this. We will transfer some money back to waste water. We need to get some more questions answered from EPA. He pointed out the table where, in general, we can transfer up to 33% of any given years Capitalization Grant amount. The table shows what we have done to date. What we are proposing to do now is transfer 2.5million back to Waste Water. In the past we have brought funds from Waster Water to Drinking Water.

Mark asked if there were any questions or comments and noted that it's nice to have that flexibility to get the money where it's needed.

Mike asked if he could get an estimated cost per system for system checks under that contract. It appears that the intension was to send a letter to every system checked and Mike feels that its not very many systems to have made contact with for the dollars spent. He would like to see the next time around or on this one how many dollars it did cost per each contact that occurred under that contract.

Mark answered that we can probably figure this out. Mark said the contracts are paid by the hours spent for each system. Mark said that our scope or definition is that we want to help however we can. There are some systems that you spend more time with than others.

Mark said that our contract price is probably about 60 or so dollars an hour.

Todd said if you are going back to a system several times it's justified but if you visit it once that's different. There has been a few times that they have questioned the invoices and MAP have cooperated with us.

Mike asked about scheduling and sequencing of site visits for TA Contract and some apparent conflicts as reported on the contract performance summary. Some discussion followed and it was noted that something must be wrong in the report. Mark said they have the information regarding hours per system per visit and can check the dates and make corrections. It was mentioned that it would be easier to put this in date order instead of alphabetical order. Mark said they would resort by date and point out some of the things that we noticed. Mark said they would also confirm our projects and cost.

Mark introduced Gary Wiens as an engineer with the DEQ and he is administrating one of the contracts with Midwest Assistance Program for capacity development. This is an EPA term and in this context we are using it for financial and managerial assistance to public water supplies. Those kinds of services can be vague, and can be things that are not infrastructure but could cover a lot of other things. We just help when we can with this contract.

Gary talked about a couple of communities that they have assisted and said both were really appreciative of the assistance. Gary said that the communities did not have water districts formed and the contractor informed them what needed to be done to form the water districts. Gary said we have this contract because we don't have anyone on staff with experience in that area that we could send out to provide this kind of help. MAP doesn't visit as many systems as on the technical assistance contract but they do tend to give more intensive help and they are out there for a longer period of time. To date we have assigned them approximately 100 water systems or communities. They provided help to about 25 systems a year. Approximately a quarter of the systems assigned either declined or didn't have need for the assistance. We have renewed the contract based on good feedback we have received on our questionnaires that we mail out every year. We contract with Midwest Assistance Program for about \$75,000 a year for these services. Right now we are evaluating their efforts from last year. Gary said they sent out questionnaires to 21 of the systems that they visited in the last 18 months and so far he received responses back from 7. Their comments have been pretty positive. Typically we get about a 50% return rate. Before asking for concurrence on any action we take Gary said he would provide a summary of those comments. So we expect to make a recommendation within the next month or so. Contract expires at the end of state fiscal year on June 30<sup>th</sup>.

Mike commented that amounts to about \$3250 per community and questioned if we felt they are getting there're moneys worth? Gary felt they were. It was questioned if he had an average of the number of hours that they are spending on each. Gary said the current contract is for \$64.20 per hour, so that's close to 50 hours per system. Gary said that he does keep track of this information and if they are going over 60 hours they are to contact him for approval. Gary said he has asked for their time sheets as well. The information such as hours per system could easily be added. Based on simple math it seems expensive so this would help to justify these dollars.

It was asked that if the renewal of the contract will be for the same dollar amount or by statute or are you allowed an increase? Response was that we can change it, but we have been renewing it for \$75, 000 which has been about the optimal amount to meet the demand each year.

Some discussion continued about the obligation to contract out 2%, and this has been used specifically to contract out what we don't have the expertise to do or the manpower to do. However, the more we take to put in the set-asides the less we have for the loan program.

Mark Smith introduced Marc Golz as our next speaker. Mr. Smith said that Rob Ashton is the person in our office that is manager of the TA contract so Marc G. is not familiar with the recent data or details. But Marc was involved with setting up the contract and helped write the RFP with a group of people and hired this contractor. Marc Golz worked with the contractor for a while so he is familiar with what they do.

Marc Golz explained that this contract is to provide hands on operation and maintenance type benefits, mostly for operators of water systems. There are technical assistance providers in the department and in other organizations. This contract supplements all of those efforts to attempt to meet overall demand.

It was asked if we knew how many systems are visited per year? The response was that Rob had tabulated this in the survey response. So far it looked like 50 or 51 visits. In the Intended Use Plan we projected 90 a year or somewhere in that range.

Marc G. said regarding the hourly cost it may seem high but it isn't really. It's a loaded rate and compared to some other contracts for consultants and technical assistances services, it's cheap. Marc thought the rate was around \$64 per hour, for this contract also.

Mike commented that this is just one of the assumptions and they would like to see more detail in subsequent reports. He referred to the example we talked about where the visits criss-crossed the state in a date pattern that seemed unreal. So that's the details of the contracts that we would like to see. Mike said that is why we have contracts reviewed and looked at so we can find any problem that exist and make certain that they are a good deal. But this first report doesn't give us enough information for that purpose.

Marc said that the one thing he is confident in is the hourly cost. Those won't bend and they have to be justified. So we will be able to provide this detail in subsequent reports.

Mark G said one thing to look at is the summary of the responses in the survey. We've done the survey every year and we try to adjust it according to the input we have received from this group. The responses have always been good, of the responses we get they have consistently scored fairly high. So that has given us some confidence. We get a few letters a year from towns, mayors, or operators who this particular contractor had assisted and they have given high praise to the people that have shown up there. You can see that we have received 46% responses back to date. We normally receive about 60% to 65 % responses back. Marc thought that we have one or two years left to renew this contract.

Mark S. said there is some confusion regarding the number of contract renewals allowed. Initially it was 7 years and then the contracts officer reduced it to 5 years, but we have at least one more year left before we need to advertise for RFP's again. Mark briefly discussed the renewal of the different contract and said that he and Anna had discussed the best way to do this. The feeling was to possibly issue more than one contract, see what the demand is like and how it can be best utilized by everyone. Mark said we don't want to do overkill and will just have to assess what the best thing to do is, as the time comes. Mark said we would be seeking comments and input from this council. As long as things are going good and we are accomplishing something, and the systems seem to benefit, we will continue with the process. Mark asked for questions or comments?

Mike requested that the contract summary reports be updated with the additional detail discussed for both contracts.

Mark then introduced Joe Meek as the manager of the Source Water Protection Program.

Joe introduced himself and said the Source Water Protection Program is now under the Technical Financial and Assistance Bureau after the agency reorganized. The Source Water Protection Program exists pursuant to the requirements of the Federal Safe Drinking Water Act that says the states shall do Source Water Assessments for each public water supply in the state. The Feds, in reauthorizing the act in '96, gave states 24 months and then another 18 months extension period by which time to get all 2000 reports done for our state. Many states, including Montana, said that the deadline was unreasonable and said we wanted to do reports that actually generated some value to the water system, not just some report that met federal mandate. So Montana has informed the feds that our end target date is at the end of fiscal year 06. Joe said we are doing what we and the EPA reviewers consider high quality reports.

One of the things the Public Water Supply Program is working on is monitoring waivers or monitoring relief. The ability to provide some relief to the water systems based on vulnerability assessments. So if certain chemicals aren't used or certain land use practices aren't engaged within specific areas, then that water system shouldn't have to do monitoring or as frequent of monitoring for those contaminant sources. For some of the bigger systems it's really not much of an issue but for many of our smaller systems

like our rural schools the monitoring is costly. We have about 2000 water systems in the state of Montana. The largest percentage of systems is “transient,” and we have been using student interns to get the transient type of reports completed. This allows us to do them in a fairly rapid manor. Our level of effort is intended to match the risk associated with a particular water system. We prioritized the bigger systems at a higher priority because they serve more people and we also looked at the hydro-geologic setting and would determine which were more vulnerable then and focused on the higher vulnerability ones first. We completed all the surface water systems first because they are vulnerable to large spill type events.

We have completed about 1000 of these assessments and still have another 1000 to do. Its taken us some time to get here but again the remaining systems are lower priority so they are smaller systems with less vulnerability and consequently will be easier to do. Also our methods are getting more refined and consequently the reports are getting done quicker.

At this point Joe passed around some reports that he brought along as examples for people to see. Joe then described what elements are included in the report such as type of system, geographic location, economy of the area, hydro-geology, how water flows in the area, potential contaminant sources, barriers to contamination source, what the public water supply consists of, etc. Joe then talked about some examples of hazards to the systems such as leaking underground storage tanks and different barriers that would protect the water source. These reports are intended to be a fairly thorough overall description of the water system and the area that the water system is in. So the water system operator, the community, the DEQ or EPA trying to deal with a contaminant event would understand some basic parameters in an area before they go and jump right into it.

The next step beyond source water assessment is encouraging systems to complete source water protection plans. We do the technical report and some of these systems are going to have high susceptibility to significant potential contaminant sources for which some local planning effort needs to occur. Joe felt that currently that about 25% of systems are in need of protection planning for their water source now or in the future as things change. Then Joe talked about getting the public and communities involved in protection planning and the different departments that need to be involved with protection plan development. Joe commented that the public needs to be kept informed and offered opportunity to participate in the process where it’s necessary and reasonable to do so. Joe talked about working with Montana Rural Water and the city of East Helena on a source water protection plan for their system and all the different variables and complications that can happen in the process. Joe said that we have a protection plan in place with Phillipsburg and Thompson Falls.

Joe said that as far as the Intended Use Plan and Source Water Protection budget we are operating on a onetime set-aside out of the 97 Grant for the delineation and assessment report completion. We continue to operate under that one time set aside and we will use that up in fiscal year 2005. We also operate under a set-aside for program administration

and technical assistance. That's 100,000 dollars a year set-aside as you can see in the Intended Use Plan on page 15 it lists what our specific goals are. One of the things we've done in this whole process that's been key is developing access, and simultaneously public access to potential contaminant source information. If a community is truly going to embark on some type of source water protection planning they need to be able to get at that information. We also provide as much technical assistance and training as we can. We participate in all of the major training events that DEQ engages in as well as Montana Rural Water and Montana Association of Water and Sewer Districts.

Joe said the other set-aside used by this program called the Wellhead Protection Program, was a onetime set-aside and has been used to complete the Source Water Delineation and Assessment Reports. We are asking for an additional 40,000 dollars for a variety of things, such as the use of college interns. Typically we use 3 or 4 Carroll College interns from the Helena area on a part time basis during the school year then full time during the summer. We also have students from MSU working under the geology department there on assessment reports. The Montana Bureau of Mines and Geology in the Billings office do these reports as well. We also have students through the U. of M. We have scattered it out across the state trying to make it as cost effective as possible. Joe then discussed the various success rates with this program.

The Source Water Protection Program also responds to groundwater information requests; because DEQ reorganized several years ago we no longer have a ground water program in the agency. So when you try to find someone to call about groundwater issues in the phone book it's difficult to find. Our program has taken on a lead roll for groundwater issues. We have been participating with EPA and our surrounding states to develop a ground water protection strategy for states. As times change we are in the 5<sup>th</sup> year of drought now and interest is becoming much more focused on groundwater supplies. The EPA and many other western states see a larger potential for development of groundwater sources and groundwater protection now than it has in the past. The development of this will all depend on funding.

The development of monitoring waivers for public water supplies is under this set-aside. We are working with John Camden to develop a process by which some official person (like one of SWP's hydro geologists) would do a site inspection when the system requests a monitoring waver. We could then verify that the system doesn't appear to have the contaminant source out there and we would make a recommendation to the public water supply program that a waver be granted.

Mark asked how do you measure success?

Joe responded that states are going to be required to make available the delineated areas for these water systems. So if this report is done properly we should be able to open up to one of the maps and see what we call the inventory region. These maps will show water flow characteristics of groundwater and surface water. If we can show inventory regions for 2000 water systems we're going to assume we've been successful at doing delineation and assessment reports. Its kind of crude but it's not a bad way to go. There's a real

purpose to providing these things as a map layer, maybe not to the feds but to people working in Montana. The value is when we site new potential contaminant sources or when we put in underground storage tanks, sewage lagoons or out falls or discharge points, if we know where these inventory regions are, we as an agency might think differently when they are within the inventory region. So it's a good measure if states can utilize it.

Mark asked for other questions for Joe.

Rick asked if he had heard him correctly when he said he told the feds they weren't going to be able to meet their timeline and what was their response?

Joe said the response was that they acknowledged the letter that we sent to them. They didn't approve it and said they won't approve or disapprove, they didn't have the authority but they would acknowledge it. So that's what they did.

Rick said: so if you don't meet the 2006 deadline then what?

Joe said we will meet that deadline and explained that the systems left are lower priority and will be able to be completed quicker.

Mark asked for anything else?

Mark then introduced Jenny Chambers of the Operators Certification Program.

Jenny Chambers explained that the Operator Certification Program falls underneath the Public Water Supply Section. They regulate both community public water supplies, and non-transient non-community public water supplies and waste water systems. Ms. Chambers explained they have actually three funding sources, the set-aside money, which is 90,000 dollars annually, fee income which is from new application exam fees and renewal fees for all of our water and wastewater operators. They have another federal grant program that was developed under the safe drinking water act that said they had to have certified operators. Small systems under 3300 and have to get certified operators, and we reimburse them for the cost to become certified. This includes the exam prep training, renewal fees for operator's continuing education requirements and the travel to and from the training courses. That's been somewhat successful we have 1.6 million dollars in that and we estimated that we spend over 400,000 dollars a year except in the last 2 years. So we are trying to look at new ways to get that money spent that would benefit all small system operators.

Mark asked if this was reimbursement.

Jenny said yes that she had talked to Mark about possibly going into the reserve money that Operator Certification had from fiscal year 2001 where they have 70,000 dollars they didn't use. Normally we had 90,000 dollars a year and we would carry about 30,000 dollars over and all the money from set-asides was used for three program staff and

program administration, printing, graphics charges, sending off study guides, exam materials, record keeping and data entry of the CC requirements. We are now starting to spend that faster than we have in the previous years. This year we implemented a conversion of our current water exam that was developed by DEQ department staff and we are changing to a Montana prescript fixing which is a national organization item bank. Montana needs to develop and pull in questions based on our own state laws and then use this item bank to develop new exams. There are benefits to this. They grade them and keep track of the statistics of how many questions an operator missed each year. They validate and justify the exam, EPA approves the program, and then operators in the state of Montana can get reciprocity a lot easier if they chose to take their license from Montana and go to a different state. The Exam Development Contract was for 25,000 dollars and was to be funded out of SRF set-asides. Jenny said they funded about 10,000 dollars out of the set-asides and the other 15,000 dollars will be funded through the Grant Reimbursement Program.

Jenny talked some more about funding and said she tries to watch her budgeting to make sure that if she is developing something new that it's getting charged to the right organizational unit. She said they had increased the wastewater renewal fees by 10 dollars in an attempt to stabilize the funding source. The success of this program is measured by the competency of the operators. It's hard to measure unless we check the public water supply and see which operators' systems are getting violations. Jenny said that in the state of Montana there are about 890 community non-transient water systems that are required to have a certified operator and about 230 waste water systems that are required to have a certified operator. Montana is over 95% compliant with this requirement. Jenny said it is a measure of success just to stay on top of required certified operators and the level required for each operator. She feels Montana has developed a successful program.

Mark asked if there were any questions.

Mark then introduced John Camden as the program manager for the Public Water Supply. John said he is seven days into the job and surprised to be here. John explained that under the Public Water Supply Section they have two field offices, one in Billings and one in Kalispell. They have engineering services, the operator certification program, a homeland security person, compliance officer, and data management person. The funding sources for the program are an EPA grant, which funds 75% of the program and they charge a service connection fee which funds 16%, and then we have the RIT that matches part of the program funding with 9%. And we also have the set-aside SRF. They provide a client review service and charge the consultants to submit their plans for review. With the SRF set-aside we fund right now two FTE, one in Billings office and one in Kalispell and are in the process of hiring two more right now with approval received from the last legislature. The new hires will be in our field offices and those individuals will provide technical assistance to the operators.

The EPA has mandated seven rules that are going to affect all the communities in Montana. The first is the TCR rule which is looking for bacteria with a monthly sample

and that's our primary number one acute health risk. Then we have IOC contaminants that are the metals, VOC which are volatiles, and SOC that are synthetics. These are the contaminants and chemicals that we look for in water supplies. John then talked about a problem they had in the Bozeman area. Technical assistance is provided to the operators that are having a problem. In Montana there are about 2100 public water supplies. 660 of these are community systems from small subdivisions of 25 people, up to the size of the city of Billings. There are about 250 non-transient non-communities that are schools and factories. Then about 1100 are transient systems that are bars, cafés, and campgrounds. John said that 95% our problems come from the 1100 transient systems because they don't have certified operators. So if they get a bad water sample we are there to help.

Mike asked if the assistance efforts such as a TA, Boil order or what ever, is that assistance different from doing sanitary surveys or inspections, and also wanted to know how many of those a year they do?

One thing we were talking about earlier this morning was overwhelming the systems with all of this assistance. Map, Rural water, us, you said no you don't think so I'm just kind of curious if we have more on that, or numbers or what exactly.

John explained that they do between 400 and 500 sanitary surveys a year between staff and county sanitarians. We have 10 contracts with the larger counties to do the smaller systems. Then the Cadmus Contract is to do the other counties' sanitary surveys for us. This is the only set-aside money that we use for sanitary surveys. If a major problem occurs and we can't have a staff member there for 8 days we may have a Cadmus contractor respond.

Mark asked if they knew how many visit or systems that Cadmus goes to a year? John said between 125 and 200. He said they also assist with lead, copper, chemical monitoring, and schedules. John said the EPA is hitting them with a proposed groundwater rule that if the aquifer were sensitive to viruses then PWS's would have to do baseline monitoring for viruses. If they exceed the virus count they will have to put in some type of disinfection, which is going to cost the system some money.

Mark commented that it's hard to measure if you're doing something good; when overall it's a preventive sort of thing.

Mike then talked to John about the issues regarding the light bulb being written up and being written up for the ladder not being attached and the well seal, all mentioned earlier. Mike said he feels it's a matter of education improving upon the quality of the inspection process.

John agreed 100% with Mike that what should be written up are the issues that could affect the people that will be drinking the water.

Mike left the meeting at this time.

John said two more staff members hired would make four people staffed under the SRF set-aside program. John said they'll take all the money they can get and they are not getting any additional funding through the EPA grant. If we do get more people we will need to fund them with SRF set-aside. John said that he and Melstad projected a couple years ago they would need a staff of 55 people by the year 2010 to be able to manage all these rules. Were not going to get 55 people and we're about 10 people behind. John said the staff that he has does an outstanding job and stays on top of things. But as we move slowly forward I'm going to use the SRF set-aside money to bring new people on.

Joe asked: Where does the 2 dollars per hookup go from the cities. John said it the 16% he talked about in the beginning that is used for match with the EPA grant.

John said they charge a flat fee of \$100 for community systems. So if they only have 30 connections that would only be 60 dollar and the minimum fee is \$100. Non- transient and non-communities we charge a minimum of 100, non –transients are \$50.00. They are looking at a fee increase of \$.25 or \$.50. The \$100 fee would increase to \$110 dollars or \$105 and the \$50.00 would go to \$55 or \$60.00.

Mark asked if the use of those funds is designated for specific activities..

John said how it's done is you spend the federal dollars first and save your fee money for last. He said they use a lot of our fee moneys for contracts. We have a contract with Montana Rural Water, the contract with the counties to do sanitary surveys are funded with fee money as well as the contract with the Montana Environmental Training Center to fund a training person.

Mark asked if that's where your increase is needed, to fund those contracts? John said it's to fund the increases that cannot be seen here such as, rent, insurance, cost of living. Then he discussed how the service connection fee was born.

Mark said the fee started out \$2.25 the first year and then dropped to \$2.00 and there hasn't been an increase in 10 years.

Joe said: "they get more money from us every year."

Mark asked if there was anything else to add, subtract or discuss more.  
May 8<sup>th</sup> we would like to get the Intended Use Plan out for public comment.

Meeting adjourned.