

MINUTES
DRINKING WATER STATE REVOLVING FUND ADVISORY COMMITTEE
Tuesday May 20, 2008
DNRC Director's Conference Room (3rd floor) DNRC Building, 1625 11th Ave. Helena, MT

ATTENDEES:

Committee Members:

Joe Menicucci
Mike Hutchin
Bruce Malcolm
Todd Teegarden
Anna Miller

DNRC/DEQ Staff

Mark Smith
Joe Meek
Gary Wiens
Rob Ashton

Mark Smith opened the meeting with introductions of everyone and welcomed new committee member Representative Bruce Malcolm.

Lunch orders were placed and travel information was taken for committee members that traveled to Helena for this meeting.

Mike Hutchin announced that the Montana Association of Counties (MACO) will have to find a replacement for him on this committee as he will not be running for office again.

The meeting agenda was distributed.

Mark started with giving a background of the Drinking Water State Revolving Fund (DWSRF) program. The State Revolving Fund (SRF) started as a grant program administered through the EPA (Environmental Protection Agency) around 20 years ago for the wastewater program only. That changed from a grant program to a loan program that was administered by the state also. Then ten years ago they created the drinking water loan program. Mark describes the structure of the program as follows; The DWSRF gets a capitalization grant from the EPA, this amount is around 8 million a year and the state has to provide a 20% match. This program issues General Obligation (GO) bonds to cover the match. As loans are made to communities for infrastructure projects, and they repay the loan, the loan interest pays off the GO bonds and the principal goes back into the revolving fund to be loaned out to more communities for other projects. DEQ partnered up with Department of Natural Resources and Conservation (DNRC) and Anna Miller's program starting back with wastewater program. DEQ handles the technical side of things like engineering and DNRC handles the financial side. The nature of this program is to make loans to a community for projects and a lot of times there will be more than one funding source such as a grant from Commerce or from another agency and SRF will make up the difference. In the drinking water program we also have non-project activities known as set-asides. These are largely outreach efforts such as technical assistance, source water protection, visiting and assisting communities, educating on Operation and Maintenance (O & M), help fix a chlorinator, help with treatment operations, as well as non-technical things like setting up their rate structure or creating a water district. We have contracted some people to assist with the outreach efforts. In summary we make the loans to communities and help them with their

infrastructure projects and then we have a variety of other outreach services available at the request of the community.

Anna said that a lot of Montana communities have infrastructure that is over 20 years old and needs to be brought up to federal and state standards so they are looking for funding. Some communities are experiencing extreme growth and need to improve their infrastructure to meet current needs. When we go into a community we do more than just fix their systems, we teach them how to finance the system and run them as a business. Another issue is water rights, have they gone back and re-examined the water rights since they created the district 15 years earlier and are they still going to service the water district? We run into a lot of interesting stuff in doing our program, getting things in compliance.

Mike Hutchins said that the legislature has capped what they can do with their funding. They need to remove those caps so that they can meet current needs. Joe Menicucci said that he was aware of that also.

Todd Teegarden wanted to add to Mark's overview that the wastewater program has been around for 20 years and the drinking water about 11 years. Originally we were subsidized by EPA and we match with state bonds, and when these loans are paid back they are going to be true State Revolving Funds. The SRF programs will lose their federal grants when they have enough capital that they can totally revolve. Because of this funding our interest rates are the lowest available to the communities. Current rates are 3.75% and disadvantaged communities get a rate of 2.75%. We work with the smallest districts of 25 people up to the biggest like Billings, Missoula, and Great Falls. Anna has some maps that show projects funded and the spread of our funding, we can tout that we do work with set-asides and projects through out the state from little to big. Our goal is to put together a package that helps communities upgrade with the least cost to the consumer or the rate payer.

Anna noted that as Mark said, the DNRC issues GO bonds and match EPA grant money that comes to the state. We in turn loan this out to communities. Anna distributed the maps showing the projects funded by the program. Anna explained that the blue map is the drinking water program. Anna said that the maps are a little out of date and explained that the proposed loans at the end of the sheet are not current. We have finished our loan to Columbus, Havre, Hill County, Kalispell, Lewis & Clark, and Miles City. We will be closing Panoramic, Sunny Meadows, and Upper and Lower River Road, probably in June. These are all drinking water loans. So when we do our report for June 30 you will see these projects move from proposed loans into completed loans. We have a portfolio of over 121 million dollars. By the end of the year it will be at 130 million. By comparison the wastewater program is the pink sheet. Because it's an older program, and been around about 10 years longer than the drinking water program, it's at about 229 million dollars. Anna said again that some of the proposed loans on this program are now completed as well.

Bruce asked for clarification that the drinking water program has currently 121 million dollars loaned and when that money is paid back it will be loan out again. Anna confirmed that that is correct.

Anna said that not only does this program solve problems for water and sewer districts but she pointed out that on the left hand side of the wastewater project sheet you will see DNRC-RDB loans and they are lined up 1 thru 11. This is about 17 million dollars in loans that tie to the green map and are to farmers and ranchers. When a farmer or rancher will go from flood irrigation to a center pivot irrigation system, the non-point source effect is that they are not putting the chemicals and sediment into streams as much. It's much more efficient concentration of application of water. So we are allowed to use this money in our private loan program through DNRC to make these loans to these folks so they can improve their irrigation systems. Which is a good thing as far as we are concerned for not putting contaminants into streams. This program is about 17 million and gets its money from borrowing from the wastewater program. Todd added that they are individuals but are tied to a community and individual names are not included for privacy reasons. The community is the location closest to the land owner. Anna said that on the private loans they have to add some extra items for security and their rate ends up being about 4.5%. In the legislature we have the Treasure State Endowment Program (TSEP) and the Renewable Resource Grant (RRG) program, so if we have loans in a year amounting to 30 million there could be another 5, 7, or 8 million in grant funds that also go to communities. So this is a really good thing for fixing these systems and it's good for the economy of Montana and provides construction jobs. One of the things we are definitely seeing is price increases when we are bidding projects. Petroleum products and asphalt, hauling, steel, plastic everything is going up.

Joe said that because of the contractors being so busy in his area that you're lucky to get anyone to bid. When they do bid they are going to make sure they make a profit. He said the last project they had was really the best bid they have had in a long time on an SID. They got 5 bidders. Joe said the last bid before this bid, they only got one bidder.

Todd said that they had a bid opening in Ekalaka and they received 6 bids and they were very pleased. It was a little above the Engineers estimate but wasn't bad. There is an increase in interest from contractors so this is a good thing.

Mark asked Anna what our total would be. Anna thought 130 million to 150 million. Mark asked what the balance of our unused funds would be. Anna thought about 20 Million. Mark said that we usually don't have much surplus but on the same note, we have never had to turn anyone away. Another thing to note is that we have the ability to transfer funds between the drinking water and the wastewater programs, so that can help us meet demands where ever those happen to be.

Anna talked about the coming year with Bozeman having an 80 million dollar project and they will start with 40 million of that this coming year and borrow about 20 million from our program. Billings has a storage tank project and will need 9 or 10 million.

Joe said that Belgrade just completed a water facility plant but with the current rate of growth they are looking at a projected 34 million dollars worth of improvements in water alone. Belgrade just finished an 8 million dollar project in sewer and will need to put 5 to 8 million in to it if growth continues at the same pace. With the additional population and growth you have to expand your systems to meet the needs.

Mark said it's amazing the dollars attached to these things. Bozeman waste water has also done a facility plan for their drinking water and it was estimated at 90 million.

Mark said the programs do a needs survey every so often, it involves doing a sampling of communities and what their infrastructure status is and what kind of projects or needs they have within their systems. One they did showed 873 million was the grand total needed just for the Montana drinking water needs. In comparison, the total amount funded by Congress for the entire country is about 850 million a year. The needs and the price tags are phenomenal.

Anna said that the bigger cities have good staff and resources but it is the small water and sewer districts that have volunteer boards who really need our help with talking through things so they can make their decisions. A lot of these small systems have part time operators or volunteers that take care of the systems. It takes our time in working with these small systems to get them through what they need to do to work with their communities. This is where our resources are needed.

Mark said we just applied for our federal fiscal year 08 cap grant and that is little over 8 million and we are expecting that approval from the EPA. We should have that approval by May 27th or 28th. The reason this date is critical is that there are some new regulations that will go into effect. New regulations are dealing with an internal or administrative aspect, regarding equal employment opportunities and minorities and women. Since we are already tracking this it shouldn't be too much of a change. We do not know the particulars yet. But we will have another 8 million in the loan fund. With the funding in place we have a year to ramp up on these new regulations.

Mike said that one thing he thinks will be a big impact in 2009 is the Safe Drinking Water Act and the Groundwater Rule. He thinks we will see terrible results out of that and there is going to be a lot more money needed for these systems to do what they need to do. The Groundwater Rule will be extensive in regards to contaminants that you come across and groundwater has to be treated just like surface water. In western Montana we have such high quality water that it doesn't make sense.

Mark said that now pharmaceuticals and personal care products are becoming an issue and they will probably be looking for a way to regulate these along with contaminants that we are not aware of.

Mike said that he is preparing his systems for the results of one bad hit in monitoring and results that will happen from that. If you have to go to chlorination you will have to add another operator minimum to run these systems, plus all the equipment that will need to be installed.

Todd said that our Source Water Protection program will be working in hand with our Public Water Supply people to try to look at ways to meet the rule and minimize the impacts as we do it. Because we know this is going to be a big issue. This is an EPA rule that has come down to the state and we have to administer it. We are going to be involved in monitoring it so we want to hear from everybody on it.

Anna said the cost to fix it is going to be expensive. To a water and sewer district a half million to a million dollar fix is going to be huge over, say 300 homes. If the city of Billings has to do something for a couple of million they've got 80,000 people to spread that cost over. So for small communities this is going to be a huge impact.

Mike said that he just had the first hit on one of his wells for fecal coliform in 7 years. It could be the lab so he is retesting. Todd said hopefully you can validate that something was wrong here so we don't have to go to disinfection. There are a lot of different ways you can pickup a contamination.

Todd said on the other side there are some systems that get a lot of hits and they really do need to disinfect to protect their users.

Joe asked why they continue to approve septic systems in the rural subdivisions. Todd said that they are really looking at them now. They are looking at zoning in the Helena valley and they are forcing through enforcement some lagoons to hook onto the city system, go to land application, as they are recognizing that these systems are adding up to a non-point source load. The nitrates are anywhere from 3 to 6 in the Helena valley due to the development. Your point is well heard and the commissioners of Lewis & Clark County are looking at zoning and the city is an advocate of sewerage what we can. If we are going to approve septic systems then they better be a level 2 type of system.

Mike said if you have high ground water and the right soil type then that's what we do with ours. The problem with that is that it costs so much, they are used to putting in a system for 5 to 7 thousand and now it's 15 to 20 thousand.

Municipalities are putting out, in Bozeman's case, 80 million dollars to treat the sewage. There is a lot of money being spent by communities and not in the rural subdivisions. Anna said developers in some areas think it is too expensive to go on a community system and then 5 or 10 years from now will get hits on the wells and septic systems are failing. Anna is going to talk to the water policy committee about some things we can do to get money to local government for incentives for doing things so that development is done right.

Mark said that we talk a lot about that "smart growth" kind of concept. He feels it makes sense to hook them on central system either of their own or to a bigger parent system. There is still appropriate use of onsite systems, but when you have big tract developments right next door it doesn't make sense. And from the developers stand point, if they can get approval then it's cheaper.

Mike said that it is tougher to find operators for these systems. Anna said that it might come to a time when there will be a lot of water and sewer districts that won't have an operator.

The Draft Intended Use Plan was distributed to everyone. Mark said that we will go through this and answer any questions that anyone might have. First Mark wanted to discuss the needs and upcoming projects. Starting on page 7 is the anticipated funding list. For projects to be on the priority list it has to meet the criteria we set, and then we rank it primarily by public health

concerns. In the Drinking Water program it is mainly about safe drinking water and the Waster Water program is more on the environment, clean water issues. Our ranking criteria are geared toward these goals when we score the proposed projects, and then put them in the appropriate order on the list. This is the first step for a project. Then each year as the project gets funding in place and as the schedule comes along we have a number of projects that we expect to fund. This year in drinking water we are looking at around 20 million dollars worth of projects. This could change. Some might not go this year and a couple have closed already that Mark said he wasn't expecting to close until after June first. Overall we have more projects this year than we have had in awhile. We can also refinance a project for a community that would have to pay a higher interest rate if they went to a bank. We are able to provide a lower interest rate. The projects range from 100,000 up to several million.

Anna noted that on page 9 for the Loma Water & Sewer District, the actual project cost is 2.2 million so they have gotten grants from other places and what they will borrow from us is probably \$150,000. Todd said that they have gotten lots of grants. They have done well at putting together a funding package.

Mark said that this is a typical list where you see every thing from replacing old worn out systems and some where they need to be brought up to compliance with the drinking water regulations. They may need a new treatment system for the up coming ground water rule or they will need some type of required change or improvement to comply with existing rules. Some projects are just consolidating two or more smaller systems. Also on the list are some projects that are refinancing. Mark noted that the last few on the list do not have a rank but that he knows they want on the priority list and he hasn't completed the ranking on them yet. Mark said there could be others, usually one or two that come in late.

Todd said that we have to update this list and submit to EPA our projected program plan and priority list for the next state fiscal year. That is why this meeting is held in May because we are getting ready to send it to EPA in June and it will be in effect July 1. When Mark talks about changes it's for this time frame and the update of that list.

Bruce asked about Gardener Park County being crossed off the list. Anna said that project has been completed and that is why it is being removed from the list. Mark added that the ones on the list that are crossed out were on the list last year, and if a project didn't get done it remains on the list, and we add new projects to that list.

Mark said that Gardiner Park County has had several loans with us. Todd said that they have had four loans. Mark said that he thought this Gardiner Park County loan had to do with replacing a transmission main that was on an unstable hill side. Bruce said they had a pumping station that would kick off when the electricity went off and raw sewage would go in the Yellowstone. Anna said that they have been a water district for years and now they are converting to a water and sewer district because of problems with the sewer system. Mike said they try to talk everyone into a joint water and sewer district anymore. Anna said that Ron Short has been doing a very good job of working with the community.

Mark said that on page 12 it has a summary of our ranking criteria used to score projects for the priority list. The complete or detailed version is appendix one, so if you want to become more familiar with how we score these projects this will give more detail. With drinking water the emphasis is on safe drinking water. Where we award the most points is on projects that are going to mitigate health risks.

Todd asked about the appendix and some that have amounts of \$0. Todd asked if we just haven't put in the final loan amount, or do we not know it? Mark said we don't know the amount. The project doesn't have an engineer and we just don't have any idea of the amount. It might be one that has been on the list for 10 years and we want to keep them on the list. As we get updates we try to update or correct this. You might still see some where they don't know the population but still the largest missing information is the dollar amounts.

Mark said that some of the financial tables might be hard to follow with the strikeouts and new numbers put in. It helps us in the draft phase to monitor progress. On page 16 is an EPA table that can be an at a glance financial summary of the program. It tracks the cumulative sources of revenue as a balance sheet on how many loans we have done to date and the anticipated loans for the coming year or years. When you look at the top half of that, to date counting our federal cap grants, GO bonds, transfers we have done, interest on loan repayments, and all our sources of revenue projected through this up coming fiscal year 09, our grand total of revenue would be almost 160 million. The lower part of that table is the use of the funds showing we have done, just in loans, roughly 122 million and transferred 16 million to the wastewater program. They have done some transfers to us too, in meeting the demands. Our total use is 138 million and that leaves around 19 million plus available for funding projects. In the up coming year we have 20 million planned and in fiscal year 2010 close to another 20 million. This is some of the key numbers but a fairly good summary of the finances from year to year. The bottom line is if you don't have enough money to meet current demands, we are then lobbying for more funding, but if we were to build all the projects that are on the radar screen for the next two years we would probably fall 20 million short. Things change and it is not a static system by any means.

Todd said that we have a goal to find other funding sources and try to be creative because we want to fund all the projects we can.

Mark said the table on page 19 does almost the same thing but it's regarding the set aside activity, which are the non project things. We are allowed certain percentages that we can take out of our cap grant and use on these outreach efforts. This table breaks down how much has been taken out over the years and what's proposed to be taken out of this next cap grant. There will be some folks coming over after lunch and will give updates on their program and how they use this funding. The categories of the set-asides are the administration of the program, and the technical, financial, and managerial assistance, our operator certification program gets funding so they can continue to do training, small systems technical assistance, and source water protection. We will get some details of these programs and their activities this afternoon. Again this table summarizes these funds, and there is some friendly competition over these funds. Mark thinks these activities are good, but we are trying to maintain the health of the loan fund so we can continue to build infrastructure projects.

Bruce asked on page 19 the top half amounts to 14%. Is that 14% of 20 million or 14% of what, and how many employees are we funding with that 14%? Anna said that what you need to know is that 4% is part of the federal grant that we get, so it's not general fund money, if we didn't use that money from the grant then we would be asking the general fund to supply it. Bruce asked about the operators certification, is that a program of your employees doing something? Mark believes they use our funding for FTE and the operation of the certification program itself. There are other activities they do, but with all the activities they do, they will at least help sponsor training, continuing education and workshops, those kinds of things.

Todd wanted to add that the 4% is for Mark's staff to administer the fund that comes right off of the federal grant, there is no state bond issue. That is for three FTE in Marks program plus some for Todd equaling four FTE. The rest of these categories for some FTE but some of them are for contracts. These percentages, the 4%, the 10%, the 2%, and the 15% were percentages established by Congress when they authorized the State Drinking Water SRF program. They said as a state you can use a maximum of 4% for administration and a maximum of 10%, 2%, and 15% respectively. So if you add those up, by law we could use about 30% of the funds on these activities whether they are FTE or contracts, and we use about 15% out of the 30% total. These were established by Congress that we can't exceed. As Mark mentioned we are trying to use 15% as a goal for the state because we have demand in the loan program to fund projects. So we have made it clear even to our director that we don't want to go up to 30% for our set-aside activity. So every year Mark gets requests for this funding and we sit down and hash it out and then run it by this committee here for your input. Mark said the percentages are of this years cap grant for the federal 08 year, the one we are just getting approval for. For example, that 10% subtotal of 814,000 is 10% of our total grant amount which is 8, 146,000. So it's the percentages of the current upcoming years grant. Bruce asked if we take the 814, 000 from the 8,146,000, then is that what goes out to the communities? Mark said exactly, plus the state match. The GO bonds which we issue is 20%. It almost turns out to be a wash. If we got an 8,000,000 cap grant, we do bonds for 1,600,000 that goes into it and we take out this year 1,300,000 to set-asides. So its cap grant, less your set-asides, plus your match, and this is what becomes the loan fund. Anna said that all of these things tie together, like operator certification for example. Once we make a loan to water and sewer districts and they do improvements of a million dollars or more we want that community to keep that system up to provide good safe water so the state should make sure that they are offering training to keep those folks up to date and certified so they know what new rules are coming and how to test.

Mark said towards the back, where the set-asides discussions are, we've got some updates. For example under operator certification, the 90,000 they are getting out of this 08 cap grant is for the funding of three FTE. It looks like that is what they are using the SRF funding for exclusively. The other programs use at least a portion for FTE. Public Water Supply is not updated yet for this year. Last year they got 550,000 for 7.5 FTE water quality specialists and the IUP describes the things those people are doing. That program is largely a regulatory effort but they also do some field work such as sanitary surveys and assistance to water systems in the field. We will visit with these folks this afternoon and they can give you a much better explanation. In this part of our Intended Use Plan, this is where those activities are described.

Todd said that it has been a catch 22 for us managers in the program because when EPA allocated the SRF they said here is some federal money to help you states administer your program. Use these set-asides and that's why it's 100% federal money and not state GO money that goes into it. We go back and forth with these programs on funding each year as well as our director and EPA. This is not a long term source funding. These set-asides will go away when the federal grants stop. The EPA says use these funds but there will be a point where the federal grants stop and these set-asides will go away. We will still have our administration but that will come through the recycled part and 96% of the fund will go to loans. The wastewater is setup that way right now. There are no set-asides. We get 4% of the federal money and 96% is for the projects. In this program they wanted to add these to help states fund some of these activities for EPA requirements.

Mark said originally the federal act only authorized drinking water cap grants through 2003, but Congress has continued to appropriate the fund every year. The drinking water SRF continues to get funding every year where the wastewater continues to get cut. At this point it is year by year and it may not be far out that the grants get cut and we will need to be self reliant.

Bruce asked that if you are getting 8 million in grants then you should be getting some back from repayment of those loans you made? Mark said yes. Bruce asked if that would be added to the 8 million. Mark said absolutely. Anna said that about 4 million comes in a year for the drinking water program and the wastewater program has about 10 million because their program is more mature and has been around longer. Todd said that when this number gets high enough then we will no longer get federal grants and will truly be a revolving program. We estimate that we will need about 15 million in each program every year, plus or minus.

Bruce asked what the relationship was with the tribal lands? Mark said that they are eligible for a loan but we haven't done one to date. Mike said that when they do the Pablo water and sewer district within the reservation, the reservation benefits and reservation numbers apply. Mark said indirectly they benefit. Other projects were: Wolf Point, Harden, and Ronan. Todd added that to date there have been loans with the public entity and not the tribe per say. Anna said that the EPA has tribal set-asides and they can get money from that instead of competing with every community for the money in this program. So they are smarter to use those resources.

Anna said that Joe has been through the process of our loan program. Joe said in all honesty it was beneficial to them and the rate payers. They were able to combine the SRF loans and a couple of grants and keep rates at a reasonable rate for all of the users. When you have a community like Belgrade where you have a lot of growth and a lot of young families where they are making large house payments, and you start raising the rate for water and sewer by even a few dollars, it makes a big difference to them. Joe thought that they probably have the lowest rates in the county and partially because of the population they serve. They are not eligible for some grants because they have 41% low or moderate income households. They have 2 income households for 75% or 80% of the households in the city. The concern that Joe has is that they are one job away from loosing everything they have. It takes two incomes to be able to make the payments and keep their head above water so we certainly don't want to burden them with added water and sewer payments. Joe said that his original projection when they did their sewer system was a 50% increase in sewer rates and they ended up 14%. Joe said that thanks to the SRF they

were able to do that. Mark said he was glad to hear him say that because that's our number one objective or goal, to soften the rates and do good and still help communities maintain the infrastructure. That's what we are trying to achieve. Joe said they are building schools so fast that the taxes are going up just to pay for schools.

Mark wanted to talk about the project priority list which is the last four pages of the Intended Use Plan. The list is from the highest rank and biggest need on down through around 150 or so projects. There will be more that Mark has to add to this list before it becomes final. This list defines the needs of various systems around the state. The project stays on the list until the project is built whether we fund it or not. This is a comprehensive list that identifies needs and sometimes the other grant programs or loan programs, both state and federal, will fund a project and we are not involved. Once we know the project is built we will take it off the list. If a community has another project that they want to get ranked and add to the list we put them on there. The interest from the general public's perspective and communities is, are they on the list and where do they rank, and what are their chances for getting funding. To date we haven't had to turn anybody away, so if you are project number 92 and you are ready to go, we can bypass the higher ranked projects. We notify them that we are bypassing them and usually can assure them that the funding for their project would not be jeopardized. We will have a public comment period on this entire plan for the upcoming year. We are behind on that this year but basically we will have a public hearing some time in the month of June and the 30 day comment period will be the month of June, give or take a few days. We want to have it finalized and in place by July 1st. Drinking water will partner up with wastewater and put legal adds in all the papers probably next week, and start the comment period. We'll pick a date that we will have the actual hearing in Helena and then the close of the comment period will be the end of the month. Usually we might get one or two people that show up at the public hearing and we might get a few comments by phone calls or emails. Most of the time the comments received either in person or other means are projects wanting to be added to the list, or asking how can they get their project ranked higher. They can get ranked higher if there are changes or something. Usually I can assure them that right now, with the cash flow, your rank isn't as critical in our program. We haven't had to turn anyone away. Mike commented that you will put this on the web also.

Break for lunch.

Mark said he wants to introduce Joe Meek who runs our Source Water Protection Program and turned the floor over to him, asking that he give us an update of his program.

Joe said as you folks may know we currently fund the equivalent of 2 FTE using drinking water SRF set-aside money. We do that under the source water administration and technical assistance set-aside and also under the wellhead protection set-aside. Currently when you put this on paper they seem to be redundant. We do separate out the functions that we provide based on these two different programs that we use. Joe said he wants to run through what they do with the funding. A big one is that we continue to support the Montana State Library Natural Resource Information System online mapping tool with some financial support and also with technical support. Public water supply data and mapping that you can do online is supported by the SRF set-aside that we utilize. It's really critical because it helps anybody that needs to know where public water supplies are, what's in the vicinity and so forth. It provides ready access to that

information in an online format. A lot of consultants use it, and public water supplies use this sort of information. Staff in Joe's program use this information on a daily basis. For example we do reviews on about 80 new public water supply sources per year. Those come through our program and we look at it from a larger source water perspective, long term viability of the water system with a particular water source. And we use this NRIS online mapper on every one of those we do. It allows you to plot out where things are and allows you to look at it from an aerial image perspective so you can see features and get an idea of whether or not there are specific concerns. It's important because Joe feels that one of the greatest benefits we've had in public health protection via public water supply protection has been in sighting these new wells in the location that's the best that can possibly be selected. There is always consideration based on the practical issues such as where the water main is, where the storage tank is and so forth. But where we can locate a well in a matter that it won't be subject to potential contaminant sources, we are able to do that. Ten or fifteen years ago we probably weren't doing the best job we could because it wasn't always evident where that stuff was. Now I see us actually changing locations of well sites. Joe thinks that Source Water Protection comes not from the actions of a public water supply via ordinances and what not, but by how they locate things in the first place. If you don't have to do an ordinance or change something simply because you picked a good spot to put your well in the first place, that's the cheapest protection you will ever get. So that's what we're after and we use the NRIS mapping tools to help us get that point. Consultants now use it so when they propose a well site they are able to use the same tools that we do and it makes the process a lot simpler. We continue to do education outreach specifically through the DEQ sponsored water schools. We do both from a source water perspective and also through an overall education of groundwater hydrology in Montana perspective to help make some of the water school stuff interesting to water system operators. We are doing at least four locations and sometimes more than that per year. Joe's program staff is involved in all of those. They have one this week here in Helena.

Something else this program did that is a fairly significant issue, was prepare what we call county packets for local governments trying to alert local government entities to public water supplies within their jurisdiction. Not all county planners, county health departments, or county commissioners are really aware of what a public water supply is or how many there are in their county. They keep hearing about these things and where are they, so we provided these county packets to all the counties in the state. In fact we sent these packets typically to about five entities in each county. Those being: County commission, county health department, county planner, local DES, all received them and forest service, BLM, or conservation district may have gotten it depending on the location. It's a simple approach to help folks to have an overall knowledge of where stuff is at in the county and what a public water supply is. Most people think of the community as a public water supply and don't think of all the others. At this point Joe presented one of the maps (Mineral County) and described the listing of the water systems and how many people they serve, then a graphic representation generally speaking of where they are at in the county. So as county commissioners are in charge of making decisions about subdivisions and other infrastructure stuff they will have knowledge of where some of these things are. We recognize that in the case of the commissioners they may not want to look at this because they are inundated with stuff but we attached cover letters to these that went to the county planner and county health department asking them to work this in with what they do when dealing with the county commission. So this is a significant effort by us to raise the

awareness of public water supplies across the state. It's interesting in that we have had some responses to this. In fact Gallatin County is doing neighborhood planning and we got a call last week asking for more information as a result of this on a neighborhood plan development process that is underway for the Manhattan - Amsterdam area. Planners again may not know that any system serving 25 or more people is a public water supply. Mark asked Mike if he got his packet? Mike said he couldn't recall it. Joe said that is why they sent it to the county planner and county health department with a cover letter specifically asking them to use it where they can with the commission. We did get feed back from some county health departments and commission saying that was a good way to do it. So that's what we did. Mike asked if he could have the Mineral County map and Joe gave it to him. Joe said they also sent some attachments with it in addition to the cover letter. How might I use this information and why should I care about this? As you folks know, it's easy to talk about things you should do and it's harder to implement. We're all constrained by the realities of life. We recognize that and it's hard to make inroads in source water protection. That's why we emphasize about the greatest protection coming from how we locate these things in the first place. Nationally EPA did think that every community in the nation would have a source water protection plan. We don't think so. A community may not need to write a source water protection plan if they did a good job of locating their well in the first place.

Joe said they continue to work also with some other technical assistance providers on source water protection stuff. The biggest one is Rural Water. Rural Water continues to be a significant presence in Montana as far as source water goes. They have a source water protection technician now that is working across the state. The best example we have currently underway that is a cooperative effort, is with the city of Hamilton. We've got a DEQ funded project there and Christy Cline is helping out on that project.

We have continued to provide workshops on well and septic system homeowner operation and maintenance. From a source water perspective we have gone through all the data that we have that we generated as a result of our source water assessments and learned that agriculture run off or agriculture impacts and waste water treatment (septic systems) are the two biggest risks. They are everywhere out there in the state. It's not to say they are contaminating but they are the biggest risks. So we focus on source water protection activities aiming at helping minimize the impacts from those sorts of things. We have been doing these workshops educating the public on the operation and maintenance of their septic system. Nationally the experience is about the same. Septic systems are a big issue out there and if we can minimize the impact and get people to do maintenance on those we can see a benefit to drinking water, domestic systems as well as public water supply sources. In order to encourage attendance we have set it up so that we can offer realtor continuing education credits and we have done a couple of big realtor workshops. One up Kalispell had about 90 realtors in attendance so the idea is that if we can reach out to them eventually there will be some trickle down effect. We did one in Missoula here recently, they limited it to 45 attendees and they filled up and had a waiting list. They are very well received because these people apparently don't have ready access to this information and maybe from a source they feel is reliable. When we have done them for the public they are like sponges. It's gratifying to do them because people don't think they know much about their wells and septic systems.

Associated with that Ag and septic systems that are the biggest groundwater contaminant risk out there, we have also been involved with a co-operative effort between MSU Extension, DEQ, DNRC, and a bunch of others to put together this quarterly publication. Joe then passed around copies of the publication. The publication is aimed at helping small acreage landowners manage in a way that is more sensitive to some of the environmental issues that are out there. As you look through this you will see it is not an environmental magazine in that the articles are not environmentally related, but in fact that's the overall intent is to help them manage in a way that has fewer impacts on the landscape. Because it is a collaborative effort we will try to have a water protection related article in each issue. We have one in the current issue on the domestic well maintenance. We have three issues out now and things will continue to improve. Joe's interest is in looking at the source water assessments we have done knowing that agriculture and septic systems have the highest potential impact on drinking water quality. This is finding a way to get at people to help educate them and bring them up to speed on maintaining their systems or their properties in a way that is the least impact to the water resource. They are currently doing about 2500 copies and there is a lot of interest in it, especially in the growing counties.

Anna said there is a group that gets together called WASACT which Anna feels they should have Joe come and show the maps to this group. Todd commented that this is a nice state wide effort.

Mike asked if all the Public water supplies on the maps were GPS located. Joe said it was a mixed bag of data quality on the maps. We have the location sensitivity issue about graphically showing where they are at. They are big dots, but in the public water supply database which is where this comes from, some are GPS located and some are from the mapping tools that we have, some are just place names.

Mark introduced Gary Wiens from the drinking water SRF program. Gary said he is going to talk about the financial and managerial assistance program. This program uses set-aside money that is dedicated for assistance to small public water systems. Since DEQ does not have the staff with enough time or expertise in this area we have contracted out this work. We've been doing this for 7 to 9 years so far. The contract was renewed a couple of years ago. We put out an RFP for a new contractor and Midwest Assistance Program (MAP), who was the original contractor, got the contract again. And they have been providing the financial and managerial assistance for the duration of the program. They have had some staff changes especially in the last year. They lost a couple of their veteran employees who retired and hired several new people. So Gary was curious this year to see if the evaluations show a change and they didn't see any change. Gary sent out about 24 questionnaires this spring to the water systems that received a large amount of the help in the last 12 months. Our results were very consistent with what we have seen in the past. Gary distributed a copy of the questionnaire that was sent so everyone could see the questions asked. The second page gives the results of the surveys. They received 14 responses back all together and not everyone answered all the questions. The net result, the averages that you see at the bottom are very close to what we have been seeing in the past. So it's gratifying to see that, even with new people on board we are still getting a positive response to the program. The comments were consistent with that too. The owners, operators, managers, and bookkeepers that have been getting the help have been pretty happy with what they have been getting. The final sheet is a summary of the systems that received the bulk of the assistance through the program in the last 12 months. (April 2007 thru March 2008) You can see who is getting the

assistance and how many site visits were made, and how much time is spent for each site visit. This includes all of their contact time, preparation time, travel time, the time they actually spent meeting with the water system people and any follow up over the phone and the report writing time. So it encompasses a lot, especially for systems that are in the outlying parts of the state. Since we have renewed the contract you can see under administration there is a zero. Since the new contract they have not billed us separately for administration. All their administrative support is rolled up in the hourly fee of \$64.00 per hour. A few years ago they switched the program manager. Previously the MAP manager was located in South Dakota, and he did a good job, but he was just too far away to communicate with us regularly. The last couple of years they put Pam Higgins in charge of the program. She works out of Lewistown and visits Helena frequently. It's helped us improve communication between DEQ and the contractor. Plus she has done a great job and is really responsive and easy to work with. Mark agreed with Gary, and added that she is down here for the WASACT meetings every couple of months and any time there is something to talk about she will come down or get on the phone. Gary felt that Rob has had similar experiences with her. Gary feels it's been a significant improvement in the program and helped them run a little more smoothly. It's also helped with the change over to the new people, because she has been on the ground and able to provide them with guidance. They have had a few miscommunications and some bumps in the road but overall it's worked well. Mark said that the nature of this assistance is financial and managerial verses what we will hear about next, technical or O & M troubleshooting. With this contract we see fewer sites visited with repeat visits to a more concentrated group. We average 20 to 25 sites a year but they might go back three or four times to follow up. For example, Bruce you were asking about the Gardiner project earlier this morning and I see they were there several times and put in 74 hours worth of time. So again if a community needs help, whether it's setting up the books, district formation or other things we talked about, we are able to help them see it through until they have things under control. The nature of this work is that they will help fewer systems but they might have to go back a few times verses the technical assistance contract where they might just go there once, where they troubleshoot a mechanical problem or fix a piece of equipment. Bruce asked if this would include private entities, for example Emigrant? Anna said they do help home owners associations and things like that. Mark agreed with Anna. Todd added that this is for public water supplies which could be your bars or restaurants or smaller systems. Todd asked if he knew what the Emigrant work was for? Gary said he would have to check to make sure but that may be a situation where they want to form a district and develop a water system that will serve the entire community. That's a situation that occurs frequently. Todd said there are plenty of water and sewer districts that just have sewer systems or just have a water system. It's a way of organizing for applying and getting a grant or federal funding. Anna said the Montana Rural Water Association also provides technical assistance to groups. They have an annual meeting and when you go there you're amazed because 700 community systems that are represented are under the radar and as you drive down the road you don't realize it until you see all these people. Montana rural water works with them, MAP works with them and they are really good with these communities. If something goes wrong they have someone they can call up. They are really good with those communities if something goes wrong they have somebody they can call up with questions like: my operator got sick, or their lines are leaking.

Mark asked if there were any questions or comments.

Mark then introduced Rob Ashton. Rob provided a handout on the O & M technical assistance program. He said that he didn't provide the full results from this year's survey because it's several pages long but said he has it if anyone needs it. What he provided basically summarizes the surveys they sent out for this last year's worth of work. Rob said that we have had this contract for several years and last year they talked about the fact that in 2005 they went out again for bid on this contract, and it was awarded again to Midwest Assistant Program (MAP). Based upon some concerns that we had they went through some changes and they have had a fairly large change in their staff over the last year. So those new people especially on this contract have been coming up to speed on how they do their inspections, what type of reports they submit to us, and what generally we at DEQ and SRF are looking for in their efforts with water systems. So it's been a period of transition, however if you look at the second page of his handout you will see from the inception of this contract the annual visits. So for the 2008 estimate we show the greatest number of visits since 2001, which is when they finally had the contract up and were running it full bore. So they are out there visiting more communities than they have been in the last few years and they are better staffed. The flip side is that they probably don't have the same institutional knowledge on some of the systems that they have had historically, but seem like they are coming up the learning curve fairly quick. Rob has made an effort to send out survey forms sooner than they used to, hoping the number of responses would increase. We have had an increase this year on the number of surveys returned. In the past we have had discussions in this meeting and with the contractor about the cost of some of these visits and our bang for the buck. Even though our hourly rate hasn't changed in the last couple of years we can see our average cost per visit has gone down. The actual time on the site has stayed the same and as you can see from the survey responses the quality of the work appears to be very good for the assistance they are getting in the community. So they are being more efficient with their travel time, communication time, and reporting time. So the cost has come down substantially and worth noting. The last sheet is a copy of a survey that just came in the mail and is not actually included in this year survey response. But you can see the questions verses the average response over the last few years. We have our field offices for DEQ in Billings and Kalispell that MAP is starting to work with, and those field offices that are a little more familiar with the problems the communities might have are using Midwest Assistance as a resource to help those communities. They seem to be doing what we ask of them.

Mike commented that the costs are getting in line. He had a problem for a long while. Rob said he thought that this concern may have been one of the issues behind the staff turn over. Rob also said they still have some issues on some of the methods of reporting. They are still going to work with them. Their new director visits with Gary and Rob much more often than in the past. So that has been helpful, if a concern comes up we are able to express that to them and have them handle it more rapidly than they have in the past. Mark commented that he feels we are getting more efficient and getting more bang for the buck. One issue was that we had seemed top heavy on the administrative end of things verses out in the field, nuts and bolts kind of stuff. There will be things to address but we have seen improvements and are coming in line.

At this point Mark said that Operator Certification and PWS are apparently going to be 'no shows'.

Mark said what we will do from this point regarding the Intended Use Plan, is have our public comment period and public hearing, and then the goal will be for this to become effective on or about July 1. We will send this council final copies as well as copies of any comments we receive. The council will get other things from us through out the year. We do an annual report for state fiscal year 08 and will have this ready later in the fall and will send this out to them. The Intended Use Plan is what we are planning for the coming year and the annual report is what was accomplished in the previous year. We will be in contact and have some communications through out the year.

Mark adjourned the meeting.