

DRINKING WATER STATE REVOLVING FUND ADVISORY COMMITTEE

Tuesday June 5, 2012
DEQ Metcalf Building Room 111
1520 East Sixth Ave., Helena, MT

ATTENDEES:

Committee Members:

Senator Don Steinbeisser
Representative Kathleen Williams
Joe Menicucci
Todd Teegarden, DEQ
Anna Miller, DNRC

DEQ Staff:

Mark Smith
Gary Wiens
Robert Ashton
Joe Meek
Jon Dilliard
Shelley Nolan
Carol Gilmore

Mark Smith opened the meeting welcoming attendees and addressing logistics.

Mark went over the agenda and asked Anna Miller to start with financial reports. Handouts were distributed. Anna said that they have been very busy and have been able to fund everyone that had a need. Anna directed attention to the blue map of drinking water projects and the red map of wastewater projects. So far in 2012 we have done 19 loans in water projects for a total amount of about 7 million dollars and in wastewater, 13 loans for about 13 million dollars. So a total of 20 million so far this year, but there will be more activity in June and the estimate is around 25 million. This is lower than the last couple years and could be due to the ARRA and stimulus funds where people moved forward with projects. This could pick up in 2013. Anna referenced the handout titled, "Montana Projects in the Pipeline". This shows there is another 21 million dollars worth of drinking water projects and another 14 million in wastewater projects. This does not include the application from the Augusta Water and Sewer District for around 2 million dollars. They need to get their project going this summer because it involves a TSEP grant. If they don't have the funding committed they will lose the grant. Also Richland County has called and the City of Sidney has been taking discharge from man camps and overextended their system. They need to decide what type of project they want to put in and how much they want to borrow. What might be a 1 million dollar project could cost more due to the population increase from workers in oil and gas activities. Discussion ensued on the activity out east and impacts on the region. Anna went through the list on the handout.

Mark commented that we are in the off year for combining funding with other funding sources so this should pickup next year.

Anna said because interest rate have gone down we are going through and working with all of our communities to do an analysis of what debt they have outstanding. Anna referenced the "Kalispell Drinking Water Loans" handout. On the handout you can see our interest rates were 3.75% and are lower now and we have been able to pay off a lot of the debt this program has. So starting July 1st we are going to work with communities to restructure this debt. Anna pointed out the amount of saving this will be for these communities using the example in the handout for Kalispell.

Anna said they will work with the communities to make sure they have rates and charges in place that meet the requirements of the bond resolution and make sure their reserves are fully funded. We also now have to file new tax compliance certificates that were not in effect 10 years ago.

Mark noted that when we started the drinking water program around 14 years ago the interest rate was 4% and we lowered it to 3.75% in 2003. Now interest rates are good and we have adjusted our base rate to 3%, with the restructuring of some of our existing loans down to as low as 1.25% on short term loans. This is more attractive to communities, and with loan forgiveness, provides opportunities to some of these communities they wouldn't have otherwise.

Don asked how do you determine who gets these funds? Mark responded that it's mostly on a 'shovel ready' basis. They also have to meet the disadvantaged community criteria, which are the same as the Department of Commerce has established. Basically the combined water and sewer rates must be more than 2.3% of median house hold income. We can take up to 30% of our federal portion of funding and have that available for principal forgiveness. For fiscal year 2013 we have \$8,975,000 and we can take 30% of this, for a total of more than 2.5 million available for principal forgiveness. We will forgive half the loan or up to \$500,000 per project. It is on a first come first serve basis. We like to see the money going for infrastructure and like to apply the principal forgiveness to projects that are ready to go to construction. Anna added that the EPA likes to see this money being used and can take some back if it is not used. Mark added that the reason the money goes to those that are going into construction is to meet EPA's requirements of getting the money out the door. Todd added that we put the cap at \$500,000 so that we could spread it to as many projects as we can. We try to get it to the ones with high rates and that have the need and are ready to go. Talk continued on the different projects included in this funding.

There was then extensive conversation about the oil activity and man camps in the eastern part of the state and the impact on the state.

Lunch Break.

Mark said that we have received the funding that we are going to utilize for our 2013 plan. We've always gotten about 8 million dollars a year and match that by 20% with our General Obligation (GO) bonds. This is appropriated every year but could end at any time. But the need is still continuing for these funds.

Mark said the Intended Use Plan (IUP) for the upcoming year has been advertised and will run for 30 days or from June 3rd through July 3rd. We will hold a public hearing here on June 15th. Generally the only comments we get from communities is to be added to our project priority list. Generally speaking we don't have many changes. We will continue to fund as many projects as we can, along with the various set-aside activities.

Mark noted the list of projects that we intend to fund in this year's IUP. A lot of these we will fund, but some won't get funded as they won't be ready. But still others could come in that are not on the short list that we will fund. Todd added that we have plenty of money in the program so we will fund any project that is ready to go. So if they are not on the list we can add them as

we go and we will fund everything we have to date. Mark added that we haven't had to turn anyone away to date. We also have the ability to transfer funds between the programs. At the start, the drinking water program had a large demand and we transferred funds from the waste water program to drinking water. The last few years there has been more demand for waste water and funds have been transferred back to them. A table listing these transfers is in the IUP. It's an advantage to be able to shift the money between the two programs to meet the demands where the money is needed.

Mark introduced Shelly Nolan from the Operator Certification Program. Operator certification is targeted toward communities and not-transient systems using the SRF funds that are set-aside for this purpose. If we are not at or above 90% certification EPA will ask that we put together a plan to meet compliance. Montana has one of the best operator certification programs in the country. Shelly noted the Operator Reimbursement Grant (ERG) is going away next year. The ERG pays for trainings, travel and continued education credits for system operators. This federal grant also helped fund the operator certification program. Montana's program will spend all of their funds getting operators trained and certified. They have also been helping fund Montana Rural Water to get out and do training for operators because they lost some of their funding also. There has been a request from the eastern part of the state for training but at this time the program does not have the resources to get out there. They have spent over a year trying to get a fee increase and it has failed. It's been the same since 2000 and operators pay \$30 for a multitude of drinking water licenses. They can have 3 or 4 classes of licenses for the \$30. In waste water they pay \$40 for the same. The SRF set-aside fund has gone from \$60,000 in 2006 to \$90,000 in 2008, and the last two years increased to \$120,000, and the operator certification program has spent every dime to support the program. So without the SRF program funds this program would have problems. They collect \$119,000 in fees and that, combined with the SRF set-aside, is the total funding for the program. They have cut personnel positions and moved some out of the program to allow for operating the basic program for the next few years. Kathleen asked about the fee increase process. Jon Dilliard explained that it is an administrative process that has to go through a series of approvals before we can go out for anything that has impact on the regulated community, such as a fee increase. The approvals are within the agency and state administration. At this time a fee increase would be a double hit to the communities. Talk continued on the fee issues and the process and how important this program is to have qualified people protecting the water systems in the state. Shelly said we will have to make a decision as we won't have the training resources in the future that the program has been able to afford in the past.

Kathleen asked about the green components. Mark said these criteria are set by the EPA. The most common category is the replacement of leaking water mains, which falls under the water conservation category. In some instances only a portion of the project will qualify as green.

Mark asked Shelly to summarize what they do with their SRF funding. Shelly said with the operator certification program they have two certification technicians that take care of all the applications and setting up the exams. We have two regional offices and another office in Helena. They track all of the DEQ requirements; do all of the recording, have major database projects, and the billing system. They stay very busy trying to stay on top of the trends and what's going on in the industry and support the basic core program.

With the Public Water Supply program we fund around 8 positions with the SRF set-aside of \$700,000 per year. Those positions are mainly field service staff that go out and do compliance inspections on 2100 public water supplies. They do the prep work and research and go on site to do compliance inspections every three years for community and non-transient non-community water systems. That involves about 800 to 900 systems and the remainder are the transient systems. We are required to do an inspection of those every 5 years. They also help our monitoring and reporting section by doing follow up on health advisories, boil orders, or when a system needs help disinfecting a well, or determining where the source of contamination is coming from when they don't have the resources or knowledge to do it on their own. They also do exam prep training and are very good at getting operators trained so they can pass their exams.

Mark introduced Joe Meek as our manager for the Source Water Protection program. Joe handed out some booklets that describe source water protection. Joe said on page 25 in the IUP there is a description of a source water assessment program and a wellhead protection program. These are two specific programs mandated by the Safe Drinking Water Act that the state implements. We thought that it would be confusing to the public to differentiate between the wellhead protection and source water protection so we now lump them together in Montana and call it all source water protection. In the IUP we still have to show them separately. EPA requires us to define what a successful program is and we use the concept of substantial implementation of source water protection and protection strategies by public water supplies. How we know what we are doing has any benefit is that we also have a goal of a certain percentage of the populations consuming water from public water supplies derive that water from systems that have source water protection plans in place. Originally when the safe drinking water act envisioned source water protection planning they thought nationally that public water supplies in the states would develop discrete source water protection plans. Experience shows that it really doesn't happen. They do elements of protection planning like selecting where the next well is going to be based on some consideration of what contaminants might be out there. We measure our success on how many people are using water from systems that have substantially implemented components of protection planning. EPA has goals for the state and we report that information annually to them. The implementation of the source water protection program is 90% complete plus or minus 10%. The number of systems is dynamic and constantly changing as the systems come and go, so if we have source water assessments completed for 90% we are successful. Source water protection is essentially identifying how water flows to a water system. We identify groundwater flow and what possible significant contaminant sources are in the area that could contaminate the well. We have written 2100 reports, one for each water system in the state regardless of class. Joe provided an example to look at. Federal laws require that these reports be made available to the public so they are all posted and accessible through our website at <http://nris.mt.gov/wis/swap/swapquery.asp>. Joe went over the example explaining the elements of the Source Water Delineation and Assessment Report (SWDAR). Ultimately we identify significant potential contaminate sources and make recommendations on management options that might be implemented to minimize the susceptibility the water system has to those identified contaminant sources. These reports include a table that lists the significant potential contaminant sources and ranks them. From the perspective of the water system this would be the most important thing for them to care about. Joe explained the details of the table. We started these reports in 1999 and we had to agree to maintain these reports and they are now all 8, 10 or 12 years old. Our intent is to update them on a priority scheme that looks at the growing counties in

the state and make them a higher priority. Joe discussed how the pipeline break in the Yellowstone River affected their reassessing a water system that has a pipeline within 1000 feet of the source. Septic systems and wastewater treatment has been identified as one of the top 5 most threatening land use activities out there, were you have community wells on urban fringe. Joe said they looked at what do people know about managing their septic systems, what kind of training do they get, what's out there that is available, and found nothing. So they applied to the EPA for a small pilot grant to put on training for the public on operation and maintenance of a septic system. As an outgrowth of this was the development of the "Montana's Under Ground Comics" of which Joe provided as a handout. This comic was an effort to get people to pick it up and look at it. The comic is meeting the intended use and the first printing was 5500 and the second printing was around 4000. They also provide training to realtors and they get continued education credits to attend. We participate in the water schools that the Public Water Supply program holds, and we do a few extra trainings specifically for water system operators and small system operators in rural parts of the state. For septic system operations and maintenance we do 10 or 12 around the state. We fund our efforts through the SRF set-aside dollars. We also provide dollar assistance to systems to implement source water protection plans. We provide technical assistance to public water supplies. Of most importance is to assist with the location of new wells or water sources. If you put your well in a good location to start with it will relate to the potential for contamination in the future. We provide input to the review engineer here at DEQ on potential hazards that may exist in the vicinity of those construction sites. We also work with Montana Rural Water and Midwest Assistance on source water related projects. We try to make sure the information that is available to us is also available to the public. So we use some of our set-aside to fund data access via the Natural Resources Information System (NRIS) library and the mapping tool. Fracking is an issue for a lot of reasons right now, and have done presentations on the relation of fracking to groundwater and the issues that could arise. We work with local water quality districts and developing districts as well. Joe said that the presentation on fracking is on our website. Links to the comic and fracking information are linked on the left side of this webpage: <http://deq.mt.gov/wqinfo/swp/default.mcp>. More extensive discussion on fracking followed.

Mark introduced Rob Ashton to talk about the Technical Assistance. Rob passed out some handouts and pointed out the number of visits the Midwest Assistance Program made. Midwest Assistance has been contracted with the SRF program for several years now. With this contract that started in 2006, you can see the number of visits has been increasing, especially the last couple of years. They do hands on visits where they look at the system, provide information on sampling, upcoming regulations from the EPA, and visit with the operator to see if there are areas they need help with. They also get requests from DEQ's Public Water Supply Program when a system is having issues such as not passing a bacti sample or having trouble with arsenic, and they will visit these systems and find what the problems are and help the communities through that process. Rob directed attention to the second sheet that shows the results of surveys that are sent to the people that receive the visit, asking what they thought of the visit. The annual averages are fairly high and indicate that people are happy with the service they are getting. Also the dollar costs are listed showing that they have been more efficient with their time and the costs have come down. The costs are up slightly this year due to a price increase not because they were less efficient. The last sheet is a copy of the survey questions. Rob said this contract will end on June 30th and a Request for Proposal has been issued but they have not reviewed the proposals yet. Rob feels it's worth continuing and provides a good service. Mark added that from

our federal grant we can take up to 2% for this activity and under state law we are required to contract out 1.5% of it, so we are obligated to contract out most of this. From the RFP we have received proposals from Montana Rural Water, Midwest Assistance Program, and a new group that he couldn't remember the name of.

Mark introduced Gary Wiens, who manages the Financial & Managerial Assistance contract. He explained that it operates similar to the program that Rob described and also is contracted with the Midwest Assistance Program. Generally it's received positive feedback. Typically they will contact a water system operator and go do an onsite visit and talk to them about what their needs are in the financial and managerial area. Gary provided a handout and the first sheet is a summary of the questionnaire they send out to the systems every year. Generally the responses have been very positive. The final sheet summarizes the site visits made to the systems. MAP made 70 site visits to over 43 water systems this year. They also did more follow up assistance this year. Gary said there was more interest this year in helping with the formation of water districts.

Rob said that historically we have done separate RFPs for each of the contracts, and this year we combined them into one. To streamline the process we have combined them, but we still have the option to issue separate contracts to two different organizations if deemed necessary.

Mark said they hope to evaluate the proposals and get a contract in place within 30 days.

Mark said that he will provide the advisory council with a copy of the final IUP and keep them updated.

Mark said this covers everything on the agenda and he welcomes any comments or input.

Meeting adjourned.