

MINUTES
DRINKING WATER STATE REVOLVING FUND ADVISORY COMMITTEE
Tuesday June 16, 2009
Room 35 of the Metcalf Building, 1520 East Sixth Ave., Helena, MT

ATTENDEES:

Committee Members:
Joe Menicucci
Don Steinbeisser
Margaret MacDonald
Anna Miller

DNRC/DEQ Staff
Mark Smith
Joe Meek
Gary Wiens
Rob Ashton

Mark Smith opened the meeting welcoming new members and stating that this committee is created in our statute and consists of legislators Don Steinbeisser and Margagret MacDonald, Joe Menicucci from the League of Cities and Towns, Rebecca Guay from Montana Association of Counties, Anna Miller representing Department of Natural Resources and Conservation (DNRC), and Todd Teegarden representing Department of Environmental Quality (DEQ). Mark said that Todd is not here today. The Drinking Water State Revolving Fund seeks input from this core group of people.

Mark started off with some overview and history or our program. Most everything we will talk about is outlined in the Intended Use Plan (IUP). We prepare this plan and advertise it to allow for public comment. We get input from this committee and ultimately get the approval from Environmental Protection Agency (EPA) before they will authorize our capitalization grant for any one year. We are just dealing with drinking water, we have a counter part program being the Waster Water program and Anna works with them also. They have been around twice as long or for around twenty years. The Drinking Water program was created when they did the 1996 amendments to the Federal Act and Mark has been with the program from the beginning. This program works in partnership with DNRC. We are set up so that DEQ does the technical things like the engineering review and project management. Anna and her folks at DNRC take care of the financial side for the most part. Administering the payments on the projects and tracking the repayments of the loans. Our funding source is the Capacity (Cap) Grants from EPA and we match this with 20% from General Obligation (GO) Bonds we issue, which Anna and her folks take care of. Right now the Cap Grants are running a little more then 8 million a year. We do 1.6 in match and that becomes our nucleus of funds for the upcoming fiscal year. The Drinking Water Program also has set-asides that are non-project activities and we'll talk about those this afternoon. These involve technical assistance, outreach efforts for public water supplies and a host of things. In a nutshell we get our Cap Grant from EPA and we match it with our bonds and we fund some other program activities. Funding for set-asides and administration of the program is around a million each year. So what is left becomes the loan fund for funding projects. This year in particular we are more than twice as busy. With the ARRA we basically have two programs that we have to keep track of and manage separately. We have projects funded

with recovery funds and projects funded by our base Cap Grant that we normally have. Everyone should have a draft of the Intended Use Plan for the American Recovery Reinvestment Act (ARRA). That IUP is for the pot of funds from ARRA only and is about nineteen and a half million dollars. The draft of our regular IUP base plan for upcoming fiscal year 2010 has projects and activities from our normal annual funding. Projects funded by ARRA have some differences in federal requirements and we don't have to provide match for the federal funds. But the framework mirrors our regular program. With recovery funds alone we are funding another thirty three projects that we may or may not have funded without recovery funds. A handout listing the projects that are being funded with the dollars from the recovery funds was distributed.

Margaret asked if these funds were directly from the federal or did they go through legislative appropriations? Mark answered neither, and that the SRF programs had a line item appropriation federally.

At this point Anna distributed a handout with project cost information. She included Billings, Belgrade and Dutton. The city of Billings is doing a drinking water lines project and they are going to get \$750,000 in ARRA funds as part A and part B. With ARRA funding they are required to buy American and to adhere to federal Davis-Bacon standards. They will also borrow an additional 2.7 million and the city is going to put in 2 million, so the actual cost is 5.6 million dollars for the entire project.

The next project on the handout is the city of Belgrade. Joe said the project is water line replacement and a main line that connects the two water towers. Belgrade will also get the ARRA funds or \$750,000 part A and part B. They are going to borrow more (part C) from our regular drinking water program. They are the beneficiary of WRDA funds. WRDA funds come through the Army Corp of Engineers. So they are an appropriation from the federal government to the City of Belgrade and the City is also putting in some funds. So they are doing a 1.5 million dollar project. This process consists of getting permits lined up and the project designed. The designs have to be submitted to the Department of Environmental Quality to make sure the design is going to meet the standards. We also work with the city so when they borrow this money they have rates and charges in place to cover the loan.

The third project is the town of Dutton and their funding consists of ARRA money, regular SRF money, a renewable resource grant that the legislature approved for \$100,000 and TSEP money of \$500,000. So these programs came together to do a project for 1.8 million dollars in Dutton. You have to mesh all of the program requirements, Treasure State Endowment Program (TSEP), WRDA, special provisions for ARRA money and the regular provisions for the program. It's a lot of work to help these communities do the things they have to do to be ready.

Joe said this year the project bids came in phenomenal. Anna said that is pretty typical, the last five or six projects that we bid have been well under (20% or 30%) estimates. Mark said they have been way under engineer's estimates. It's a very favorable bidding climate right now.

The list of projects funded by ARRA can be found on the mt.gov website or on the EPA recovery.gov website. DEQ has a link to the federal site on the home page and to DEQ's recovery site.

Mark wanted to address Margaret's questions about the projects on the list for funding. Our normal process is to use ranking criteria, for drinking water it is largely health based, waste water it is environmental based, and score each project as they are added to the project priority list. With the recovery funds we added another layer and that was readiness to proceed. Some of the top few projects that we funded were in the queue, and we were already reviewing plans and specs. So they ranked high because they were far more ready to go than any other project. So those top four or five projects were in the queue and when the recovery money came along it was like a bonus.

Mark talked about the framework or mechanics of our regular funding and how it works. Starting with receiving our Cap Grant, then we issue GO bonds for our match, as loans are repaid, the interest on those loans is 2¾ % or 3¾ % that pays off the GO bonds, the principal repayment goes back into the loan fund and revolves to make more loans. We are self sufficient with no general fund money or anything. It is set up to operate in perpetuity. Originally drinking water was authorized through about 2004 and waste water prior to that. Now congress keeps appropriating funds every year but the notion is that this will end. That is the basis of our operation. We started in 1998 or 1999 and we have funded well over 100 projects and made 100 some million in loans.

Anna distributed a handout of maps explaining that the drinking water program was the blue map. She also explained these maps are from December and have not been updated. She said we actually do about 20 million dollars in loans a year on average. Right now we are over 150 million total. With the ARRA funds that will be adding 19 million plus loans to a normal year. We have an interest rate of 3.75% currently. You will see some of these were 4% and that is because they were done in the very beginning of the program. Ten years ago when we were issuing debt it was more expensive and has gotten less expensive so we have been able to reduce our interest rates. If a community qualifies for some hardship money the interest rate is 2.75%. Our staff is getting better at working with these projects just because we see so many projects a year.

The waste water program is on the red map. It's been around longer so they are probably at around 350 million dollars worth of projects total. This program does around 25 to 30 million a year. Anna said if you have been around the legislature you have heard them talk about the Total Maximum Daily Loads (TMDL's). The waste water program and the DNRC have a private loan program to ranchers and farmers. If they will improve their irrigation systems, like going from flood irrigation to sprinkler and this puts less chemicals in the water. They can go to the non-point source program for a loan. Anna explained the first page of the red map the RDD loans are made to the DNRC and they make the loans to farmers and ranchers. The way they note these on the map is by zip codes because they don't want to show peoples names. Anna said it's a good deal for the farmers and ranchers and our program and helps with TMDL's, and it more efficient.

This is an open cycle so people can come in when ever they have a project ready. We will start the process and bring in the DEQ engineers, along with Anna, and the people from the city and their engineers and we all talk about the timeline of the project and the things we have to get ready. We bring everybody together for conference calls periodically. This open cycle includes drinking water, waster water, and non-point source projects. If you have a project you fill out and application and can submit it anytime. Communities try for all the grant money, TSEP, DNRC grants and those have the deadlines because they have to approve them. We are open and they can come in anytime. There is a prerequisite for SRF and the main thing is being on that priority list that we talked about earlier. Once you are on the list you can come in when ever and get a loan. Depending on the circumstances, if you are not on our priority list we can amend it and get you on there. We have to send a notice to those above your project on the priority list. Don asked if we have any trouble with people drawing loans and not being paid back? At this point it was clear that Anna makes sure that payments are made. Anna said that's part of working with the communities is before they make the loan we want to make sure they have rates and charges in place to repay. The original federal legislation emphasis was on helping small communities. 20% of our loans needed to go to communities with under 10,000 people or something like that and was not a problem in Montana. In the first five years of the program that is all we dealt with was small communities. But in the last few years we have made loans with larger cities. When the program was first set up we sent information out to all communities and water systems we had data on to get their feed back and try to identify potential projects and established the priority list. And what that priority list does is basically identifies the need in drinking water. What we do is leave a project on the list until it's constructed, whether it is by us or somebody else. The number one project, Carter Water and Sewer District, might be about done. They got some grants and other funding. When we update this list we will add projects that request to be on there and we will also delete projects if they have completed construction. This priority list just identifies a need and the number one project may use our funding or may not. Often times they are just not ready to move forward with their project. But number five may have hired their engineer and have their funding in place and are ready to go so they will be funded. So we go down the list based on who is ready to go. Margaret noticed that Billings has a 50 million dollar project and Bozeman has a 40 million dollar project. She asked if we loaned that amount. The biggest loan we have made was to Billings for 17 million. When we set this program up we agreed we would not make a loan for more then half of any given years Cap Grant amount or more then 5 million dollars if we couldn't make it work. The 17 million dollar project for Billings was a project that couldn't be completed in one year. So this money was spread over three construction seasons. Every four years the EPA has us do a needs survey. It becomes a statistical exercise, we will survey all the big communities, medium size ones, and small. We do a statistical analysis and come up with the demand or needs. The last one Montana came up with 825 million dollars worth of needs in drinking water alone.

The requirement of American made products with the stimulus funds has caused some controversy. This requirement is included in the bids. It has caused difficulties. There are some wavers to the American made, such as if it is going to increase the cost of the

project by 20% or 25% then you could apply to EPA for a waiver. We haven't had to do that yet. Some components for water treatment like ultraviolet light for disinfection and filtration systems are just not manufactured here. Even defining American made we came to the determination that it just has to be assembled in the US. It was decided that if it was assembled in the US then it could contain foreign parts and still be allowed. It took us time to figure out what met the requirements so that we could advise the communities. Prior to the date of the recovery act which was February 17, a waiver was issued on the Buy American requirement. At the time the projects had advertised and then came the chance for recovery funds, so we would then have to issue an addendum and put in the buy American requirements. Now we know what the requirements are and can cover it.

There are limitations on project financing. This is 5 million or 50% but we have been able to make larger loans without a problem. Disadvantaged or hardship communities are rates we use for communities based on a percentage of the median household income, if the combined water and sewer rates exceed 2.3% of median household income then that is considered disadvantaged and they will receive the lower interest rate of 2.75% for the first 500,000. This target rate is also used by TSEP and Commerce. Originally we were doing it first come first serve, we would take 20% of our loan funds and allocate that for hardship loans. But doing it on the first come first serve basis you funded a couple of projects in their entirety and then this group made the decision to put a cap on it at 500,000 then we could spread that out a little more. We have a number of projects like this where we do the first 500,000 at our lower rate the balance is at our regular rate.

The IUP has an anticipated funding list for the upcoming year. These projects come from the priority list that is the appendix on the back of the IUP. There are 150 projects that have identified needs. The ones on this list are the projects we think we will fund this year. From this list there is a 50% chance we will fund the project. About half won't be ready yet or they will go with a different funding source. But we will still fund that many projects, they just won't be on our radar screen but will all of a sudden want to go. It's a planning tool to be thinking ahead and having contact with communities.

Anna pointed out the various regional water systems that are proposed in the map. Dry Prairie and North Central Rocky Boy are the farthest along and they both received recovery funds. Dry Prairie got 40 million and North Central got 20 million.

Regarding the priority list, we would fund them from the top down based on the highest need. Our ranking criteria are included in the appendices of the IUP. Under the umbrella of safe drinking water they are health based criteria for the most part. If someone has a contaminated system or some other deficiency that has a direct impact to health, correcting that problem naturally earns more points. We have some criteria on the affordability based on the target rates. We have what's called proactive measures, if a system trying to stay ahead of the curve or stay in compliance with upcoming future regulations they receive points for that. Consolidation of systems, where two or more systems connect or join together, and there are economic benefits so they receive points for that. So we come up with points for all of the projects and rank them accordingly. So at that point we talk to communities and get an idea of whom we are going to fund for

that given year. Since we are typically not funding the top ten or what ever for any given year, what we do then is we have a bypass procedure. We basically notify projects that we are skipping over and that we intend to fund the lower ranked projects and assure them that it is not jeopardizing the funding for their project. It's a cumbersome procedure, but it is a requirement of EPA. In an emergency situation it is not a requirement to send out the bypass letter. It's good to notify folks and that's what we do. If we are funding number 20 on the list then we send a letter to the top 19 and say were going to fund the number 20 project and here is what it is. You're still in good standing. Having that mechanism is good as in other states some know just what projects they are going to fund specifically for the next five years. They have that much demand and not enough funds. Mark talked about some of the projects and what was going on with them and time lines they are looking at.

The financial statement on page 12 is of total loans. We have received about 110 million in federal funds to loan but we have made around 150 million in loans. That is because we have made loans that have been paid back and re-loaned the money that has been paid back. It shows you how this builds and allows us to get this money out to communities. The state match is the GO bonds and the legislature has to approve those and they have to be repaid and that's how we compound the investments for the state on these. Page 15 shows our sources of funds and the use of the funds. One thing we haven't mentioned was transfer of funds. We have that flexibility to move money between drinking water and waste water to meet demands of the programs. Page 19 illustrates these transfers. When the drinking water program started out there was demand for around 25 million dollars and we only had 8 million dollar grant for the program and we were able to transfer money from waste water. Over the years we have transferred money back and forth and it's worked out really well. Mark said that when we are using the first round federal money there are federal requirements that apply as well as state. With the second round or recycled money only state procurement laws apply.

Mark introduced Joe Meek from the Source Water Protection program. This program is one of the set-asides described on page 25 of the IUP. The Federal Drinking Water Act of 1986 required that states have a wellhead protection program and then in 1996 when they reauthorized the act they also required that states have a Source Water Protection program. So to end the confusion we now call it Source Water Protection program because this program is about protecting drinking water sources around the state. We operate under two set-asides, one we call source water protection technical assistance and administration and we propose to utilize \$100,000 this year. The second one is still under the terminology of wellhead protection/local assistance and that's a \$90,000 set-aside, which funds about 2.25 people. We help public water supplies protect their drinking water sources, keep them from running into contamination events so they will not have to treat. We do this in a variety of ways; we have been focusing the last several years is making information about available to the public. You can now go to the mapping site at the Montana State Library and locate public water supplies in the state and ask to see where underground storage tanks are located relative to the public water supply. Or lookup leaking underground storage tanks located relative to the public water supply. You can see what septic system density is in the area. You can now do that on a state

wide basis and we were one of the original players in supporting this, because it's necessary to know where contaminate sources are relative to these drinking water sources. With some of the set-aside money we continue to fund the support of those data layers. We also do training on general source water issues for public water supply operators. With all the information out there we want them to know what's relevant and what they should use and how do they should use it. Originally the Safe Drinking Water Act envisioned the state would complete source water assessments and then all the public water supplies out there would want to create a source water protection plan. In reality no one wants to create a source water protection plan unless you have some need to do it. We help operators at water school training, doing three of those a year and also rural water trainings. We help operators understand what information is available and what source water assessments are and how they might use them. We do update source water assessments which are technical reports that we have created for each water system in the state. We update these on an as needed basis. We don't have any intent of going back to visit the over 2000 reports that we have completed. We are seeing need for this more frequently in some areas. Where there are new wells and growth going on, the issues bring about the need for an update. We also review the locations of new public water supply wells or sources and provide input to the regulatory authorities here at DEQ. An example is when someone is going to drill a new water well we weigh in on whether we think the location is a good one or not. We think of these from a long term source protection stand point. We look at things like high septic density in the area, underground pipelines in the area, plumes in the area like East Helena has the ASRCO. In the past we have reviewed about 85 new drinking water sources per year. So far in 2009 we have done 20. This is one of the best bangs for your buck as far as protecting source water to put it in the right place in the first place. We also plot source water protection in areas where it is reasonable and we see there is a need. Using East Helena as an example, we have the closing down lead smelter and emanating from that are two contaminate plumes, arsenic and selenium. Despite the fact that it is a superfund site with both federal and state people working on it, no one thought too much about drinking water sources in that area, especially public water supply sources. We've attended the public meetings and at some point interacted with the EPA and raised the issue that there are some drinking water sources there. They then asked us to provide the locations of those sources and that evolved into providing some recommendations on having them drill some monitoring wells or what we call century wells for the public water supplies to see when or if contamination occurs in the groundwater in advance of when it would hit the public water supplies, so the water systems will have advance notice of that. A lot of unknowns about sites like that about how fast things are migrating and how big of risk they are. It's an example of where we are providing technical assistance to about 6 or 7 water systems in East Helena. We have recommended that East Helena consider engaging in a public source water protection planning process because they have issues that aren't just lead smelter related. Even though this is a community that has some significant issues that they have been concerned about and voiced publicly they still have not put together a source water protection plan. So when they come to an agency like us and say you know that gravel pit is a risk for us and you need to do something, we say you really need to put together a plan because there are enough issues out there that you could prioritize your options. We do also review source water protection plans that are provided by some

technical assistance providers such as Montana Rural Water. In the last year Montana Rural Water has put together at least eleven source water protection plans in various communities, most of them up along the highline. We also provide some training on groundwater for water system operators. One of our highlighted trainings is what we call well and septic system operation and maintenance workshops. We held 15 of those in the past year at various locations around the state. We focused on septic systems because again, in growth areas of the state septic systems and discharges from them have been a significant potential contaminant source to water systems. So we focus on how you operate and maintain a septic system. Because our staff are hydrogeologist people with training education and experience, we are planning for the groundwater rule and trying to provide assistance to the public water supply program here at DEQ on implementing that rule. We don't know exactly how our assistance might be used but we keep pushing it as we have people familiar with how groundwater works. We have visited with water systems across the state and their expertise should be used in implementation of that rule. Our staff also assists the public water supply program by doing around 50 sanitary surveys per year. This is an inspection required of public water supplies every three to five years depending on classification of the water system. This results in getting sanitary surveys done, which the public water supply program needs and also get our staff experience working with the public water supply operators. Mark added that it might be hard for the public and community leaders to see the value this program does. Its preventative verses reactive and might be hard to actually measure the value. Margaret asked if the groundwater rule was coming from a federal program. Joe answered that it is under the federal safe drinking water act. Anything that is essentially a groundwater source such as a well or a spring are going to be subject to this rule. The rule was drafted around the year 2000 and will be implemented this fall. With this rule if a water system has fecal indicators that come up in routine monitoring they could be on the fast track of having to disinfect their water continuously and a lot of small water systems won't want to do that. Part of it is trying to determine whether groundwater source from the well is truly groundwater, groundwater that is protected by clays, or surficial influences. That's where this staff can help, being hydrogeologists, determine systems that are truly at risk from those that are not. Rob said he did go to one of Joes presentations on the septic system and a lot of people turned out. It was in the Helena valley where they have a lot of issues with that and he felt it was well attended. He thought people had some good questions and it was very educational.

Regarding the scope of the set-aside contracts with MAP, technical and financial/managerial, when we first started there might be a contamination event and we would go help the community fix the problem. With the capacity development approach there is more to delivering safe water to the tap then just having the infrastructure. It's technical having the infrastructure, but this needs to include the financial and managerial aspects also. So knowing these aspects of your water system are important, rates and charges, revenues able to cover all your necessary expenses, and the managerial expertise, operators running the plant, and doing the day to day work. All are contributing factors to keeping everything in sync and resulting in safe water at the tap. So through the use of these set-asides we developed two contracts that Gary Wiens and Rob Ashton each look after. One is the technical operation and management issues that Rob over sees and

Gary looks after one that is more financial and managerial assistance. So with that Mark introduced Rob and Gary to tell about programs. Gary said his program actually had a record year of 135 visits which is a higher number than they have ever had in the past. This includes some water systems may have had six or seven visits each.

Rob handed out a summary sheet for his program. Every year they send out survey letters to communities that have had typical assistance visits. So they use these surveys to track the contract and see how they are being received in the communities. The first page of the handout is the discussion items and the second page is the cover letter and example survey questionnaire. So you can see the questions and responses. Looking at the first page and the results of the questions you will see they are running about the same as they have for long term averages. Rob said he is now trying to send his surveys out more often through out the year. He is seeing benefit from that in that he is getting a higher percentage of his surveys returned. The costs have increased this year. They have a lot of new employees this year and it takes time to build up efficiency. They are also providing the communities with more in depth reports. They provide links to websites and collect their sanitary surveys and sending them to them. A lot of small communities might have a sanitary survey or a well log but don't keep them on file so the Midwest Assistance Program (MAP) spends time online or in some office gathering that information and provide it to the communities. This is good information for the communities to keep in their office. They have upped their efforts this year and this is the first time in recent years that Rob recalls them spending all of the money allotted to them and probably could have spent more. Their allotted funding is \$120,000 to \$125,000 or somewhere around that. The Public Water Supply is feeling increased pressure from the EPA to do Micro Particulate Analysis (MPA) testing on groundwater sources. Knowing that the groundwater rule is coming, the PWS has made a list of systems that might potentially be groundwater under the influence of surface water and they will have to do additional testing. For this upcoming contract MAP, who has people spread out across the state also have the equipment and expertise to help the PWS program with this testing. We haven't worked out the details, but this is probably an extra detail they will be doing this coming year. You can see from the list that the visits have been fairly expensive in the past. We have been working with them on efficiency. Where they really get the help is when you are out in the field with the community looking at the system and are able to say this is what your issues are. They don't get as much benefit from the time they spend sitting in their office typing a report. So we have tried to encourage them to get their office hours down and visits up and they have shown that trend. MAP has a list of public water supplies across the state and MAP is responsible for contacting them letting them know they are a non profit organization and they can do technical assistance for their system free of charge, paid for by DEQ and EPA, and they set up their own visits. MAP then contacts Rob generally with an email saying they would like to go to eastern Montana showing the communities they would like to visit. So we have a chance to approve it and look at it. It's entirely up to MAP to seek out their work. They are starting to work with our field offices more including Helena, Billings and Kalispell. So they are using the PWS program to find communities where they need help. This is a nice trend to see. It's one thing to visit communities that may or may not need help but really nice to focus on ones you know need help. There is always going to be some need for reactive type

situations so we will help however we can. Mark said that it continues to be worth it, we get a lot of requests. You can see from the survey results that people seem to genuinely appreciate the help. Demand still seems to exceed the number of resources available so we plan to continue to do it as long as we are getting some value out of it.

Gary provided a handout for the program he oversees. Gary said he is talking about the financial and managerial assistance contract. This program is also provided through a contract with the Midwest Assistance Program. They have been doing it for a number of years now and built up some expertise in providing services. Gary read a letter from the Fort Smith Water and Sewer District that was in response to the annual survey they send out. The letter stated that one of the smartest moves they made was to contact MAP. They complimented MAP for attending their meetings and providing much needed direction. MAP assisted them with the adoption of bylaws, and helped the district board function more efficiently. MAP helped create a policy manual that governs what goes on in the district and lets users know what their rights and responsibilities are. Their district needed a great deal of financial assistance to replace the infrastructure that was installed in the 1960's. When the district board had decided not to apply for Treasure State Endowment Program (TSEP) and DNRC grants early in 2008 the MAP representative went to the engineer that had written the Preliminary Engineering Reports (PER's) and learned what had happened. Immediately the MAP representative came back to the board to strongly urge the board to reconsider and submit the grant applications. They recently learned that the district is going to receive those grant monies to help fund their improvement project package. They also helped them apply for State Tribal Assistance Grant (STAG), Water Resources Development Administration (WRDA) (which is a Corp of Engineers grant) congressional appropriations, and have written and applied for a CDBG planning grant to fund a community needs assessment, capital improvements plan as well as update their PER. Most recently the district has applied for USDA rural development grant loan package that would transform their entire water system into a modern one with fire protection and water meters to fairly charge the users and capacity for expansion so that our community can grow. All of these funding source grant applications were written by our board with the help of MAP. The MAP representative has accompanied the board members to many meetings with these grant agencies to guide them through the process and educate and persuade the agencies about the need of the community. The Fort Smith water and sewer board really appreciated the work of the Midwest Assistance Program.

Of course this is an extraordinary letter. A summary of the results of our surveys are in a table on the second page. The results are pretty good and consistent with the results of the evaluations from the past years. They usually average around 8. In general the comments support the ratings. Mark said that with the nature of this contract being financial and managerial assistance, normally we see fewer communities that utilize it but they spend more time with them. In the past few years MAP was spending around 40 hours per system they visited and the last couple of years they have dropped that down to around 30 hours per system and that includes the scheduling time, preparation, travel, the actual time they spend with the water system representatives, and the report writing afterwards. So it's not all visit time, it is the complete package. We don't let them charge us for administration so only the time the assistance provider spends is billed to us and that

includes any administrative costs that MAP has. The biggest challenge for this program is addressing turn over. Right now they will go in and sit down with a clerk or the board and give them assistance. Then they will have a board member resign or a clerk will change and they have to start over. At this point we haven't found a good solution to this. Margaret asked why we would contract with Midwest instead of have this capacity in-house? The response is that we would have to ask the legislature for FTE and the money to support them and also in the terms of financial and managerial assistance, we don't have any staff that specialize in these issues. Margaret asked if they are a company that has other clients than the state of Montana or is Montana their main source of revenue? They have others, they contract a lot with the federal government and EPA and in fact if they exceed the funding limit we have for financial and managerial assistance they have been real good about shifting these communities over to the federal programs to pick up if they have additional needs. Included in the contract MAP is required to report to us if they detect a health risk. MAP is a company that is big enough to bring in experience from other places. Sometime in the next year or two, the maximum allowed is seven years on a contract will be up so we will need to go through the process again for letting the contract. We look at this every year and decide if we are getting the value for the dollar that we hope to get, or maybe there are other areas we could direct these funds toward and do better and that is part of our review process when we look at this.

Mark said that he has not heard from the other two set-aside programs listed. They are operator certification and the public water supply program. A lot of people have mentioned the Public Water Supply program through out the day and they are the regulatory component of safe drinking water for the state of Montana. Even though a lot of what they do is compliance issues, they also have a lot of activities that include outreach efforts. We continue to provide them some additional funding so that they can continue to do their assistance efforts which include sanitary surveys or inspections. It includes engineering review and planning assistance. If a project is using SRF for funding then we have a more detailed scope of work and involvement with those projects. Any public water system making improvements such as replacing pipe or drilling a new well, have to be reviewed and approved by the Public Water Supply program here at DEQ. We do 20 projects a year and they review hundreds. The funding is to help them with engineering review, technical assistance, and monitoring schedules. The regulations are complex and it's hard for communities to know what they have to test the water for and when. This program helps communities set up monitoring schedules. They will provide individual assistance and training for communities having a problem or doing some planning. It's this outreach and assistance that we still think is a good idea and a good component for that program to have even though their primary responsibility is regulatory. We as an agency want to try and help communities to stay in compliance as opposed to taking enforcement action and issuing fines. The funds we give to the operator certification program helps them provide a lot of training events through out the course of the year. They put on a Water School in the spring and fall. Operators from all sizes and types of systems will attend these to get continuing education credit or for the training opportunity. This is a real bang for the buck. If the guys out turning the valves and wrenches are not up to speed and know what they are doing, then everything else we do is kind of secondary. So the funds for the operator certification program largely go to

helping sponsor training events for operators through out the course of the year. Montana does have one of the best programs in the country. So we have some of the best educated qualified operators in the country. That information is coming from EPA. Montana has always had a strong operator certification program even before it was required. We will likely continue to fund this program. Mark said there are better descriptions of these programs in the Intended Use Plan then what he has given. But in a nut shell that is the types of things they use our funds for.

Joe Menucci said that one thing he wanted to bring up that is becoming more of an issue every legislative session is the actual source of water and water rights. Especially in municipalities and districts for acquiring and retaining the rights that we have. I don't know if you are aware of it, but if we have x number of rights or gallons per minute in the city and if they are not utilized, you lose them as in agriculture. Yet at the same time in order to plan for the future you have to come up with additional sources for those rights. Belgrade is in a position now and Joe was approached by an individual who wanted to sell some water rights and they entered into an agreement with a consultant to determine if it is worth while for the city to buy those rights, and then what cost and what we do with them between the time we buy them and the time we actually use them. It's something that all of us are going to be facing and are facing right now. When you mention communities that are having problems with their current source and will require additional sources and at the same time the agricultural industry needs the water, it is the water rights and the groundwater rights that is an issue. That should be addressed and has to be addressed over the next few years because it's a real need. Mark said we have already experienced that to some degree. We have some closed basins where they are not issuing any more rights. If a community has an opportunity to purchase those rights unfortunately SRF can not pay for that. It's a line item that is specifically prohibited in the federal law.

Mark said in summary, the draft Intended Use Plan for 2010 is in the public comment period. We advertised in the major newspapers and it's on our website and we have a public hearing scheduled next Tuesday. Then 30 days from the original date of publishing, which will be July 10th, that comment period will close. Generally the only comments we receive will be someone wanting to get added to the priority list and we will do that. Concurrently we have applied to EPA for just the set-aside portion of this year's grant and will apply for our loan fund next. After the comment period we will have our final plan and we will send everyone a summary of any comments and a copy of the final plan. In the fall we complete our annual report. So what this IUP does is projects ahead how we think the upcoming year is going to go and what we are going to do. Then at the end of each fiscal year we take a look back and say here is what actually happened. It shows the projects and activities that we funded and the dollars that were spent. You will be sent a copy of this annual report also.

Mark thanked everyone for coming and appreciated their interest in the program.