

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By Rep. Ernest Bergsagel, Chairman, on March 13, 1993, at 9:10 AM

ROLL CALL

Members Present:

Rep. Ernest Bergsagel, Chair (R)
Sen. Bob Hockett, Vice Chair (D)
Rep. Francis Bardanouve (D)
Sen. Ethel Harding (R)
Sen. Eleanor Vaughn (D)
Rep. Tom Zook (R)

Members Excused: None

Members Absent: None

Staff Present: Jim Haubein, Legislative Fiscal Analyst
Jane Hamman, Office of Budget & Program Planning
Sandra Boggs, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 663, TREASURE STATE ENDOWMENT PROGRAM
Executive Action: NONE

HEARING ON HB 663, TREASURE STATE ENDOWMENT PROGRAM

Tape No. 1:A:002

Proponent's Testimony: REP. HAL HARPER, HD 44, Lewis and Clark, spoke in support of this bill and the work done by the Department of Commerce.

Informational Testimony: Newell Anderson, Administrator, Local Government Assistance Division, Department of Commerce, provided the committee with a notebook containing project evaluations and recommendations for the Treasure State Endowment Program. **EXHIBIT 1.** He provided a written copy of his opening statements. **EXHIBIT 1:A.** He referred the committee to **EXHIBIT 1, APPENDIX A** for information on the cash flow of the Treasure State Endowment Program.

Carol South, Executive Director, Board of Investments, informed

the committee that the interest assumptions are too high for the TSEP. The assumptions were approved by the Revenue Oversight Committee in November. The U.S. Treasury bond market is down at least two points from the 8.62% investment earnings shown here. The Board of Investments' current strategy is not to invest in long-term investments at this point in time. Interest rates may soon start going up again and the Board is avoiding getting into 30-year commitments with low interest rates. The Board wants to keep funds for the TSEP in the larger Coal Tax Severance Account and set up a payable/receivables account. This would provide the flexibility of working with \$500 million as opposed to \$10 million. This type of account should meet with acceptable auditing standards. Unless the bond markets change, there will not be as much money available as predicted in the cash flow charts.

Questions, Responses, and Discussion: REP. FRANCIS BARDANOUVE asked how much cash is available. Mr. South stated that, if the \$10 million is left in the larger account, there should be an interest rate of 7% to 7.5%. Mr. Anderson stated that it is difficult to predict the cash available for the TSEP. REP. HARPER AND SEN. TOM TOWE, SD 46, Billings, have introduced two bills that would add to the ability of the TSEP to have upfront cash for grants. EXHIBITS 2 AND 3.

REP. BARDANOUVE asked how many of the applications would be funded. Mr. Anderson stated that due to the incorrect interest assumptions, an optimistic guess would make the Ronan project the last interest-funded grant.

CHAIRMAN ERNEST BERGSAGEL commented that some communities plan to provide information lacking in their applications. He asked if the applications could be re-ranked once that information is provided. David Cole, Chief, Community Development Bureau, stated that would be very difficult to do. It would be only a judgement call by the department.

Mr. Cole spoke briefly concerning the grants given by the TSEP and the matches required. EXHIBIT 1.

Rob McCracken, Manager, Community Technical Assistance Program, spoke briefly concerning the procedures used to rank each application. EXHIBIT 1, pages 13-19. He provided the committee with a summary of Indicators of Financial Need. EXHIBIT 1, Appendix G., and EXHIBIT 4.

Tape 1:B:085

Mr. Anderson stated that the Department of Natural Resources and Conservation Resource Indemnity Trust grant programs were originally begun with the intention of providing funds for water resource development programs. Over the years there have been tremendous demands from local communities for RIT funds to meet domestic water needs. Local communities have had great need for

state funds to assist with infrastructure needs; therefore, at this time HB 6 and HB 663 look similar in terms of the projects being funded. It is the hope of both departments that by the next biennium, the TSEP will be funding specific domestic system water development and assistance projects for local communities, and the RIT funds can go back to funding water development projects. Duplication will be avoided in the future.

REP. BARDANOUVE suggested that the two departments work closely together in developing criteria for grant funds. He predicts that communities will apply to both to see where the best deal can be worked. Mr. Cole stated that the two departments are working side-by-side to avoid that valid concern.

Jeanne Doney, Program Officer, Water Development Program, DNRC, provided the committee with information on communities which have applied for funding from RIT funds and TSEP funds. EXHIBIT 5. She stated that the TSEP looks at the financial ability of communities to take on debts differently than RIT programs do; therefore, the amount of funds to be loaned or granted differ in the two programs. The same is true in regards to priority ranking of projects. TSEP grant criteria focuses more on public health and safety issues, and the RIT program looks at the long-term development of the water resource.

REP. BARDANOUVE complimented the Department of Commerce for its work on the TSEP. They had a very short time to bring this together and have done a good job.

BUDGET ITEM PROJECT #9 STILLWATER CO./REEDPOINT (SEWER):

Tape No. 1:B:666

Informational Testimony: Louise Thompson, President, Reedpoint Board of Directors, spoke in support of a \$200,000 grant for the Reedpoint Sewer Project. EXHIBIT 1. She stated that the Board of Directors feel the need for a sewer system is imperative. The community is applying for a Community Development Block Grant and has received a grant from the state revolving fund. Last year the project was turned down by the CDBG program.

BUDGET ITEM PROJECT #13, WHEATLAND COUNTY COMMISSIONERS (ENG. LOAN):

Tape No. 1:B:965

Informational Testimony: Mr. McCracken spoke on behalf of the \$33,000 deferred loan for the Solid Waste Engineering Plan. EXHIBIT 1.

BUDGET ITEM PROJECT #6 YELLOWSTONE COUNTY (BRIDGE):

Tape No. 1:B:107

Informational Testimony: Jim Logan, Surveyor, Yellowstone County, spoke on behalf of a \$95,500 grant for the King Avenue West Bridge project. EXHIBIT 1. He stated that the bridge is

rapidly becoming functionally obsolete. This project would allow the county to replace the bridge without exposing the county to liability problems.

Proponent's Testimony: Ken Heikes, Commissioner, Yellowstone County, spoke in support of this grant.

BUDGET ITEM PROJECT #15, YELLOWSTONE COUNTY FOR HUNTLEY:

Tape No. 2:A:10

Proponent's Testimony: REP. KARYL WINSLOW, HB 96, Yellowstone, spoke in support of a \$100,000 grant for the Huntley Water District Water System Rehabilitation project. EXHIBIT 1.

BUDGET ITEM PROJECT #26, YELLOWSTONE COUNTY FOR SHEPHERD:

Tape No. 2:A:015

Proponent's Testimony: REP. WINSLOW also spoke in support of the \$85,000 deferred loan for the Shepherd Area Preliminary Engineering Plan. EXHIBIT 1.

BUDGET ITEM PROJECT #15, YELLOWSTONE COUNTY FOR HUNTLEY:

Tape No. 2:A:030

Informational Testimony: Mr. Heikes spoke on behalf of the Huntley Water District Water System Rehabilitation project.

Proponent's Testimony: Esther Bengston, former Senator, SD 49, spoke in support of the Yellowstone County bridge project and the Huntley Water System Rehabilitation project. She stated that people were unable to come to testify due to a death in the family.

BUDGET ITEM PROJECT #26, YELLOWSTONE COUNTY FOR SHEPHERD:

Tape No. 2:A:097

Informational Testimony: Ms. Bengston stated that the recommended \$75,000 grant from the RIT program is contingent upon the formation of a water and sewer district. At this time she is not sure if the \$85,000 deferred loan from the TSEP would be preferred over the RIT grant. The community does not expect to get both the grant and the loan. The TSEP loan would allow five years to form a district and sell bonds to begin construction of the water distribution system. Yellowstone County has stated that it will take on the \$85,000 loan if Shepherd does not form a district. She also stated that Shepherd would like to have the RIT grant without the requirement for a district to be formed. EXHIBIT 6.

Questions, Responses, and Discussion: CHAIRMAN BERGSAGEL asked that she get back to the committee on Monday morning concerning whether the TSEP deferred loan or the RIT grant funds is the desired funding source.

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Mr. Heikes stated that the Yellowstone County Commissioners feel strongly about the water problems in Shepherd and support the grant application. He is meeting with them on Monday morning and can discuss the possibility of the county being responsible for the deferred loan.

BUDGET ITEM PROJECT #20 CITY OF LIVINGSTON (STORM DRAIN):

Tape No. 2:A:463

Kenton Griffin, City Manager, Livingston, spoke on behalf of a \$100,000 grant for the East End Storm Sewer Project. EXHIBIT 1. He stated that the east end of the current sewer system is deteriorating and that the project would not be possible without grant funds from TSEP.

BUDGET ITEM PROJECT #3 CARBON COUNTY (BRIDGE):

Tape No. 2:A:512

Informational Testimony: John Prinkki, Commissioner, Carbon County, spoke on behalf of a \$25,000 grant for the Sand Ford Bridge project. EXHIBIT 1. He stated that this bridge provides access to the Beartooth Absaroke Wilderness area. The current bridge is very unsafe. He stated that the U. S. Forest Service recently awarded a \$40,000 grant for this project. The county would appreciate the committee's support for this project. He stated he has answered many letters from SEN. MAX BAUCUS AND SEN. CONRAD BURNS concerning this project.

BUDGET ITEM PROJECT #17 CITY OF WOLF POINT:

Tape No. 2:A:618

Informational Testimony: Mr. McCracken stated that this project has not been recommended for funding with TSEP funds. EXHIBIT 1.

BUDGET ITEM PROJECT #7 TOWN OF CIRCLE (WATER):

Tape No. 2:A:688

Informational Testimony: Donald Clarin, Mayor, Circle, spoke on behalf of a \$370,000 grant for the Circle Water Improvement Project. EXHIBIT 1. He provided a copy of his written testimony, letters of support and factual information on the project. EXHIBIT 7.

Proponent's Testimony: REP. BETTY LOU KASTEN, HD 28, McCone, encouraged the committee's support of this grant for an improved water system for Circle.

BUDGET ITEM PROJECT #8 TOWN OF CIRCLE (ENG. LOAN):

Tape No. 2:A:988

Informational Testimony: Mayor Clarin informed the committee that the application for a \$20,000 deferred loan was not recommended for funding by the Department of Commerce. Mr. McCracken explained that the department has recommended that the

Circle project move to construction and not do the engineering study. The department believes there is enough money in the previous grant to complete the remaining engineering work.

BUDGET ITEM PROJECT #22 TOWN OF FROID (WATER):

Tape No. 2:A:047

Informational Testimony: Bill Parker, Froid, spoke on behalf of a \$117,000 grant for the Froid Water Treatment Plant. EXHIBIT 1. He provided the committee with the results of a recent chemical analysis of Froid drinking water. EXHIBIT 8. He stated that the town does not have immediate public health concerns; however, the town does feel that the rating of zero for health concerns is unjustified. The water quality is very poor as evidenced by a recent chemical analysis.

Questions, Responses, and Discussion: CHAIRMAN BERGSAGEL asked why the DOC recommended zero points for health issues in regards to Froid's water. Mr. Cole stated that he cannot give an explanation of how the score of zero was determined. The score was assigned by the Billings office of the Water Quality Division.

Proponent's Testimony: SEN. LARRY TVEIT, SD 11, Fairview, stated that Froid has always had problems with its sub-standard water. This project will make good use of the funds from the Coal Severance Tax Trust.

BUDGET ITEM PROJECT #16 RICHLAND COUNTY (SLD WASTE) :

Tape No. 2:B:008

Proponent's Testimony: SEN. TVEIT spoke in support of a \$285,000 grant for the Richland County Landfill. EXHIBIT 1. He stated that the old landfill is located in an area with bad soil. Nearby water is contaminated due to the landfill. This grant would clean up the old landfill and get the new one in line to receive waste. Time is of the essence because the Department of Health and Environmental Sciences will shut down the old landfill due to water contamination.

Informational Testimony: Dan McCauley, Engineer, Damschien and Associates, spoke on behalf of the technical aspects of this project.

BUDGET ITEM PROJECT #30 CUSTER COUNTY (SLD WASTE):

Tape No. 2:B:118

There were no funds recommended for this project.

BUDGET ITEM PROJECT #27 TOWN OF DUTTON:

Tape No. 2:B:128

Informational Testimony: Jeanne Schoonover, Dutton, spoke on behalf of a \$50,000 grant for Dutton Water System Improvements.

EXHIBIT 1. She stated that this grant would finish a ten-year water project.

Mr. McCauley spoke on the technical aspects of this project.

BUDGET ITEM PROJECT #18 LEWISTOWN (STORM DRAIN):

Tape No. 2:B:228

CHAIRMAN BERGSAGEL asked that REP. LARRY HAL GRINDE, HD 30, Lewistown be shown as a supporter for a \$60,000 grant for this project.

Informational Testimony: Mr. Cole briefed the committee on the Lewistown Third Avenue North Storm Drainage project. **EXHIBIT 1.**

BUDGET ITEM PROJECT #4 TOWN OF NIEHART:

Tape No. 2:B:330

A.J. Buskirk, Mayor, Niehart, spoke in favor of a \$544,673 grant for the Niehart Water System Improvements project. **EXHIBIT 1.** He stated that funds have been sought from many funding sources, and the town has now run out of possibilities. He stated that Niehart is in dire need of a filtration plan due to the turbidity in the water. He explained that the temporary residents of the town inflate the per capita income of the town and misrepresent the town's ability to pay back loans and to pay higher water rates.

Questions, Responses, and Discussion: The committee briefly discussed the impact of the temporary residents on the town's ability to increase water rates. The temporary residents have refused to pay more and will get water elsewhere rather than pay high local rates.

Proponent's Testimony: Francis Wright, Council Member, Niehart Town Council, stated that the town is doing all that it can to rectify the problem itself. He briefed the committee on recent repairs to the water system. He further stated that it would be impossible to install a filtration system and a disinfecting system one piece at a time; therefore, the grant money is imperative to complete the project and provide healthy drinking water.

BUDGET ITEM PROJECT #21 TOOLE COUNTY FOR SWEETGRASS (WATER):

Tape No. 2:B:707

Joel Gottfried, Toole County, spoke on behalf of a \$25,000 loan for engineering work on the Sweetgrass Water project. **EXHIBIT 1.** He stated that during the summer there is often no water available for part of the system. The lack of water causes safety problems due to the lack of immediate fire protection. He stated that the lack of water is detrimental to the economic development of the town.

BUDGET ITEM PROJECT #29 TOOLE COUNTY FOR SWEETGRASS (ENG. LOAN):

Tape No. 2:B:810

Informational Testimony: Mr. Gottfried spoke on behalf of a \$25,000 deferred loan for engineering work on the sewage treatment system. EXHIBIT 1. This project would install a second lagoon to provide proper sewage handling for the town.

BUDGET ITEM PROJECT #12 CITY OF SHELBY (SD/SEWER):

Tape No. 2:B:853

Informational Testimony: Larry Bonderud, Mayor, Shelby, spoke on behalf of a \$366,000 grant for the City of Shelby Sewage Collection System. EXHIBIT 1.

Proponent's Testimony: Mr. Gottfried spoke in support of the grant for Shelby. He is a resident of Shelby.

BUDGET ITEM PROJECT #24, TOWN OF CHESTER:

Tape No. 2:B:986

Informational Testimony: Mr. McCracken spoke briefly concerning the Chester grant application for an Extension of Water and Sewer Services to Taylor Addition project. EXHIBIT 1. The DOC did not recommend TSEP grant funds for this project.

CHAIRMAN BERGSAGEL read a letter of support from Mayor Wayne Wardell. EXHIBIT 9.

BUDGET ITEM PROJECT #14 CITY OF HARLEM (WATER):

Tape No. 2:B:328

Informational Testimony: Victor Miller, Mayor, Harlem, spoke in support of a \$217,300 grant for Harlem's water project. EXHIBIT 1. He stated that the need for improving Harlem's water system is not a result of neglect. Harlem currently has high water rates due to past water and sewer improvements; therefore, loans and bonds can no longer be considered to finance further improvements. He provided a copy of a recent letter drafted to CHAIRMAN BERGSAGEL. EXHIBIT 10. He urged the committee to support the future of Harlem.

Tape 3:A:050

Proponent's Testimony: REP. BARDANOUVE spoke in support of this grant for the city of Harlem. He stated that Harlem has lots of low-income residents and pays \$66.77 for water per month. It bothers him that other Montana communities do not pay higher water rates.

BUDGET ITEM PROJECT #19 CITY OF HELENA (WATER) :

Tape No. 3:A:156

Mr. McCracken spoke briefly concerning the \$338,633 grant for the

Upper Hale Water Improvement Project. EXHIBIT 1.

BUDGET ITEM PROJECT #1 BUTTE-SILVER BOW (WATER):

Tape No. 3:A:216

Informational Testimony: Gary Rowe, Finance Officer, Butte-Silver Bow, spoke on behalf of a \$300,000 grant for the Butte Water System. EXHIBIT 1. He explained that health concerns have made improvements to the water system a high priority to both the EPA and the Department of Health and Environmental Safety.

BUDGET ITEM PROJECT #2 ANACONDA/DEER LODGE (WATER):

Tape No. 3:A:390

Informational Testimony: Gene Vuckovich, City/County Manager, Anaconda/Deer Lodge County, spoke on behalf of a \$350,000 grant for the Anaconda/Deer Lodge County Water System Improvements project. EXHIBIT 1.

Steve Huntington, Project Coordinator/Financial Consultant, Anaconda/Deer Lodge County, spoke concerning the technical aspects of the planned improvements and the costs associated with them.

BUDGET ITEM #25 GALLATIN COUNTY COMMISSION FOR RAE SUBDIVISION:

Tape No. 3:A:726

Informational Testimony: Doug Wells, Manager, Rae Water and Sewer District, spoke on behalf of a \$33,245 grant for the installation of water meters in the Rae subdivision. EXHIBIT 1. He stated that members of his community now pay \$72.41 in water rates for debt alone. In July the rates will increase to \$80.00/month. He stated that, as a result of a recent Supreme Court decision, the county must develop a rate system that is sufficient to cover bond payments which is fair and equitable. This will mean a substantial increase in already high rates. He urged the committee to strongly consider this application even though there is no health risk.

BUDGET ITEM PROJECT #4 TOWN OF NIEHART:

Tape No. 3:A:185

Proponent's Testimony: REP. MIKE FOSTER, HD 32, Broadwater County spoke in support of a \$544,673 grant for the town of Niehart. EXHIBIT 11.

BUDGET ITEM PROJECT #10 BEAVERHEAD COUNTY (SLD WASTE):

Tape No. 3:B:361

Informational Testimony: Spencer Hegstead, Commissioner, Beaverhead County, spoke on behalf of a \$160,000 grant for the Beaverhead County Landfill. EXHIBIT 1. He stated that according to the DHES, the groundwater is Class 1. The landfill should be properly closed so that the groundwater is protected from

contamination and to ensure the purity of the nearby Little Beaverhead River. He stated that this project is a high priority for the County, and asked the committee to support the grant.

Proponent's Testimony: Nancy Griffin, former resident of Madison County, spoke in support of a grant for Beaverhead County. She explained that SEN. CHARLES SWYSGOOD, SD 37, Dillon, asked her to represent his support for Beaverhead County's grant application. This county has been impacted by mill layoffs, and reserve funds have been used for economic diversification activities. SEN. SWYSGOOD urges the committee's support for this project.

CHAIRMAN BERGSAGEL commented that REP. BILL TASH, HD 73, Dillon is probably in support of this grant as well.

BUDGET ITEM PROJECT #23 TOWN OF ENNIS (WATER):

Tape No. 3:B:210

Informational Testimony: Mr. McCauley spoke on behalf of a \$100,000 grant for the Town of Ennis Water Storage and Distribution System Project. **EXHIBIT 1.** He stated that there is a discrepancy in the summary of the project. The current monthly water rate is calculated on 10,000 metered gallons per household. The typical rate is closer to \$8.51 because the average household in Ennis does not use 10,000 gallons per month. In the DOC critique it is stated that if the community receives TSEP grant funds the water rate will go down \$2.00. That is not correct. With TSEP funds the rate will increase from \$8.51 to \$15.00 per month.

Questions, Responses, and Discussion: REP. BARDANOUVE asked how large a loan had been recommended from RIT funds. John Tubbs, Chief of Resource Development Bureau, Dept. of Natural Resources and Conservation, stated that a loan of \$1.1 million has been approved. If a grant is received from the TSEP program, the DNRC would reduce the loan to be made. Only enough money will be loaned to complete the project.

Proponent's Testimony: Dick Barr, Mayor, Ennis, spoke in support of a grant for the town of Ennis. He stated that there seems to be a penalty when a town has taken good care of its water system. The DOC ranked this project low because there are few health and safety issues. Ennis has a good water system and a source of clean water. After thirty years the water system needs some upgrading and maintenance. He stated that a \$320,000 grant in TSEP funds to supplement the \$1.1 million in RIT loan funds would enable the town to complete the project. This grant would help to prevent the system from deteriorating to the point of becoming a health and safety issue. He stated that this grant would assist in making water rates equitable after these improvements are made. He asked the committee to support the grant.

Questions, Responses, and Discussion: **CHAIRMAN BERGSAGEL** stated he does not understand the town's request for \$320,000 in grant

funds to supplement the \$1.1 million in loan funds. **Ms. Doney** stated that grant and loan recipients only receive enough RIT funds to complete the project. They cannot receive more funds than they actually need for the project. If the town only needs \$900,000 to complete the project, DNRC will only sell \$900,000 in bonds even though there may be \$1.1 million in bonds authorized. If Ennis receives a TSEP grant, the committee does not have to change HB 12.

REP. BARDANOUVE stated that even with the loan, and no TSEP funds, the town is still better off than many other towns in Montana. The town has one of the lowest rates in Montana at this time. **Mayor Barr** stated that the town worked to put in a good system thirty years ago, and has worked to keep water rates low. It would be fair to increase the water rates to average costs in Montana. That would occur with a \$320,000 grant from the TSEP.

Proponent's Testimony: **REP. BILL ENDY, HD 74, Jefferson**, stated that Ennis has done a good job in maintaining its water system. He supports their request for this grant.

Ms. Griffin stated that she is a property owner in Ennis and a former member of the City Council. She stated that Ennis is similar to the town of Neihart in terms of the tourists attracted there. Property owners in tourist communities are paying for the services and infrastructure services hoisted on them by seasonal visitors and residents. Low-income and less-than-median-income Montana families are supporting the infrastructure costs in Ennis. Grant programs like the TSEP are necessary for communities like Ennis. The DOC ranking criteria does not include the amount of growth being experienced by communities. She provided data from the Builder's Association concerning the growth of Madison County. **EXHIBIT 12.** She stated that **SEN. SWYSGOOD** also supports this grant application.

BUDGET ITEM PROJECT #31 MADISON COUNTY (SLD WASTE):

Tape No. 3:B:888

CHAIRMAN BERGSAGEL stated that there are no funds recommended for this project. **EXHIBIT 1.**

BUDGET ITEM PROJECT #28 SANDERS COUNTY (NOXON BRIDGE):

Tape No. 3:B:903

BUDGET ITEM PROJECT #32 SANDERS COUNTY (HERON BRIDGE):

Tape No. 3:B:903

REP. JIM ELLIOTT, HD 51, Sanders, stated that none of the County Commissioners could come to testify today. Neither of these projects was recommended for funding by DOC. He explained that the entire bridge budget for Sanders County is \$140,000 and they claim that they have no money to replace guardrails on the Heron bridge. The trusses on the Noxon bridge are too low for logging

trucks to pass through.

BUDGET ITEM PROJECT #5 MISSOULA COUNTY/SUNSET WEST (WATER):

Tape No. 3:B:988

Cindy Wulfekuhle, Staff Member, Missoula County, spoke on behalf of a \$154,107 grant for the Sunset West Water System Improvements project. **EXHIBIT 1.** She provided a summary of the current problem and proposed solution, and letters of support. **EXHIBIT 13.** She stated that only ten households would qualify for CDBG funds, and the county has decided not to apply for the funds.

Proponent's Testimony: Nancy Robert, President, Homeowners Association, spoke in support of a grant for the water improvement project. She provided written testimony. **EXHIBIT 14.**

SEN. JEFF WELDON, SD 27, Arlee, spoke in support of a grant for Sunset West. He stated his appreciation of the high recommendation for funding of this project.

Tape 4:A:003

Questions, Responses, and Discussion: **REP. BARDANOUE** asked if the new wells would be enough for future growth, or will the old wells have to be brought back into use. **Ms. Robert** stated that the old wells will be shut down and kept for emergencies only. The wells that will be put in should provide enough water. The current wells go directly into distribution lines and there is no storage of water. The three new wells will go directly to a storage tank, and the water will be distributed from there. This means more water will be available for new houses.

REP. TOM ZOOK asked how far the subdivision is from the city limits. **Ms. Roberts** stated that the subdivision is twelve miles away from the city limits.

REP. ZOOK asked if the county maintains a road to the subdivision, and if an individual sold this land for subdivision. **Ms. Roberts** stated that the paved road ends approximately one mile from Frontage Road. The subdivision is not covered by county road service. She stated that an individual sold the land for subdivision fifteen years ago. The individual settled for damages due to the poor water system that was installed, but the settlement was enough to bring the system up to standards. The funds were used to drill three wells that came up dry. The developer has sold all the lots and is out of the picture now.

BUDGET ITEM PROJECT #11 CITY OF RONAN (SEWER):

Tape No. 4:A:107

Informational Testimony: **George Atkinson, Mayor, Ronan,** spoke in support of a \$100,000 grant for the Wastewater Collection System and Treatment Facility Rehabilitation project. **EXHIBIT 1.** He feels this project cannot be completed without help from the

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state. The problems keep multiplying, and the town cannot keep up with them. He asked for the committee's support of this project.

Billie Lee, Project Consultant for Community and Economic Development, Ronan, spoke concerning the economic position of Ronan. She stated that the median household income figure used to determine Ronan's financial ability to complete this project on its own should have been less than \$10,000. Seventy percent of the residents fall in this income category. She referred the committee to the financial assessment of Ronan in Exhibit 1. She stated that the current financial picture for Ronan differs from the information provided by the DOC. If the recommended grant of \$100,000 is provided instead of the requested \$309,107 grant, the debt per household would be \$2,652. The recommended level for bonding is from \$1,600 to \$2,000 per household; therefore, the recommended grant would push the need for a loan beyond recommended debt levels. The town is having to use its entire reserve fund to leverage these funds.

Jay Billmayer, Consulting Engineer, Ronan, spoke concerning the technical aspects of the sewer project. He explained that the town's infrastructure is quite old and urged the committee to seriously reconsider Ronan's grant allocation.

Proponent's Testimony: REP. WELDON spoke in support of a grant for Ronan. He stated that he is concerned that DOC has written that Ronan can finance the remaining portion of this project through a State Revolving Fund loan. Ms. Lee made the point that this is a very poor community with over 50% of the residents below the median income of Montana. If the project is to be balanced on an additional loan, the additional costs would be difficult for residents to bear. Ronan is situated on the Flathead Indian Reservation which causes unique circumstances in relation to the tax base. In addition, before Ronan can grow and develop, a decent water system must be installed.

SEN. HARDING stated that she drives through Ronan often and she is concerned for the livelihood of the town. Ronan could develop into a larger community if a good sewer system could be installed. It would be in the best interest of Ronan and Ronan's citizens if the committee increased the loan based on information received today.

Ms. Lee stated that Ronan has had to turn down developers that wanted to provide low-income housing, and economic development from companies due to the inability to add more stress to the sewer system. Until the upgrades are made, Ronan will continue to be unable to develop as a community.

BUDGET ITEM PROJECT #31 MADISON COUNTY (SLD WASTE):

Tape No. 4:A:662:

Informational Testimony Ms. Griffin spoke in support of the \$66,850 grant requested by Madison County for the Solid Waste

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Recycling Equipment and Recycling project. **EXHIBIT 1.** She stated that only two applications submitted to the TSEP were for recycling projects. She stated that if the committee adopts the DOC's recommendations, nearly \$500,000 will be invested in landfills, and no funds will be invested in recycling projects. Landfill costs are escalating, and recycling programs can avoid the use of landfills and prolong their life. She urged the committee to look into the future and fund this project. The DOC should consider making recycling projects a priority for grants in the next biennium.

Questions, Responses, and Discussion: **REP. ZOOK** informed Ms. Griffin that health and safety issues are of primary concern when projects are prioritized for TSEP funds. **Ms. Griffin** stated that her suggestion is for the legislature and the department to look at alternative projects or to reconsider the priorities for this grant program.

SEN. BOB HOCKETT reminded fellow members that this committee recommended that no funds be granted to this project under the RIT grant programs.

ANNOUNCEMENTS/DISCUSSION

CHAIRMAN BERGSAGEL asked that the funding level for TSEP projects be clarified. **Mr. Anderson** presented the committee with a handout of available dollar consumption for FY95 recommended projects. **EXHIBIT 15.** He stated that the numbers are not absolute but that funding should be available through Project #11, Ronan. Full funding would be available through Project #10, Beaverhead County, and partial funding for Project #11, Ronan.

CHAIRMAN BERGSAGEL asked that DNRC compare projects being funded in HB 6 with projects being funded with TSEP funds. **Ms. Doney** referred the committee to **EXHIBIT 5.**

Town of Circle

Ms. Doney explained that the Town of Circle applied for TSEP grant funds, but were not recommended for funding. Therefore there is no duplication of funding. DNRC recommends that the project be funded with \$36,000. The contract will be written for exactly what is needed, and any unneeded funds would be returned.

Custer County Solid Waste

Ms. Doney stated that there is no duplication of funding for this project. TSEP funds were not recommended.

Town of Dutton

Ms. Doney stated that this project was also submitted for funding from TSEP. The town's last bid estimate to complete the project was for \$118,700. DNRC recommended a \$66,319 from the FY91 authorized grant. That FY91 grant was originally for \$100,000. The town needed the funds before the grant funds were available and took \$25,000 in a loan. The balance available for a grant is

\$66,319. If TSEP grants \$50,000, the town will be able to fully finance the total project cost of \$118,700. DNRC also had an application from the town in FY93, but committee discussion determined that the town had received enough funds and could fund the rest. DOC came up with a different decision due to different ability-to-pay criteria. DOC indicates that Dutton has already indebted itself significantly due to bonds sold to finance a loan from DNRC. DOC recommended that additional debt not be incurred and therefore recommended a grant.

REP. BARDANOUE stated that Dutton is ranked so low, it is very doubtful that grant funds will be available. Mr. Tubbs stated that if SB 402 passes, full funding would be available for TSEP grant and loan recommendations. EXHIBIT 2.

Town of Ennis

Ms. Doney stated that Ennis has also applied for funds from the TSEP. If grant funds are received from TSEP, a partial loan will be made to complete the projects. DNRC suggests amending HB 6 to place the recommended \$100,000 grant there. This will allow DNRC to administer both the loan and grant.

Tape 4:B:002

CHAIRMAN BERGSAGEL asked if funds were available to provide an additional \$100,000 in HB 6. Mr. Tubbs stated that the funds are available at this time.

Madison County

Ms. Doney stated that there is no duplicate funding for this project. The project was not recommended for funding with TSEP grant funds.

Town of Neihart

Ms. Doney stated that Neihart is ranked number four by TSEP. Neihart is not to be funded in HB 6 this year. However, they did receive grant and loan funds in FY91 contingent upon receipt of CDBG funds. The town asked that the contingency be removed this year, and the committee took positive action on that request. DNRC and DOC suggest that the committee combine the funding from RIT and TSEP programs so that one agency administers the funds. The recommendation is to let the DOC administer the funds.

CHAIRMAN BERGSAGEL stated that would mean \$50,000 more available in HB 6.

Yellowstone County for Huntley

Ms. Doney stated that Huntley has requested funds from both the RIT and TSEP grant and loan programs. The DOC recommended more grant funds than DNRC did. DNRC recommends that grant authority be increased in HB 6 to \$100,000 and that no TSEP funds be granted.

CHAIRMAN BERGSAGEL stated that would mean \$150,000 available to

the funding priority list for TSEP. **Ms. Doney** stated that DNRC recommends eliminating the loan authority for this project in HB 6.

Yellowstone County for Shepherd

Ms. Doney stated that Shepherd has requested funds from both RIT and TSEP programs. DNRC recommends that the \$85,000 recommended grant funds from the TSEP not be approved. Earlier committee discussion determined that the community should provide \$25,000 in funds for this project. The project would be funded with the \$75,000 grant in HB 6. In testimony today, the committee heard that the community may prefer the grant from TSEP because there is no contingency for the creation of a water and sewer district.

CHAIRMAN BERGSAGEL briefly summed up the implications for HB 6 and HB 663 due to duplicate funding requests. He stated that both grant fund balances remain the same. Loan authorization would have to be increased by \$150,000 in HB 6. The funding levels have been reduced by \$150,000 for the TSEP.

Mr. Tubbs stated that if the committee approves DNRC's recommendation to change the funding for the town of Ennis to \$100,000, the grant and loan authorization would be placed at the bottom of the funding list for HB 6.

REP. BARDANOUVE asked for an explanation of SB 402 and SB 316.

Mr. Anderson briefed the committee on how future grants and loans would be affected by the passage of those two bills. **EXHIBITS 2 AND 3.** He explained that the bills would essentially enhance the cash flow of the TSEP.

REP. BARDANOUVE stated that the passage of these bills will borrow on the future interest earnings of the TSEP, and will affect the program's ability to provide grant funds in future bienniums. He stated that he is concerned that too many bonds are being issued.

HOUSE LONG-RANGE PLANNING SUBCOMMITTEE

March 13, 1993

Page 17 of 17

ADJOURNMENT

Adjournment: 4:10 PM


ERNEST BERGSAGEL, Chair


SANDRA BOGGS, Secretary

EB/sb

HOUSE OF REPRESENTATIVES

LONG - RANGE PLANNING

SUB-COMMITTEE

ROLL CALL

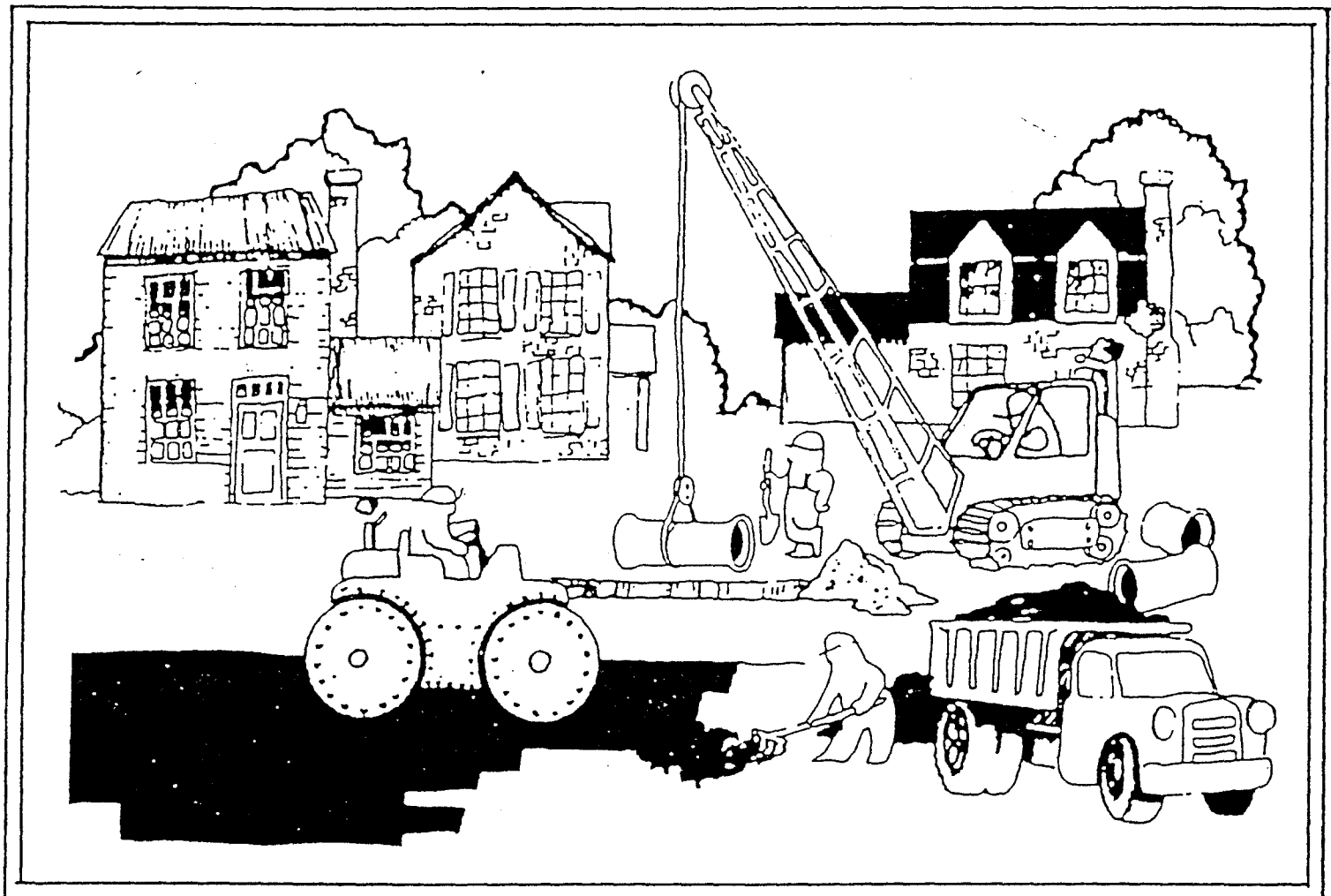
DATE

3/13/93

NAME	PRESENT	ABSENT	EXCUSED
SEN. BOB HOCKETT, VICE-CHAIR	✓		
REP. FRANCIS BARDONOUVE	✓		
SEN. ETHEL HARDING	✓		
SEN. ELEANOR VAUGHN	✓		
REP. TOM ZOOK	✓		
REP. ERNEST BERGSAGEL, CHAIR	✓		

TREASURE STATE ENDOWMENT PROGRAM

PROJECT EVALUATIONS AND RECOMMENDATIONS FOR THE 1994 - 1995 BIENNIUM



The original is stored at the Historical Society at 225 North Roberts Street,
Helena, MT 59620-1201. The phone number is 444-2694.

Sundt BILL NO. 402

INTRODUCED BY

Don E. Hoyle

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE
ISSUANCE OF TREASURE STATE ENDOWMENT BONDS; ESTABLISHING
PROCEDURES FOR ISSUING THE BONDS AND ESTABLISHING TERMS AND
CONDITIONS FOR THE BONDS; PROVIDING FOR SECURITY FOR
PURCHASERS OF THE BONDS; AMENDING SECTIONS 17-5-703 AND
90-6-701, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Treasure state endowment bonds. [Sections 1 through 16] provide for the issuance of
treasure state endowment bonds to provide financial
assistance to local government infrastructure projects
approved by the legislature.

NEW SECTION. Section 2. Purpose and intent. (1) The
purposes of [sections 1 through 16] are to establish the
authority to issue and sell treasure state endowment bonds
to provide financial assistance in the form of grants for
local government infrastructure projects authorized by the
legislature and to provide for the payment of the principal
and interest on the bonds from income derived from the
investment of the treasure state endowment fund, created
under 17-5-703, and other money as the legislature may from

time to time determine.

(2) (a) The legislature intends that:

(i) financial assistance in the form of loans for local
government infrastructure projects be financed by coal
severance tax bonds as provided in 17-5-701 or pursuant to
Title 85, chapter 1, part 6;

(ii) financial assistance in the form of annual debt
service subsidies for local government infrastructure
projects be provided from income earned by the investment of
the treasure state endowment;

(iii) financial assistance in the form of grants for
local government infrastructure projects be provided from
income earned by the investment of the treasure state
endowment fund or from the proceeds of bonds payable from
the treasure state endowment fund, as provided in [sections
1 through 16].

(b) The legislature further intends that the income
from the investment of the treasure state endowment fund in
excess of the amount required to pay the obligations of the
state payable from the treasure state endowment fund,
including debt service on the bonds authorized in and the
financial assistance provided for in [sections 1 through
16], be retained in the treasure state endowment fund.

NEW SECTION. Section 3. Pledge of treasure state endowment fund special revenue account. (1) The money in the

1 treasure state endowment special revenue account is pledged
2 to the payment of the principal and interest on all treasure
3 state endowment bonds. Except as provided in any resolution
4 or trust indenture authorizing the issuance of the bonds,
5 the bonds must have a first and prior lien upon all money
6 from time to time on hand in the special revenue account.

7 (2) All bonds issued after July 1, 1993, for which the
8 money in the treasure state endowment fund special revenue
9 account is pledged to pay for the principal and interest are
10 to be called treasure state endowment bonds.

11 (3) The principal, premium, if any, and interest on the
12 bonds is payable solely from the treasure state endowment
13 fund special revenue account.

14 NEW SECTION. Section 4. Accounts in treasure state
15 endowment fund. (1) Within the treasure state endowment fund
16 there must be maintained a principal account, a special
17 revenue account, a capital projects account, a debt service
18 account, a debt service reserve account, and other accounts
19 and subaccounts, as may be established by the board of
20 examiners.

21 (2) There must be credited to the principal account all
22 amounts transferred to the treasure state endowment fund
23 pursuant to 17-5-703 and other applicable law. All income
24 from the investment of the principal account must be
25 credited as received to the special revenue account.

1 (3) All proceeds of treasure state endowment bonds,
2 other than amounts representing accrued interest on the
3 bonds, premium, and debt service reserve, must be credited
4 to the capital projects account and must be disbursed from
5 time to time in the payment of grants, in accordance with
6 the resolution or trust indenture authorizing the issuance
7 of the bonds.

8 (4) From the special revenue account there must be
9 transferred to the debt service account the amounts
10 necessary to pay the principal, premium, if any, and
11 interest on treasure state endowment bonds when due.

12 (5) Subject to subsections (1) through (4), the amounts
13 must be credited, disbursed, and transferred from the
14 accounts within the treasure state endowment fund as
15 provided by the board of examiners in a resolution or trust
16 indenture authorizing the issuance of treasure state
17 endowment bonds or as otherwise directed by the board.

18 NEW SECTION. Section 5. Authority to issue treasure
19 state endowment bonds. The board of examiners, at the
20 request of the department of commerce and upon approval of
21 the legislature, shall sell and issue treasure state
22 endowment bonds to make grants to local governments for
23 approved infrastructure projects when authorized to do so by
24 any law that sets out the amount and purpose of the issue.
25 Each project must be separately approved as to amount by a

1 two-thirds vote of each house of the legislature.

2 NEW SECTION. Section 6. Board of examiners to issue
3 bonds. Only the board of examiners may sell and issue
4 treasure state endowment bonds. Any action taken by the
5 board pursuant to [sections 1 through 16] must be approved
6 by a majority vote of its members.

7 NEW SECTION. Section 7. Continued levy of coal tax for
8 treasure state endowment -- limit on additional bonds. (1)
9 From July 1, 1993, through June 30, 2013, the legislature
10 shall provide for the continued assessment, levy, and
11 collection of the coal severance tax and for the deposit of
12 coal tax proceeds into the coal severance tax bond fund.
13 During that time, the legislature shall provide for the
14 continued transfer into the treasure state endowment special
15 revenue account of the income earned from the investment of
16 the treasure state endowment fund to the extent necessary to
17 pay, when due, the principal and interest and other
18 obligations on all outstanding treasure state endowment
19 bonds.

20 (2) If any treasure state endowment bonds were issued
21 for a purpose or use that would reduce the balance in the
22 treasure state endowment fund available for investment, the
23 legislature may not appropriate any portion of the amount on
24 hand in the principal account of the treasure state
25 endowment fund while those bonds are outstanding.

1 (3) The board of examiners may not issue any treasure
2 state endowment bonds unless it determines that the annual
3 income from the principal account of the treasure state
4 endowment fund, during the term of the bonds, is reasonably
5 and conservatively estimated to be at least 125% of the
6 amount required in each year to pay the necessary amount of
7 principal and interest on all outstanding treasure state
8 endowment bonds, including the bonds proposed to be issued.
9 The board may not issue any treasure state endowment bonds
10 in an aggregate principal amount in excess of \$10 million.

11 (4) The provisions of this section may not be modified
12 to reduce the security for any coal severance tax bonds
13 while those bonds are outstanding.

14 NEW SECTION. Section 8. Form -- principal and interest
15 -- fiscal agent -- deposit of proceeds. (1) Each series of
16 treasure state endowment bonds may be sold by the board of
17 examiners at public or private sale and must be issued in
18 denominations and form, whether payable to bearer or
19 registered agent as to principal or both principal and
20 interest, with provisions for conversion or exchange,
21 bearing interest at the rate or rates, maturing at times not
22 exceeding 20 years from the date of issue, subject to
23 redemption at times and prices and upon notice, and payable
24 at the office of the fiscal agency of the state, as the
25 board of examiners shall determine, subject to the

1 limitations contained in [sections 1 through 16].

2 (2) Except as provided in subsection (1), in all other
3 respects, the board of examiners is authorized to prescribe
4 the form and terms of each series of treasure state
5 endowment bonds, including whether the bonds of any series
6 must be issued as taxable or tax-exempt bonds, and shall do
7 whatever is lawful and necessary or appropriate for the
8 bonds' issuance and payment.

9 (3) Treasure state endowment bonds and any interest
10 coupons appurtenant to the bonds must be signed by the
11 members of the board of examiners, and the bonds must be
12 issued under the great seal of the state of Montana. The
13 bonds and any interest coupons may be executed with
14 facsimile signatures and seal in the manner and subject to
15 the limitations prescribed by law. The state treasurer shall
16 keep a record of all bonds issued and sold.

17 (4) The board of examiners is authorized to employ a
18 fiscal agent to assist in the performance of its duties
19 under [sections 1 through 16].

20 (5) All proceeds of treasure state endowment bonds must
21 be deposited in the capital projects account within the
22 treasure state endowment fund, except that:

23 (a) any premium and accrued interest received must be
24 deposited in the debt service account; and

25 (b) the board of examiners may provide that a portion

1 of the proceeds may be deposited in the debt service reserve
2 account.

3 (6) The board of investments is authorized to purchase
4 treasure state endowment bonds with money from the coal
5 severance tax permanent fund or any other funds for which
6 the board of investments considers the treasure state
7 endowment bonds an appropriate investment. In calculating
8 the rate of return for any investment in treasure state
9 endowment bonds, the board of investments shall consider the
10 long-term benefit to the Montana economy resulting from the
11 use of the proceeds of the treasure state endowment bonds.

12 NEW SECTION. Section 9. Trust indenture. In the
13 discretion of the board of examiners, a series of treasure
14 state endowment bonds may be secured by a trust indenture
15 between the board of examiners and a trustee that may be any
16 trust company or bank having the powers of a trust company
17 within or outside of the state. An executed counterpart of
18 any trust indenture must be filed in the office of the
19 secretary of state of Montana.

20 NEW SECTION. Section 10. Provisions for protecting
21 bondholders. (1) (a) The legislative act, resolution, or
22 trust indenture providing for the issuance of treasure state
23 endowment bonds may contain provisions for protecting and
24 enforcing the rights and remedies of the bondholders as are
25 reasonable, proper, and not in violation of law. The

LC 1310/01

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1 provisions may include covenants that:

2 (i) set forth the duties of the state, the board of
3 examiners, and the departments, boards, or agencies of state
4 government in relation to the acquisition, construction,
5 improvement, maintenance, operation, repair, and insurance
6 of the infrastructure projects financed with the proceeds of
7 the treasure state endowment bonds; and

8 (ii) provide for the custody, safeguarding, and
9 application of all money.

10 (b) The trust indenture may set forth the rights and
11 remedies of the bondholders that are customary in trust
12 indentures, deeds of trust, and mortgages securing bonds or
13 debentures of corporations.

14 (2) The enumeration of particular powers granted by
15 this section does not impair any general grant or power
16 contained in [sections 1 through 16].

17 NEW SECTION. Section 11. Personal liability --- suit to
18 compel performance. (1) The members of the board of
19 examiners and the officers and employees of the departments,
20 boards, or agencies of state government are not personally
21 liable or accountable by reason of the issuance of any
22 treasure state endowment bond or bond anticipation note
23 issued by the board of examiners.

24 (2) Any holder of treasure state endowment bonds or any
25 person or officer who is a party in interest, subject to any

1 applicable treasure state endowment agreement or trust
2 indenture, may sue to enforce and compel the performance of
3 the treasure state endowment bond provisions provided in
4 [sections 1 through 16].

5 NEW SECTION. Section 12. Negotiability of bonds. Bonds
6 or notes issued under [sections 1 through 16] are negotiable
7 instruments under the Uniform Commercial Code provisions for
8 the registration of bonds.

9 NEW SECTION. Section 13. Signatures of board members.
10 If a member of the board of examiners whose signature
11 appears on bonds, notes, or coupons issued under [sections 1
12 through 16] ceases to be a member before delivery of the
13 bonds, notes, or coupons, the signature is nevertheless
14 valid and sufficient for all purposes, as if the member had
15 remained in office until delivery.

16 NEW SECTION. Section 14. Refunding obligations. (1)
17 The board of examiners may issue treasure state endowment
18 bonds to refund any treasure state endowment bonds then
19 outstanding, including the payment of any redemption premium
20 and any interest accrued or to accrue to the stated maturity
21 or redemption of the refunded bonds. The issuance of
22 refunding bonds, the maturities and other details of the
23 bonds, the rights of the holders of the bonds, and the
24 rights, duties, and obligations of the state with respect to
25 the bonds are governed by the appropriate provisions of

1 [sections 1 through 16] that relate to the issuance of
2 treasure state endowment bonds.

3 (2) Refunding bonds, provided for in subsection (1),
4 may be sold or exchanged for outstanding treasure state
5 endowment bonds. Pending the application of the proceeds or
6 any refunding bonds to the payment of principal, premium, if
7 any, and interest on the bonds being refunded and, if
8 permitted in the resolution authorizing the issuance of
9 refunding bonds or in the trust agreement securing them, to
10 the payment of interest on the refunding bonds and expenses
11 in connection with the refunding, the proceeds may be
12 invested as provided in Title 17, chapter 6.

13 NEW SECTION. Section 15. Pledge of state. In
14 accordance with the constitutions of the United States and
15 the state of Montana, the state pledges that it will not in
16 any way impair the obligations of any agreement between the
17 state and the holders of treasure state endowment bonds.

18 NEW SECTION. Section 16. Tax exemption of bonds --
19 legal investments. (1) All treasure state endowment bonds,
20 their transfer, and their income, including any profits made
21 on their sale, are exempt from taxation by the state or any
22 political subdivision or other instrumentality of the state,
23 except for inheritance, estate, and gift taxes.

24 (2) Treasure state endowment bonds are legal
25 investments for any person or board charged with investment

1 of public funds and are acceptable security for any deposit
2 of public money.

3 **Section 17.** Section 17-5-703, MCA, is amended to read:
4 "17-5-703. Coal severance tax trust funds. (1) The
5 trust established under Article IX, section 5, of the
6 Montana constitution shall be composed of the following
7 funds:

8 (a) a coal severance tax bond fund into which the
9 constitutionally dedicated receipts from the coal severance
10 tax shall be deposited;

11 (b) a treasure state endowment fund;

12 (c) a clean coal technology demonstration fund;

13 (d) a coal severance tax permanent fund;

14 (e) a coal severance tax income fund; and

15 (f) a coal severance tax school bond contingency loan
16 fund.

17 (2) The state treasurer shall annually determine the
18 amount necessary to meet all principal and interest payments
19 on bonds payable from the coal severance tax bond fund on
20 the--next--two--ensuing--semiannual--payment--dates during the
21 next 12 months and retain that amount in the coal severance
22 tax bond fund.

23 (3) (a) On January 21, 1992, and continuing as long as
24 any school district bonds secured by state loans under
25 20-9-466 are outstanding, the state treasurer shall from

1 time to time and as provided in subsection (3)(b) transfer
 2 from the coal severance tax bond fund to the coal severance
 3 tax school bond contingency loan fund any amount in the coal
 4 severance tax bond fund in excess of the amount that is
 5 specified in subsection (2) to be retained in the fund.
 6 (b) The state treasurer shall transfer the amount
 7 referred to in subsection (3)(a) until and unless the
 8 balance in the coal severance tax school bond contingency
 9 loan fund is equal to the amount due as principal of and
 10 interest on the school district bonds secured by state loans
 11 under 20-9-466 during the next following 12 months.
 12 (4) Beginning During the period beginning July 1, 1991,
 13 and ending June 30, 1997, from any amount in the coal
 14 severance tax bond fund in excess of the amount that is
 15 specified in subsection (2) to be retained in the fund and
 16 in excess of any amount that is required to be transferred
 17 by subsection (3), the state treasurer shall from time to
 18 time, not less often than once in each calendar quarter,
 19 transfer an amount not exceeding \$5 million per fiscal year
 20 to the clean coal technology demonstration fund.

21 (5) (a) Beginning During the period beginning July 1,
 22 1993, and ending June 30, 2013, the state treasurer shall
 23 from time to time:

24 (i) transfer to the treasure state endowment fund
 25 one-half of any amount in the coal severance tax bond fund

1 in excess of the amount that is specified in subsection (2)
 2 to be retained in the fund and in excess of amounts that are
 3 transferred pursuant to subsections (3) and (4); and
 4 (6)(ii) {a} Beginning--July-1-1993--and--ending--June--30--
 5 2013--the--state--treasurer--shall--from--time--to--time transfer
 6 to the coal severance tax permanent fund 50%--of--the
 7 principal--transferred--from--the--coal--severance--tax--bond--fund
 8 to--the--treasure--state--endowment--fund--in--the--preceding--year
 9 the remaining one-half of the amount in the coal severance
 10 tax bond fund in excess of the amount that is specified in
 11 subsection (2) to be retained in the fund and in excess of
 12 amounts that are transferred pursuant to subsections (3) and
 13 (4).

14 (b) The state treasurer shall annually, or more
 15 frequently if required by proceedings taken in the issuance
 16 of treasure state endowment bonds, transfer from the
 17 treasure state endowment fund principal account to the
 18 treasure state endowment special revenue account the amount
 19 of interest earnings or other investment income required to
 20 meet the obligations of the state that are payable from the
 21 account in accordance with 90-6-710 Title 90, chapter 6,
 22 part 7. Interest earnings and other investment income not
 23 transferred to the treasure state endowment special revenue
 24 account must be retained in the treasure state endowment
 25 fund."

EXHIBIT
DATE 3-13-93

LC 1310/01

LC 1310/01

1 **Section 18.** Section 90-6-701, MCA, is amended to read:
2 **"90-6-701. Treasure state endowment program created --**
3 **definitions. (1)** There is a treasure state endowment program
4 that consists of:
5 (a) the treasure state endowment fund established in
6 17-5-703; and
7 (b) the infrastructure portion of the coal severance
8 tax bond program provided for in 17-5-701(2).
9 (2) (a) Interest from the treasure state endowment fund
10 and from proceeds of the sale of bonds under 17-5-701(2) may
11 be used to provide financial assistance for local government
12 infrastructure projects under this part.
13 (b) Interest from the treasure state endowment fund may
14 also be used to pay principal and interest on bonds issued
15 pursuant to [sections 1 through 16].

16 (3) As used in this part, the following definitions
17 apply:
18 (a) "Infrastructure projects" means:
19 (i) drinking water systems;
20 (ii) wastewater treatment;
21 (iii) sanitary sewer or storm sewer systems;
22 (iv) solid waste disposal and separation systems,
23 including site acquisition, preparation, or monitoring; or
24 (v) bridges.
25 (b) "Local government" means an incorporated city or

1 town, a county, or a consolidated local government.
2 (c) "Treasure state endowment fund" means the coal
3 severance tax infrastructure endowment fund established in
4 17-5-703(1)(b).
5 (d) "Treasure state endowment program" means the local
6 government infrastructure investment program established in
7 subsection (1)."

8 **NEW SECTION. Section 19.** Codification instruction. (1)
9 [Sections 1 through 3 and 5 through 16] are intended to be
10 codified as an integral part of Title 90, chapter 6, and the
11 provisions of Title 90, chapter 6, apply to [sections 1
12 through 3 and 5 through 16].
13 (2) [Section 4] is intended to be codified as an
14 integral part of Title 17, chapter 5, and the provisions of
15 Title 17, chapter 5, apply to [section 4].

16 **NEW SECTION. Section 20.** Effective date. [This act] is
17 effective on passage and approval.

-End-

EXHIBIT
DATE _____
SB _____
-51-

INTRODUCED BY

Senators BILL NO. 316

1 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE TREASURE
2 STATE ENDOWMENT PROGRAM TO ALLOW COUNTY WATER, SEWER, AND
3 SOLID WASTE DISTRICTS TO APPLY FOR ASSISTANCE; PERMITTING
4 INTEREST RATE SUBSIDIES TO BE PAID OVER THE LIFE OF LOANS OR
5 BONDS; AMENDING THE ORDER OF PRIORITY FOR INFRASTRUCTURE
6 PROJECTS; AND AMENDING SECTIONS 90-6-701, 90-6-703, AND
7 90-6-710, MCA."

STATEMENT OF INTENT

13 This bill requires a statement of intent because it
14 grants the department of natural resources and conservation
15 and the department of commerce additional rulemaking
16 authority. It allows the departments to adopt rules allowing
17 interest rate subsidies for local infrastructure projects to
18 be paid over the life of the loan or bonding period. The
19 bill also allows the departments to make loans for
20 preliminary engineering study costs. These loans must be
21 repaid at the time overall construction financing is
22 arranged.

24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

25 Section 1. Section 90-6-701, MCA, is amended to read:

EXHIBIT

DATE 3-13-93

SJR

1 "90-6-701. Treasure state endowment program created --
2 definitions. (1) There is a treasure state endowment program
3 that consists of:
4 (a) the treasure state endowment fund established in
5 17-5-703; and
6 (b) the infrastructure portion of the coal severance
7 tax bond program provided for in 17-5-701(2).
8 (2) Interest from the treasure state endowment fund and
9 from proceeds of the sale of bonds under 17-5-701(2) may be
10 used to provide financial assistance for local government
11 infrastructure projects under this part.

12 (3) As used in this part, the following definitions
13 apply:

14 (a) "Infrastructure projects" means:

15 (i) drinking water systems;

16 (ii) wastewater treatment;

17 (iii) sanitary sewer or storm sewer systems;

18 (iv) solid waste disposal and separation systems,
19 including site acquisition, preparation, or monitoring; or

20 (v) bridges.

21 (b) "Local government" means an incorporated city or
22 town, a county, or a consolidated local government, or a
23 county water, sewer, or solid waste district.

24 (c) "Treasure state endowment fund" means the coal
25 severance tax infrastructure endowment fund established in

1 17-5-703(1)(b).

2 (d) "Treasure state endowment program" means the local
3 government infrastructure investment program established in
4 subsection (1)."

5 **Section 2.** Section 90-6-703, MCA, is amended to read:

6 "90-6-703. Types of financial assistance available. (1)

7 The legislature shall provide for and make available to
8 local governments the following types of financial
9 assistance under this part:

10 ~~that~~(a) matching grants for local infrastructure
11 projects;

12 ~~that~~(b) annual debt service subsidies on local
13 infrastructure projects; and

14 ~~that~~(c) loans from the proceeds of coal severance tax
15 bonds at a subsidized interest rate.

16 (2) The department of natural resources and
17 conservation and the department of commerce:

18 (a) may adopt rules to commit to interest rate
19 subsidies for local infrastructure projects and may allow
20 the subsidies to be paid over the life of the loan or
21 bonding period; and

22 (b) may make deferred loans to local governments for
23 preliminary engineering study costs. The loans must be
24 reimbursed when overall construction financing is arranged."

25 **Section 3.** Section 90-6-710, MCA, is amended to read:

1 "90-6-710. Priorities for projects -- procedure --
2 rulemaking. (1) The department of commerce must receive

3 proposals for projects from local governments as defined in
4 90-6-701(3)(b). The department shall work with a local

5 government in preparing cost estimates for a project. In

6 reviewing project proposals, the department may consult with

7 other state agencies with expertise pertinent to the

8 proposal. The department shall prepare and submit a list

9 containing the recommended projects and the recommended form

10 of financial assistance for each project to the governor,

11 prioritized pursuant to subsection (2). The governor shall

12 review the projects recommended by the department of natural

13 resources and conservation under Title 95, Chapter 17, part

14 67 and shall submit a list of recommended projects and the

15 recommended financial assistance to the legislature.

16 (2) In preparing recommendations under subsection (1),
17 preference must be given to projects based on the following
18 order of priority:

19 (a) projects that solve urgent and serious public
20 health or safety problems;

21 (b) projects that enable local governments to meet
22 state or federal health or safety standards;

23 (c) projects that incorporate appropriate,
24 cost-effective technical design and that provide thorough,
25 long-term solutions to community public facility needs;

EX-11-3-13,3
DATE 3-13-83

LC 0332/01

LC 0332/01

(d) projects that reflect greater need for financial assistance than other projects;
(e) projects that enable local governments to obtain funds from sources other than the funds provided under this part;
(f) projects that provide long-term, full-time job opportunities for Montanans;
(g) projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;
(h) projects that result in a benefit to the public commensurate with the amount of financial assistance;
(i) projects that reflect greater need for financial assistance than other projects;
(j) projects that maintain the tax base or that do not discourage expansion of the tax base; and
(k) projects that are high local priorities and have strong community support.
(3) After the review required by subsection (1), the projects must be approved by the legislature.
(4) The department of natural resources and conservation shall adopt rules to implement the prioritization and recommendation of projects to be financed pursuant to 17-5-701.
(5) Except as provided in subsection (4), the

1 department of commerce shall adopt rules necessary to
2 implement the treasure state endowment program."

-End-

EXHIBIT 4
DATE 3-13-93
~~SB~~ _____

Treasure State Endowment Program

A Summary of Indicators of Financial Need

**Submitted to the
Long-range Planning Joint Subcommittee
Montana State Legislature**

**Montana Dept. of Commerce
March, 1993**

Indicators of Financial Need:

Introduction

Four principal indicators of financial need were assessed in determining applicants' needs for TSEP funds, as follows:

1. Target Affordable Rates -- 1.0 to 1.5% of Median Household Income
2. Affordability Index
3. Debt to household ratio
4. Combined water and sewer rates

1. 1.0 to 1.5% of Median Household Income

1.0 to 1.5% of a community's median household income (MHI) was used as a guideline in defining an "affordable" rate for water or sewer charges.

Example:

\$22,988 = Montana Median Household Income (MHI), according to 1990 Census.

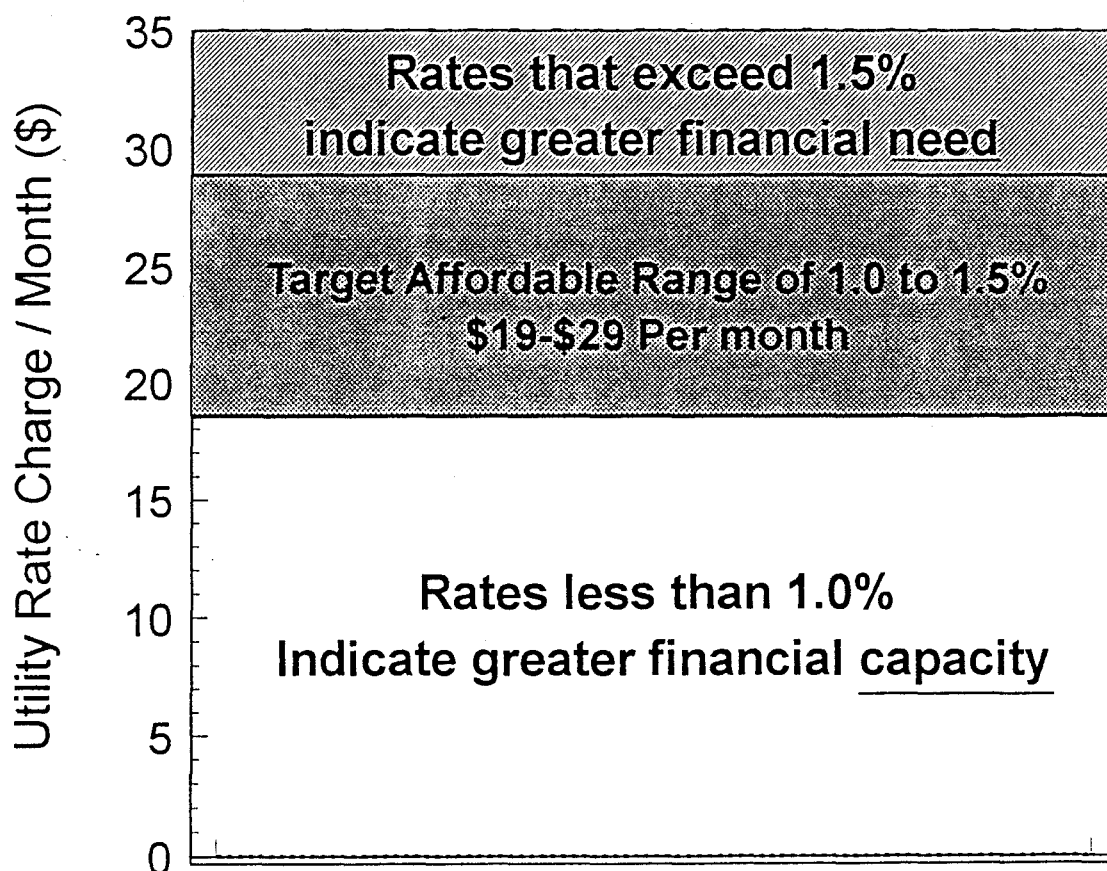
A. 1.0% of \$22,988 = \$230 (rounded)

$$\frac{\$230}{12 \text{ months}} = \$19 \text{ Per Month (Rate)}$$

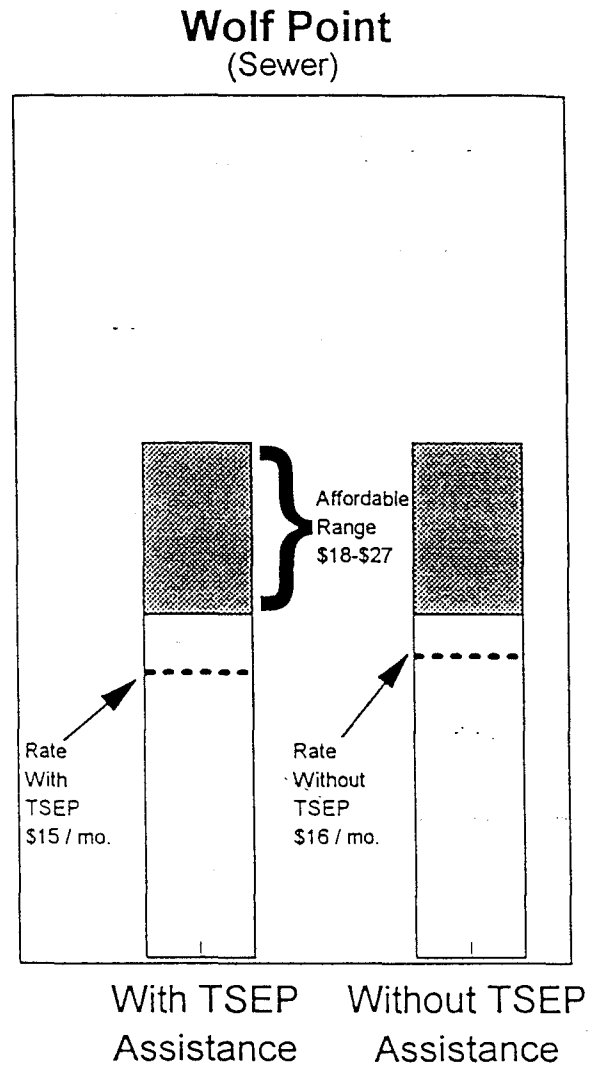
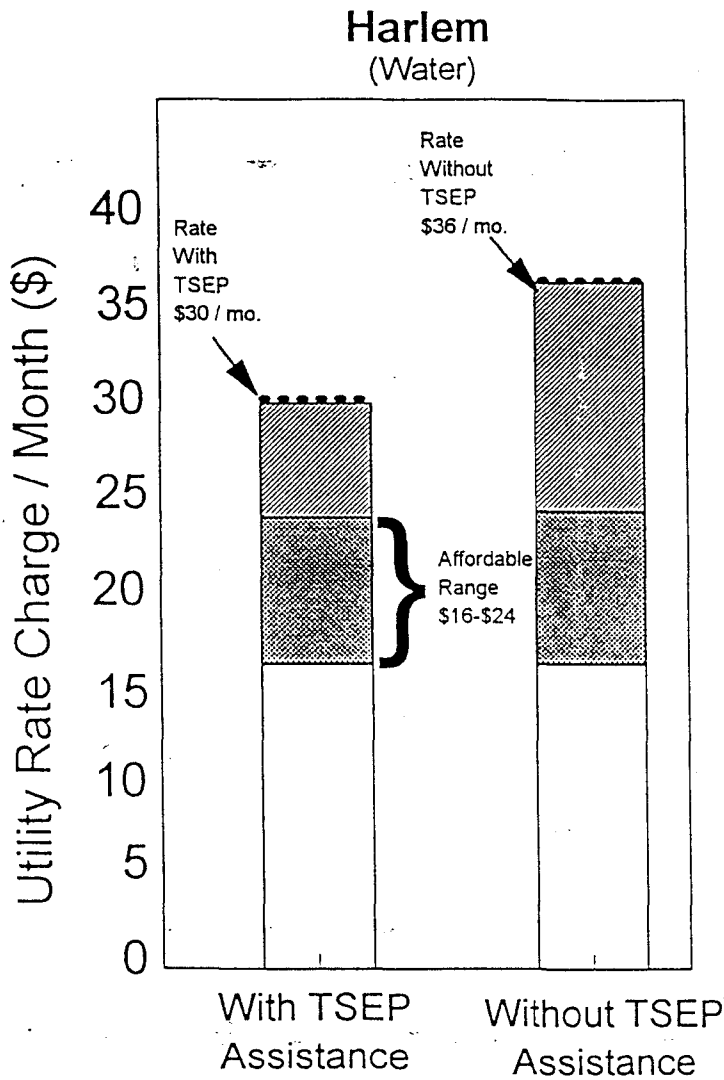
B. 1.5% of \$22,988 = \$345

$$\frac{\$345}{12 \text{ months}} = \$29 \text{ Per Month (Rate)}$$

The target range for affordable rates would be \$19 to \$29 per month based on the State Median Household Income of \$22,988.



Actual Communities



	Harlem (Water)	Wolf Point (Sewer)
MHI	\$18,977	\$21,290
1.0% MHI	\$16	\$18
1.5% MHI	\$24	\$27
Rate With TSEP	\$30	\$15
Rate Without TSEP	\$36	\$16

EXHIBIT 4
DATE 3-13-93
SP

Indicators of Financial Need -- cont.

2. Affordability Index

The affordability index represents the total of an average household's user fees and tax payments divided by the community's median household income.

Affordability Index

Total Average Household's User Fees and Tax Payments

Community's Median Household Income (MHI)

Indicators of Financial Need -- cont.

3. Debt to Household Ratio

The debt to household ratio is calculated by dividing the applicant's total debt (including the new additional debt for the TSEP project) by the total number of households to be benefitted by the proposed project; \$1,500 - \$2,000 debt per household was used as a threshold beyond which the debt burden may become excessive.

Debt to Household Ratio:

$$\frac{\text{Applicant's Debt}}{\text{Total Benefitted Households}}$$

Example - Debt to Household Ratio - Harlem and Wolf Point

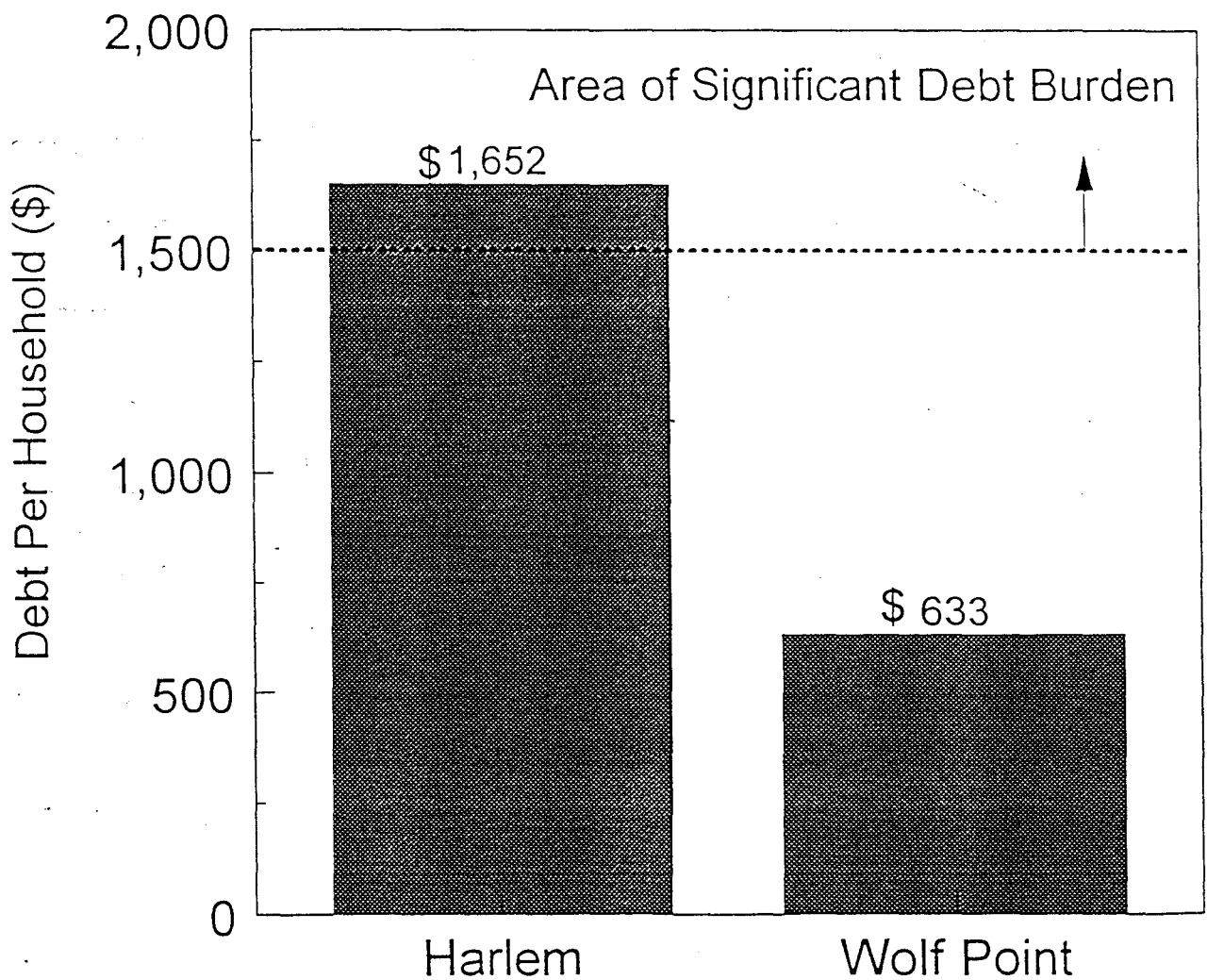


EXHIBIT 5
DATE 3-13-93

PROJECTS APPLICATIONS SUBMITTED FOR FUNDING UNDER WD/RRD AND TSEP

	TOTAL PROJECT COST (TSEP ESTIMATE)	DNRC '91 GRANT (H.B. 6)	DNRC '91 LOAN (H.B. 6)	DNRC '93 GRANT (COMM. ACT)	DNRC '93 LOAN (COMM. ACT)	TSEP '93 GRANT (DOC REC)	TSEP '93 LOAN (DOC REC)
IRICLE TOWN OF	WATER \$370,000.00	N/A	N/A	N/A	N/A	\$370,000.00	\$0.00
IRICLE TOWN OF	ENGINEERING \$20,000.00	N/A	N/A	\$36,000.00	\$0.00	\$0.00	\$0.00
USTER COUNTY	SOLID WASTE \$18,800.00	\$0.00	\$0.00	\$4,725.00	\$0.00	\$0.00	\$0.00
UTTON, TOWN OF	WATER \$118,700.00	\$66,318.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NNIS, TOWN OF	WATER \$1,060,000.00	N/A	N/A	\$0.00	\$1,100,000.00	\$100,000.00	\$0.00
ADISON COUNTY	SOLID WASTE \$79,100.00	N/A	N/A	\$0.00	\$0.00	\$0.00	\$0.00
EHART, TOWN OF	WATER \$726,231.00	\$50,000.00	\$150,000.00	\$0.00	\$0.00	\$544,673.00	\$0.00
ELLOWSTONE COUNTY/HUNTLEY	WATER \$745,300.00	N/A	N/A	\$50,000.00	\$50,000.00	\$100,000.00	\$0.00
ELLOWSTONE COUNTY/SHEPHERD ENGINEERING	\$118,200.00	N/A	N/A	\$75,000.00	\$0.00	\$0.00	\$85,000.00

- Dutton was ranked low on the 1991 WD/RRD H.B. 6. They just received notice of funding. With DNRC 1991 funding and TSEP funding, this 1993 request will be fully funded.
- Under WD/RRD program rule, DNRC provides either a grant/loan for requests of up to \$200,000 or a subsidized loan for projects greater than \$200,000. Affordability criteria are not used in setting the level of grant or loan recommended. If the Legislature funds the Town's request for a grant based on affordability, in addition to the authorized DNRC loan, it would be appropriate to add this grant authority to the WD/RRD H.B. 6. In this way only a single agency would be involved in the administration of this project.
- Neihart has funds reauthorized for this project under the WD/RRD 1991 H.B. 6. To make the administration of grant funds more efficient, a single grant from TSEP of \$594,673 and authority for only a \$150,000 DNRC loan would be recommended.
- Fund Huntley under WD/RRD only. If desired the authority under the 1993 H.B. 6 could be increased to \$100,000 consistent with Commerce's recommendation. A single grant instrument will be easier to administer.
- Fund Shepherd under WD/RRD only. DNRC already has authority for a \$75,000 and subcommittee required the balance of funds from the community. A loan would likely not be repaid and would be difficult to secure and administer.

SHEPHERD WATER-SEWER DISTRICT

NOW IS THE TIME TO FORM A SHEPHERD WATER/SEWER DISTRICT.

Water in the Shepherd area is substandard and there is growing concern that the water at the Shepherd schools will be declared unfit for use by the State Department of Health. If this occurs residents will be faced with the cost of developing a water system to serve the schools. Forming a water district will allow the community to start developing plans for a system that will serve both the schools and the residents whose water is substandard. Yellowstone County has applied for a \$100,000 grant from the Department of Natural Resources to investigate the feasibility of building a water system in the Shepherd area. The chances of obtaining the grant will be improved if a Water District is created.

A water system will result in improved fire protection and should result in insurance companies changing the fire insurance rating to a lower, less expensive class.



HOW WILL THE WATER DISTRICT WORK?

A THREE PHASE PROGRAM IS ENVISIONED IF THE DISTRICT IS FORMED.

PHASE 1 - PLANNING AND PRELIMINARY FUNDING

- Apply for planning grants
- Complete system feasibility studies when funds are obtained
- Evaluate community benefits/costs
- Do nothing that raises property taxes

PHASE 2 - COMMUNITY/PUBLIC REVIEW AND DECISION

At the completion of the planning phase a series of public meetings and mailings will occur that describe and discuss:

- Proposed system boundaries
- Potential construction funding sources
- Project user's fees
- Impact on property taxes

After this information is presented to the community, a majority of 60% of the voters must approve the proposed plan before any taxes can be levied or construction begin.

PHASE 3 - CONSTRUCTION



Volunteer Members of an interim committee are as follows. Contact any of these persons if you have questions or comments to make.

- | | |
|-----------------|----------|
| Tom Plath | 373-6327 |
| Gary Davis | 373-6770 |
| Bob Sindelar | 373-6349 |
| Bill Green | 373-5317 |
| Ginger Macrow | 373-5721 |
| Esther Bengtson | 373-5742 |

SHEPHERD WATER-SEWER DISTRICT

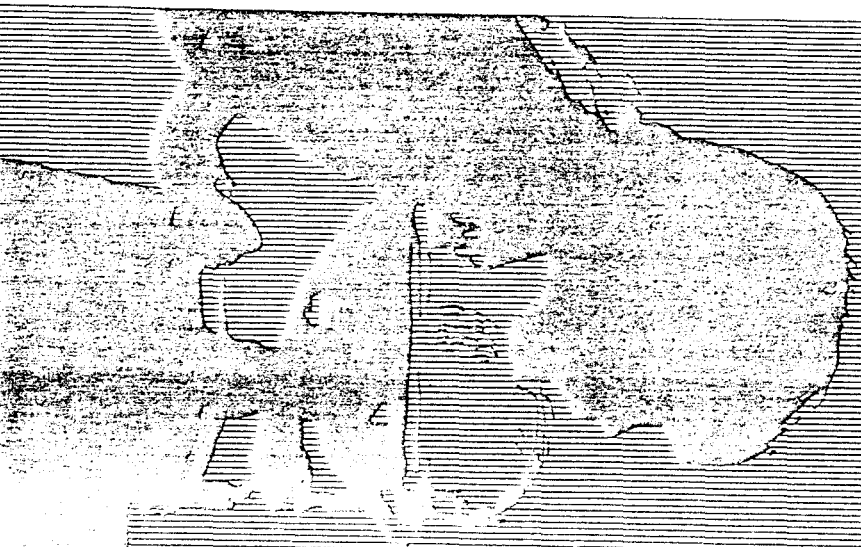
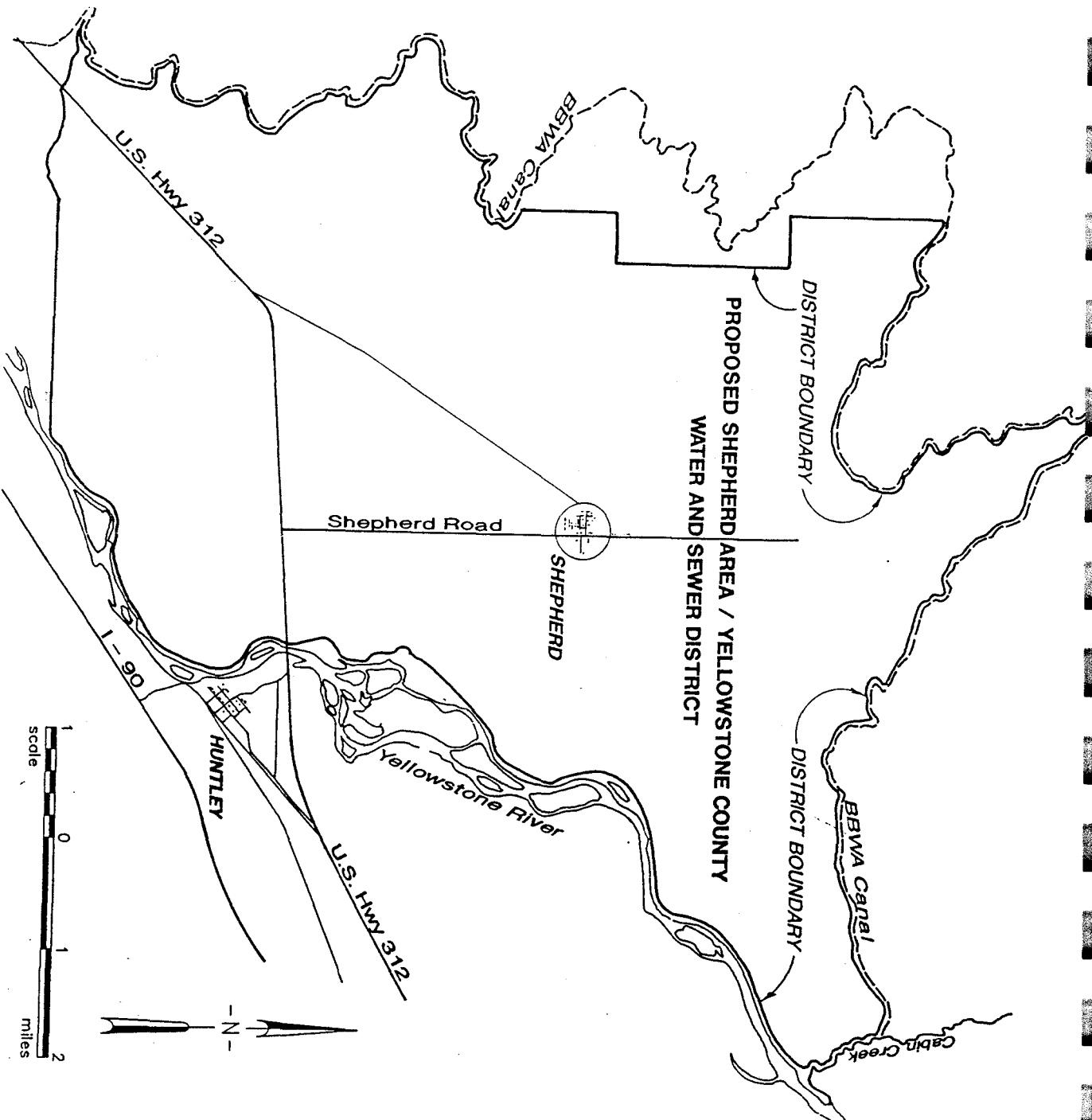
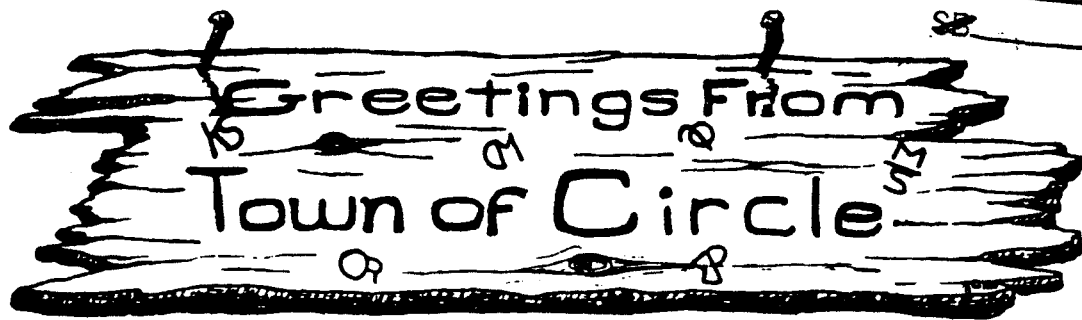


Exhibit 6
 8-13-93
 Long Range
 Planning Unit





P.O. Drawer Q

Circle, Montana 59215

Ph. 485-2524

DONALD CLARIN, Mayor

CAROL MARKUSON, Town Clerk

March 10, 1993

Treasure State Endowment
Grant Review Committee

Dear Members:

This packet contains information on the Treasure State Endowment Grant that has been applied for by the Town of Circle for mandated improvements to the municipal water supply.

Circle has two deep wells placed in the Fox Hills Sands geologic formation. The water at our location has a natural fluoride content that ranges from approximately 5.5 to 6 mg/L. This level of fluoride exceeds the maximum level allowed by the State Water Quality Bureau and EPA of 4 mg/L. Also, our water has a high content of dissolved solids, sodium, etc.

This problem has been declared a significant health risk by the Water Quality and EPA since it can cause mottling of the teeth in the young, as well as fluorosis of the bones in the elderly.

In 1988, the Town received a letter of noncompliance on the fluoride and was instructed to correct the problem.

From 1988 until 1992, we were working with the EPA and the Small System Technologies group, as they were attempting to set up a pilot project to correct our fluoride problem.

In July of 1992 we were notified that EPA and Small System Technologies would not be participating in a pilot project.

Since July of 1992, we conducted an engineering selection process and have hired HKM Associates as the engineer for the project.

Phase I of the project will include development of a master plan to develop design criteria, identification and evaluations of solutions, cost estimates, preparation of study documents and assist the Town with public hearings.

EXHIBIT 1
DATE 3-13-93
82

In addition, it has been determined that a water tie line will have to be installed from Well 1 to Well 2, where the treatment plant will be located.

Another part of this project, is the handling of reject water or sludge disposal, depending on the treatment process selected.

Phase II of the project will include a pilot study on the treatment process selected. Final design, bid and contract development, inspection services during construction, and quality of performance testing of the plant.

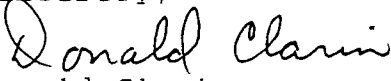
Our plan for financing this project is intended by a grant from the Treasure State Endowment Program and a loan from Farmers Home Administration.

Water user fees will be increased to retire the loan in a timely and responsible manner.

Attached is additional information on our project.

Thank you for consideration of our project.

Sincerely,


Donald Clarin
Mayor

DC:Cam

Project History and Summary

1. Received letter of noncompliance from Montana State Water Quality Bureau in May of 1988 stating fluoride is a significant health threat.
2. Worked with Interstate Engineering on estimates for treatment facility and evaluated other option - 1988.
3. Notified the Water Quality Bureau of cost estimates for treatment facility.
4. Water Quality Bureau notified EPA of costs. EPA contacted Small Systems Technology group.
5. The Town worked with EPA and Small Systems Technologies during the time frame of the last quarter of 1988 until July of 1992.
6. Notified by EPA in July of 1992 that they would not be able to participate in the project.
7. The Town started the Engineering selection process.
8. Engineer selected in October 1992.
9. Financing for construction of the treatment facility have been applied for through the Treasure State Endowment Program and FMHA loan funds.
10. The best estimabes available of the total costs of this project, at this time, is approximately \$700,000.00.
11. 26% of the water users in Circle are retired and on fixed incomes.
12. The approximate monthly water rate to finance this project is \$36.00 per month.

DEPARTMENT OF HEALTH AND
ENVIRONMENTAL SCIENCES

BILLINGS REGIONAL OFFICE

EXHIBIT 7
DATE 3-13-93
SB



TED SCHWINDEN, GOVERNOR

STATE OF MONTANA

AIR QUALITY BUREAU (406) 657-2617
WATER QUALITY BUREAU (406) 657-2616
FOOD & CONSUMER SAFETY BUREAU (406) 657-2619
SOLID & HAZARDOUS WASTE BUREAU (406) 657-2618

Town of Circle
P.O. Box 6
Circle MT 59215

May 25, 1988

ATTN: Pat Loberg

RE: FLUORIDE VIOLATION IN DRINKING WATER SUPPLY FOR CIRCLE MONTANA.

Dear Pat:

The results of the fluoride verification sampling indicate an average fluoride concentration of 6.4 mg/l for the drinking water supply for Circle, Montana. This exceeds the Maximum Contaminant Level of 4.0 mg/l as set forth by the Federal Safe Drinking Water Act.

Drinking water concentrations of fluoride in excess of 4.0 mg/l pose a significant health risk. Not only is there an increased chance of dental mottling in young consumers, there is also an increased risk of skeletal fluorosis in certain individuals drinking water with excessive fluoride concentrations.

For this reason, it is necessary that you submit an engineering study which investigates your alternatives for providing drinking water which is not in violation of the Federal and State drinking water standards. These alternatives may include treatment or the use of another approved source. When this study is completed you must also submit a projected schedule for coming into compliance with the drinking water standards. At that time you may apply for an Exemption from the drinking water supply rules. But no Applications for Exemption will be accepted without an Engineering Study and Compliance Schedule.

Please submit the Engineering Study and Compliance Schedule within 90 days. Drop me a line or call me at 657-2616 if you have any questions or concerns. Thank you for your cooperation.

Sincerely,

Kathy J. Miller

Kathy J. Miller
Environmental Engineer
Water Quality Bureau, Billings Regional Office

cc: County Health Officer
County Sanitarian
Dan Fraser, WQB Helena
File

enc

EXHIBIT 7
DATE 3-13-93
DEPARTMENT OF
HEALTH AND ENVIRONMENTAL SCIENCES

WATER QUALITY BUREAU

STAN STEPHENS, GOVERNOR

Room A-201
COGSWELL BUILDING



STATE OF MONTANA

HELENA, MONTANA 59620

(406) 444-4549

April 29, 1992

Carol Markuson, Clerk
Town of Circle
Box 140
Circle, MT 59215

RE: Exceeding the MCL for Fluoride in the Town's Public Water Supply

Dear Ms. Markuson:

This letter is intended to serve as documentation and acknowledgement that the public water supply system serving Circle exceeds the maximum contaminant level (MCL) for fluoride as defined by the Safe Drinking Water Act.

Fluoride is regulated in community public water supplies at a MCL of 4.0 parts per million (ppm). The applicable state regulation is ARM 16.20.203(1)(j). Analyses of the public water supply system serving Circle show fluoride has been detected at levels of 5.5, 5.4, 4.9, and 5.6 ppm.

Exceeding the MCL for fluoride places the public water system in violation of the Safe Drinking Water Act. The levels detected are additionally significant because they routinely exceed the Unreasonable Risk to Health concentration of 5.0 ppm. At concentrations exceeding 5.0 ppm, some individuals may develop crippling skeletal fluorosis if they consume the water for many years.

Because Circle is in violation of the Safe Drinking Water Act, this agency is pursuing enforcement action to have the system brought into compliance. Recognizing compliance will require system improvements, we are in support of your pursuit of funding assistance to correct this serious risk to public health.

Sincerely,

A handwritten signature in cursive script, appearing to read "Donna G. Jensen".

Donna G. Jensen
Field Services Program Manager
Drinking Water/Subdivision Section

cc: Vern Heisler, Billings MDHES



United States
Department of
Agriculture

Farmers
Home
Administration

98 Highway 2 East
Glasgow, MT 59230
406) 228-4226

December 17, 1992

Donald Clarin, Mayor
Town of Circle
Drawer Q
Circle, MT 59215

- RE: \$370,000 to pay for part of a Water Treatment
Plant to correct the flouride problem

Dear Mr. Clarin:

FmHA's preliminary review of your proposal for a \$370,000 loan for a treatment plant indicates that the Town of Circle would be eligible for such a loan and that the proposed loan would be for eligible loan purposes. It would therefore appear that FmHA could participate in the financing of the project.

We recommend that you initiate a formal application with FmHA. Your FmHA contact person for loan processing at this time is :

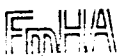
Mary Lou Falconer, Assistant District Director
Farmers Home Administration, USDA
1629 Avenue D, Suite 6 (657-6297)
Billings, MT 59102

Please contact her at the above addresss if you have any questions.

Sincerely, -

LAWRENCE M. NAYES
Acting District Director

cc: Mary Lou Falconer



Budget Narrative and Forms

The total proposed budget for final design and construction of this project is \$740,000.00. This has been updated from \$706,000.00 estimated in 1988 by Interstate Engineering.

Our Treasure State Endowment Program grant application is for the amount of \$370,000.00 or one half the total cost of the project. At this time it is planned the remaining funds will come from FMHA as a loan. We also plan to prepare a CDBG application. The funds to be used as a supplement to this project.

The budget breakdown is \$500.00 for administration/ personal services. Office costs to include supplies and postage and printing and telephone \$380.00. Professional service for final design of the project, legal and audit \$10,700.00, travel \$400.00.

On the activity section of the budget, there is no acquisition required.

Estimate of engineering and inspection services for bid preparations and letting inspection services during construction and quality of performance testing is \$44,100.00. Construction of the building, installation of filtration and pumping equipment, electrical work and other associated construction \$319,160.00. The remaining \$500.00 will be for permits and miscellaneous.

EXHIBIT 7
 DATE 3-13-93
 SP

APPLICATION BUDGET FORM FOR TSEP PROJECTS

	TSEP	OTHER: FMHA	OTHER:	TOTAL
ADMINISTRATION				
PERSONAL SERVICES	\$ 500.00	\$ 500.00	\$	\$ 1,000.00
OFFICE COSTS				
Supplies	15.00	15.00		30.00
Postage & Printing	100.00	100.00		200.00
Telephone	75.00	75.00		150.00
PROFESSIONAL SERVICES				
Consulting Final Design	4,000.00	4,000.00		8,000.00
Legal	150.00	150.00		300.00
Audit	1,200.00	1,200.00		2,400.00
OTHER				
Travel & Training	200.00	200.00		400.00
TOTAL ADMINISTRATION	\$ 6,240.00	\$ 6,240.00	\$	\$ 12,480.00
ACTIVITY				
ACQUISITION	No Acquisition Required			
	\$	\$	\$	\$
ENGINEERING/ARCHITECTURAL SERVICES				
	44,100.00	44,100.00		
CONSTRUCTION				
	319,160.00	319,160.00		
OTHER				
Permits	500.00	500.00		
TOTAL ACTIVITY	\$ 370,000.00	\$ 370,000.00	\$	\$
TOTAL PROJECT	\$ 370,000.00	\$ 370,000.00	\$	\$

TSEP PUBLIC FACILITIES FINANCIAL INFORMATION FORM

This form must be completed by each applicant for TSEP funding in order to help DOC evaluate the applicant's need for TSEP assistance. The form is divided into two separate parts, as follows:

1. **Part 1, Current Financial Information**, relates to an applicant's current financial situation and existing household user charges for water, sanitary sewer, and solid waste disposal services, regardless of the type of project being considered, and
2. **Part 2, Proposed Funding**, relates to an applicant's projected costs and financial impacts related to the actual, specific utility or facility proposed to be assisted with TSEP funds.

Please fill in the information requested in the spaces provided below. The information should be based on Fiscal Year 1992 records. Much of the information requested is included in the local government's most recent Annual Financial Report submitted to the Department of Commerce for Fiscal Year 1992.

Name of Applicant: Town of Circle

Type of Project (water, sanitary sewer, solid waste, storm drainage, or bridge):
Water

Number of Households Served by System or Facility: 320

PART 1. CURRENT FINANCIAL INFORMATION

A. Property Taxes:

1. **Taxable value of property in applicant's jurisdiction (either county or municipality). County special districts should use county-wide information.** \$ 688,338

2. **Number of mills levied within the project area by:**

- | | |
|-----------------------------------|-----------------------------|
| a. Municipality, if applicable | <u>X</u> |
| b. County | <u> </u> |
| c. Local School District | <u> </u> |
| d. All Other Taxing Jurisdictions | <u> </u> |

TOTAL MILLS LEVIED (a. + b. + c. + d.)

B. Current Debt and Cash Reserves:

1. Current Debt

a. For cities, towns or consolidated governments:

Purpose: _____	Amount: \$ _____
Purpose: _____	Amount: \$ _____
Purpose: _____	Amount: \$ _____
Purpose: _____	Amount: \$ _____

b. For the county, if a county-wide project:

Purpose: _____	Amount: \$ _____
Purpose: _____	Amount: \$ _____
Purpose: _____	Amount: \$ _____
Purpose: _____	Amount: \$ _____

c. Sewer, water, or solid waste district, if applicable:

Water Well #2 and

Purpose: storage tank	Amount: \$ 37,560.93
Purpose: _____	Amount: \$ _____

2. Non-Obligated Cash Reserves

If applicable, state the amount of any non-obligated local government cash reserves, exceeding \$25,000 or more, currently held in certificates of deposits, trust funds or other similar investment accounts.

\$25,300.00 - Sewer Reserve

C. Current Household User Charges:

1. Current average monthly service charges or assessments per household for water, sanitary sewer, and solid waste:

Note: This information is requested from all TSEP applicants regardless of the specific facility proposed to be assisted. For water or sewer projects, the existing rates must be based on 10,000 gallons monthly consumption per household (active residential connections) in order to provide a common basis for comparison. The charges represented should include debt service and day-to-day operation and maintenance charges, but must exclude any charges to fund reserves for depreciation or capital replacement. For solid waste, include costs for an average residence.

DATE 3-13-93
\$

Water:

Debt Service:	\$ 3.20
Operation and Maintenance:	\$ 17.88
Other Charge (specify):	\$
<hr/>	
TOTAL SERVICE CHARGE PER HOUSEHOLD	\$ 21.08

Sanitary Sewer:

Debt Service:	\$
Operation and Maintenance:	\$ 3.77
Other Charge (specify):	\$
<hr/>	
TOTAL SERVICE CHARGE PER HOUSEHOLD	\$ 3.77

Solid Waste:

Debt Service:	\$
Operation and Maintenance	\$ 16.00
Other Charge (specify):	\$
<hr/>	
TOTAL SERVICE CHARGE PER HOUSEHOLD	\$ 16.00

2. For local governments applying for TSEP assistance for storm sewers or bridges, provide the following information, as applicable:

a. For storm sewer projects, state the current user charge or assessment for an average, typical residence, depending upon the type of rate system. (If assessed on the basis of property value, assume an assessed valuation of \$45,000 for an average home.)

TOTAL CHARGE, ASSESSMENT, OR TAX PER HOUSEHOLD \$

b. For bridge projects, include the property tax generated by the current local bridge mill levy for a residence, assuming an assessed valuation of \$45,000 for a home.

TOTAL CHARGE, ASSESSMENT, OR TAX PER HOUSEHOLD \$

PART 2. PROPOSED PROJECT FUNDING

A. Total Project Cost:

1. Total TSEP funds requested in this application: \$ 370,000.00
2. Non-TSEP funds to be supplied by applicant, including all other local, State, and Federal grant or loan funds:
 - a. Source: Farmers Home Administration Amount: \$ 370,000.00
 - b. Source: _____ Amount: \$ _____
 - c. Source: _____ Amount: \$ _____
 - d. Source: _____ Amount: \$ _____
 - e. Source: _____ Amount: \$ _____

TOTAL PROJECT COST (Total of Lines 1 and 2 a-e.) \$ 740 000.00

3. What is the total amount that the applicant will need to borrow from all sources to finance the proposed project?
 \$ 370,000.00

B. Projected Household User Charges For Water or Sanitary Sewer Projects:

Only applicants for a water or sanitary sewer project need to address this section. For water or sewer projects, the anticipated rates must be based on 10,000 gallons monthly consumption per household (active residential connections). In order to provide a common basis for comparison of all applicants for water or sewer projects, each applicant must calculate anticipated per household debt service charges on the basis of a 6.5% interest rate over a 20-year term to finance the proposed project.

The charges represented should include debt service and day-to-day operation and maintenance charges, but must exclude any charges to fund reserves for depreciation or capital replacement.

1. Calculate an average monthly charge or assessment per household for the utility, assuming the financing sources listed above in Section A.3. plus conventional financing for the balance of needed funds at 6.5 % interest for 20 years (without TSEP assistance).

Debt Service:	\$ <u>22.14</u>
Operation and Maintenance	\$ <u>22.00</u>
Other Charge (specify):	\$ _____

TOTAL SERVICE CHARGE PER HOUSEHOLD \$ 44.14

2. Calculate an average monthly charge or assessment per household for the utility, assuming the use of the financing sources listed in Section A.3. above plus the receipt of the full amount of requested TSEP assistance.

Debt Service:	\$ <u>14.50</u>
Operation and Maintenance:	\$ <u>22.00</u>
Other Charge (specify):	\$ _____
TOTAL SERVICE CHARGE PER HOUSEHOLD \$ <u>36.50</u>	

C. Household Assessments, Fees, or Charges for Solid Waste, Bridge or Storm Sewer Projects

Only applicants for a solid waste, bridge or storm sewer project need to address this section. In order to provide a common basis for comparison of all applicants for solid waste, bridge, or storm sewer projects, each applicant must calculate anticipated household charges on the basis of a 6.5% interest rate over a 20-year term to finance the proposed project.

For solid waste projects, please include costs for an average, typical residence.

For storm sewer projects, please state the user charge or assessment for an average residence (if applicable, depending upon the type of rate system). If assessed on the basis of property value, please assume an assessed valuation of \$45,000 for an average home.

For bridge projects, please include the property tax generated by the local bridge mill levy for a residence, assuming an assessed valuation of \$45,000 for a home.

The charges represented should include debt service and day-to-day operation and maintenance charges, but must exclude any charges to fund reserves for depreciation or capital replacement.

1. Calculate an average monthly charge or assessment per household for the proposed facility, assuming the financing sources listed above in Section A.3. plus conventional financing for the balance of needed funds at 6.5 % interest for 20 years (without TSEP assistance).

Debt Service:	\$ _____
Operation and Maintenance:	\$ _____
Other Charge (specify):	\$ _____
TOTAL SERVICE CHARGE PER HOUSEHOLD: \$ _____	

PROJECT COMPLETION SCHEDULE

Receipt of DNRC
grant funds
or TSEP Deferred
Loan Funds

HKM Associates
Engineering
selected for
project
10-27-92

Preliminary
Engineering study
to develop capital
and operational
costs

90 days

Complete and
confirm financial
arrangements

60 days

Pilot study,
State review
of plans and
process final
design, bid
advertising
and letting.
P l a n t
construction.
quality or
performance
testing

390 days

F R O I D

EXHIBIT 8
 DATE 3-13-93

The following table is the results of recent chemical analysis compared to the requirement of the safe drinking water act amendments.

PRIMARY DRINKING WATER STANDARDS

<u>CONTAMINANT</u>	<u>MCL (MG/L)</u>	<u>DEPTH DATA COLLECTED</u>	<u>WELL NO.1</u>	<u>WELL NO.2</u>
			<u>72 FEET</u> <u>4/27/92</u>	<u>70 FEET</u> <u>4/27/92</u>
1. Arsenic (As)	0.05			
2. Barium (Ba)	1.0		0.0	0.0
3. Cadmium (Cd)	0.010			
4. Chromium (Cr)	0.05		0.0	0.0
5. Lead (Pb)	0.05			
6. Mercury (Hy)	0.002			
7. Nitrate (N)	10.0		0.9	16.7
8. Selenium (Se)	0.01			
9. Silver (Ag)	0.05			
10. Fluoride (F)	4.0			

SECONDARY DRINKING WATER STANDARDS

<u>CONTAMINANT</u>	<u>RMCL</u>	<u>MG/L</u>		
11. Chloride (Cl)	250		30.8	20.6
12. Copper (Cu)	1			
13. Iron (Fe)	0.3		0.3	0.3
14. Manganese (Mn)	0.05		0.43	0.3
15. PH	6.5-8.5		7.51	7.43
16. Sulfate (SO4)	250		989.5	791.3
17. Total Dissolved Solids (TDS)	500		2457.7	2089.3
18. Zinc (Zr)	5			
19. Bicarbonate (HCO3)	150		811.6	701.7
20. Carbonate (CO3)	—		0.0	0.0
21. Calcium (Ca)	75-200		160	210
22. Magnesium (Mg)	125		53.8	69.4
23. Sodium (Na)	110-270		405	274
24. Potassium (K)	340		5.8	5.4
25. Total Alkalinity (CaCO3)	30-250			
26. Total Hardness (CaCO3)	270		625	815
27. Conductivity	—			

WATER QUALITY CRITERIA

- published by EPA
- book commonly used by State & Federal H₂O Quality officials as a reference.

SODIUM

Sodium salts are ubiquitous in the water environment. These minerals are highly soluble, and their concentrations in natural waters show considerable variation, regionally and locally. In addition to natural sources of sodium salts, other sources are sewage, industrial effluents, and deicing salts. Sodium concentrations in ground waters may also vary with well depth, and often reach higher levels of concentration than in surface waters. Removal of sodium is costly and is not common in public water supply treatment.

Of the 100 largest public water supplies in the U.S., most of which are surface supplies, the median sodium content was 12 mg/l with a range of 1.1 mg/l to 177 mg/l (Durfur and Becker 1964).³⁵⁵ For a healthy individual, the intake of sodium is discretionary and influenced by food selection and seasoning. The intake of sodium may average 6 g/day without adverse effects on health (Dahl 1960).³⁵⁴

Various restricted sodium intakes are recommended by physicians for a significant portion of the population, including persons suffering from hypertension, edema associated with congestive cardiac failure, and women with toxemias of pregnancy (National Research Council, Food and Nutrition Board 1954).³⁵⁶ The sodium intake from sources other than water recommended for very restricted diets is 500 mg/day. Diets for these individuals permit 20 mg/l sodium in drinking water and water used for cooking. If the public water supply has a sodium content exceeding this limit, persons on a very restricted sodium diet must use distilled or deionized water.

For a larger portion of the population who use a moderately restricted diet, 1,000 mg/day is the recommended sodium intake limit (National Research Council, Food and

Nutrition Board 1954).³⁵⁶ Under this limit, water containing a higher concentration of sodium could be used if the sodium intake from the sources other than water were not increased above that of the very restricted diet. Then, the daily intake of sodium from water (20 mg/l for very restricted diets) could be increased by the additional 500 mg (250 mg/l) intake permitted in the moderately restricted diet, thus allowing a significant portion of the population to use public water supplies with higher sodium concentrations. On this basis water containing more than 270 mg/l sodium should not be used for drinking water by those using the moderately restricted sodium diet, and water containing more than 20 mg/l sodium should not be used by those using the very restricted sodium diet.

The response of people who should restrict their sodium intake for health reasons is a continuum varying with intake. The allocation of the difference in dietary intake allowed by the very restricted and the moderately restricted diets to drinking water would be an arbitrary decision. Furthermore, waters containing high concentrations of sodium (greater than 270 mg/l) are likely to be too highly mineralized to be considered desirable from aesthetic standpoints aside from health considerations.

Treatment of an entire public water supply to remove sodium is quite costly. Home treatment for drinking water alone for those needing low sodium water can be done at relatively modest cost, or low sodium content bottled water can be used.

Recommendation

In view of the above discussion no limit is recommended for sodium.

WATER QUALITY CRITERIA

- published by EPA
- book commonly used by State & Federal H₂O Quality officials as a reference

SULFATE

The public water supplies of the 100 largest cities in the United States were found to contain a median sulfate concentration of 26 mg/l, and a maximum of 572 mg/l (Durfor and Becker 1964).³⁵⁷ Greater concentrations were present in many ground water supplies for smaller communities in the Midwest (Larson 1963).³⁵⁸ Sulfate ions in drinking water can have a cathartic effect on occasional users, but acclimatization is rapid. If two liters of water are ingested per day, the equivalent sulfate concentrations for laxative doses of Glauber salt and Epsom salt are 300 mg/l and 390 mg/l, respectively (Peterson 1951,³⁶¹ Moore 1952³⁶⁰).

Data collected by the North Dakota State Department of Health on laxative effects of mineral quality in water indicated that more than 750 mg/l sulfate had a laxative effect, and less than 600 mg/l did not (Peterson 1951).³⁶¹ If the water was high in magnesium, the effect took place at lower sulfate concentrations than if other cations were dominant. A subsequent interpretation showed that laxative

effects were experienced by sensitive persons not accustomed to the water when magnesium was about 200 mg/l, and by the average person when magnesium was 500-1000 mg/l (Moore 1952).³⁶⁰

The median of sulfate concentrations detected by taste by a panel of 10 to 20 persons was 237, 370, and 419 mg/l for sodium, calcium, and magnesium salts, respectively (Whipple 1907).³⁷³ Coffee brewed with 400 mg/l sulfate added as magnesium sulfate was affected in taste (Lockhart et al. 1955).³⁵⁹

Recommendation

On the basis of taste and laxative effects and because the defined treatment process does not remove sulfates, it is recommended that sulfate in public water supply sources not exceed 250 mg/l where sources with lower sulfate concentrations are or can be made available.

TEMPERATURE

Temperature affects the palatability of water by intensifying taste and odor through increased volatility of the source compound (Burnson 1938).³⁶⁶ Any increase in temperature may stimulate growth of taste and odor producing organisms (Kofoid 1923,³⁷² Thompson 1944,³⁷⁸ Silvey et al. 1950³⁷⁷) but tends to decrease the survival time of infectious organisms (Peretz and Medvinskaya 1946,³⁷⁵ Rudolfs et al. 1950³⁷⁶). The standard treatment process is also affected by temperature or temperature changes in the steps of coagulation (Velz 1934,³⁷⁹ Maulding and Harris 1968,³⁷³ American Water Works Association 1971³⁸³), sedimentation (Camp et al. 1940,³⁶⁸ Hannah et al. 1967³⁷⁰), filtration (Hannah et al. 1967³⁷⁰), and chlorination (Ames and Smith 1944,³⁶⁴ Butterfield and Wattie 1946³⁶⁷).

Temperature changes usually are caused by using water as a coolant, as a carrier of wastes, or for irrigation (Brashears, Jr. 1946,³⁶⁵ Moore 1958,³⁷⁴ Eldridge 1960,³⁶⁹ Hoak 1961³⁷¹). Surface water temperatures vary with the seasons, geographical location, and climatic conditions. The same factors along with geological conditions affect ground water temperatures.

Recommendation

No temperature change that detracts from the potability of public water supplies and no temperature change that adversely affects the standard treatment process are suggested guidelines for temperature in public water supply sources.

Page 2
 Chemical Analysis

The figures on the chemical analysis sheet are in milligrams per liter (MG/L) or micrograms per liter (UG/L). Milligrams per liter are equivalent to parts per million and can be converted to grains per gallon by dividing by 17.1. Micrograms per liter are equivalent to parts per billion.

The constituents included in the primary drinking water regulations of the Safe Drinking Water Act and their maximum contaminant levels (MCL) are listed in the table below. With the exception of nitrates, the MCLs established for these substances are based on their threat to health when the water is consumed over a long period of time. High nitrate levels pose an immediate threat to infants under six months of age because they may lead to a blood poisoning known as methemoglobinemia.

Primary Drinking Water Standards

	<u>Constituents</u>	<u>MCL</u>	
Inorganic Chemicals	Arsenic	0.05	MG/L
	Barium	1.	MG/L
	Cadmium	0.010	MG/L
	Chromium	0.05	MG/L
	Fluoride	4.0	MG/L
	Lead	0.05	MG/L
	Mercury	0.002	MG/L
	Nitrate (as N)	10.	MG/L
	Selenium	0.01	MG/L
	Silver	0.05	MG/L

	<u>Constituents</u>	<u>MCL</u>
Organic Chemicals:	Endrin	0.2 ug/l
	Lindane	4. ug/l
	Methoxychlor	100. ug/l
	Toxaphene	5. ug/l
	2,4-D	100. ug/l
	2,4,5-TP (Silvex)	10. ug/l

Other constituents listed in the chemical analysis that may be of special interest are sodium, hardness, iron, and manganese.

Sodium A sodium concentration exceeding 20 mg/l may be of interest to persons on sodium (salt) restricted diets. It is recommended that health officers, physicians, and consumers be informed of a sodium content above 20 mg/l.

Page 3
Chemical Analysis

Hardness In most water nearly all of the hardness is due to calcium and magnesium. Calcium and magnesium react with soap to form precipitates which increases soap consumption, and react with certain anions to form scale.

RATING OF HARD WATERS

<u>HARDNESS</u>	<u>RATING</u>	<u>MG/L</u>
0 - 5	Relatively soft	0 - 85.5
5 - 12	Moderately hard	85.5 - 205.2
12 - 25	Hard	205.2 - 427.5
25 - 40	Very hard	427.5 - 684
>40	Excessively hard	>684

Iron More than about 0.3 milligrams per liter of iron stains laundry and utensils reddish brown. Larger quantities cause unpleasant taste and favor growth of iron bacteria but do not endanger health. Excessive iron may also interfere with the efficient operation of exchange-silicate water softeners.

Manganese Manganese has the same objectionable features as iron. It causes a dark brown or black stain. For aesthetic reasons it should not exceed 0.05 milligrams per liter.

Sulfate Sulfate in water containing calcium forms hard scale in steam boilers. In large amounts, sulfate in combination with other constituents gives a bitter taste to water. Concentrations above 250 mg/l may have a laxative effect, but 500 mg/l is considered safe. Domestic waters in Montana containing as much as 1,000 mg/l sulfate are used in drinking in the absence of a less mineralized water supply.

Alkalinity The alkalinity of a water is a measure of its capacity to neutralize acids and is due primarily to the presence of bicarbonates. The acceptable alkalinity for municipal water supplies is generally between 30 and 500 mg/l as CaCO_3 , but there are many water supplies above and below these limitations. Waters with alkalinity greater than 500 mg/l as CaCO_3 have objectionable tastes.

EXHIBIT 9
DATE 3-13-93
~~SP~~

TOWN OF CHESTER

CHESTER, MONTANA

59522



March 11, 1993

Representative Ernest Bergsagel, Chair
Long Range Planning Joint Subcommittee
State Capitol Building
Capitol Station
Helena, MT 59620

RE: TREASURE STATE ENDOWMENT PROGRAM

Déar Representative Bergsagel:

The Town of Chester has applied for funding from the Treasure State Endowment Program for a project involving the extension of water and sewer service to the Taylor Addition, which would help us meet a need for new housing development. The total estimated cost of our project is \$392,470. The Montana Department of Commerce has ranked our project 24th out of 29 applicants and recommended no funding. We had requested grant funding for 50 percent of the cost, or \$196,235.

The purpose of this letter is to present our comments regarding the Department's recommendation in writing before the hearing on Saturday, to underscore the need for this program in Montana, and to suggest some changes for the future.

First, we are disappointed that our project was recommended for no funding from the Treasure State Endowment Program. There was some confusion regarding the nature of our matching commitment, but we cleared this up with letters to the Department in which we clearly stated that the Town's portion of the project would be in the form of cash, not in-kind. To repeat: Chester is seeking 50 percent TSEP grant funding, and will match that amount with an equal amount of cash from two local sources (SID assessment and cash contribution from the Town). We hope the Legislature will take these commitments into consideration when the final funding decisions are made.

Secondly, we want to state our strong support for the Treasure State Endowment Program. By using TSEP funds to help local governments complete important infrastructure projects at affordable levels, the State of Montana will make a major contribution to the vitality of our communities and the strength of our economy.

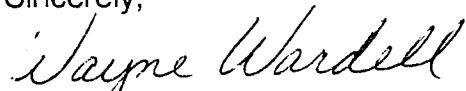
Our third comment involves the extent of TSEP involvement in individual projects. We feel TSEP grant funds should never be used for more than one-half of project costs, regardless of how pressing an applicant's needs may be. We recognize that there are some very critical needs in the state, but we firmly believe that the best use of the Treasure State Endowment Program is to make projects happen by leveraging other funding sources.

Fourthly, we recommend that some changes be considered for the future. Annual instead on biennial applications would be very helpful to all local governments struggling to find ways to fund projects. Unsuccessful TSEP applicants will have to wait until 1995 to re-apply for assistance. Opportunities to leverage federal resources, especially for infrastructure projects, could be missed.

Finally, we urge the Legislature to combine the first two priorities in the ranking ladder (urgent health and safety problems and federal/state health and safety standards). These are unnecessary duplication. By listing these as separate ranking categories, the Treasure State Endowment Program is skewed toward those projects with extreme health hazards, some of which could be the result of long-term neglect by local officials. More consideration should be given to those applicants who can demonstrate financially their past achievements toward meeting their highest priority needs.

We would like to commend the staff of the Montana Department of Commerce for their achievements in getting the draft guidelines for the TSEP out to the public, allowing for public input, and distributing the final guidelines in time to allow applications to be prepared before December 31, 1992. They did a tremendous job and merit our thanks.

Sincerely,



Wayne Wardell
Mayor

cc: Representative Francis Bardanoue
Representative Tom Zook
Senator Bob Hockett
Senator Ethel M. Harding
Senator Eleanor L. Vaughn
Senator Gary Akelstad
Representative Gary Feland

CITY OF HARLEM

A MUNICIPAL CORPORATION

(406) 353-2361 — BOX 485

HARLEM, MONTANA 59526

EXHIBIT 10
DATE 3-13-93
88

March 10, 1993

Representative Ernest Bergsagel, Chair
Long Range Planning Joint Subcommittee
State Capitol Building
Capitol Station
Helena, MT 59620

RE: TREASURE STATE ENDOWMENT PROGRAM

Dear Representative Bergsagel:

The City of Harlem has applied for funding from the Treasure State Endowment Program for a project involving improvements to our water storage facilities. The total estimated cost of our project is \$434,600. The Montana Department of Commerce has ranked our project fourteenth out of twenty-nine applicants and recommended grant funding for 50 percent of the cost, or \$217,300.

My purpose in writing is twofold: (1) Although I plan to be in Helena on Saturday, March 13th, to testify to your subcommittee regarding our proposed project, we thought it wise to summarize our comments in writing beforehand; (2) We wish to underscore the need for this program in Montana and to suggest some changes for the future.

First, we are pleased that the Department of Commerce has recommended TSEP funding for our project in the amount requested. As determined by the Department, the City of Harlem has the greatest financial need of all TSEP Applicants. In addition, the Department of Health has found that our project is indeed high priority and that even a minor fire could cause significant loss. We emphasize that the need for the proposed project stems from a lack of storage capacity not neglect or improper maintenance. Harlem has taken several steps to meet our infrastructure needs, as reflected in our current bonded indebtedness of almost \$560,000.

Another point regarding financial need is relevant to your review of TSEP projects. As you know, Harlem is situated in eastern Blaine County, and our county has the second highest poverty rate in Montana, according to the 1990 Census. Obviously, this situation limits our ability to raise local funds to help meet project costs.

Secondly, we wish to voice strong support for the Treasure State Endowment Program and for the use of TSEP funds to help local jurisdictions complete high priority infrastructure projects within affordable limits. We do question, however, the wisdom of using TSEP grant funds for more than one-half of the project cost. We acknowledge the fact that there are some very critical water and sewer needs in the state, but we believe the best use of TSEP funds is to leverage other funding sources.

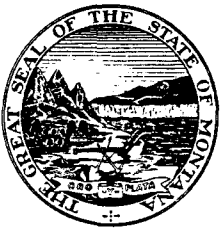
Finally, we would like to recommend that some changes be considered for the future. Annual instead on biennial applications would be very helpful to all local governments struggling to find ways to fund projects. Unsuccessful TSEP applicants will have to wait until 1995 to re-apply for assistance. Opportunities to leverage federal resources, especially for infrastructure projects, could be missed. Also, we suggest that the first two priorities in the ranking ladder (urgent health and safety problems and federal/state health and safety standards) be combined since these are basically repetitive. By listing these as separate ranking categories, the Treasure State Endowment Program is tilted heavily toward those projects with extreme health hazards some of which could be the result of long-term neglect by local officials. More consideration should be given to those applicants who can demonstrate financially their commitment to meeting high priority local needs.

We would like to commend the staff of the Montana Department of Commerce for their achievements in getting the draft guidelines for the TSEP out to the public, allowing for public input, and distributing the final guidelines in time to allow applications to be prepared before December 31, 1992. They did a tremendous job and merit our thanks.

Sincerely,


Victor J. Miller, Mayor

cc: Representative Francis Bardanouve
Representative Tom Zook
Senator Bob Hockett
Senator Ethel M. Harding
Senator Eleanor L. Vaughn
Senator Greg Jergeson



The Big Sky Country

EXHIBIT 11
DATE 3-13-93
87

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE MIKE FOSTER

HELENA ADDRESS:
CAPITOL STATION
HELENA, MONTANA 59620
PHONE: (406) 444-4800

HOME ADDRESS:
414 N. CEDAR STREET
TOWNSEND, MONTANA 59644
PHONE: (406) 266-5714

COMMITTEES:
FISH AND GAME, (CHAIRMAN)
TAXATION (VICE-CHAIRMAN)
REVENUE OVERSIGHT
NATURAL RESOURCES
RULES

MEMORANDUM

TO: CHAIRMAN BERGSAGEL AND MEMBERS OF THE
LONG RANGE PLANNING COMMITTEE

FROM: REP. MIKE FOSTER *MLF*

DATE: MARCH 13, 1993

The purpose of this memo is to respectfully request your approval of Governor Racicot's recommendations regarding a monetary designation under the Treasure State Endowment Program (TSEP) for the Town of Neihart's water system. Neihart is a small town located at the base of King's Hill in Cascade County.

The amounts of money designated by the Governor for this project are a loan of \$50,000 and a grant of \$544,673. This may seem like an inordinate level of money for such a small town, but their unique circumstances convincingly justify approval of this proposal.

As witnesses will no doubt explain in detail, the Town of Neihart has simply exhausted its options in addressing this problem. This is a very small town having extremely limited resources and a very large water problem. In my opinion, one of the main purposes of the TSEP is specifically to come to the rescue of communities like Neihart, and I strongly urge you to approve the monetary designation proposed by Governor Racicot.

Thank you for your time and consideration.

MF:sba

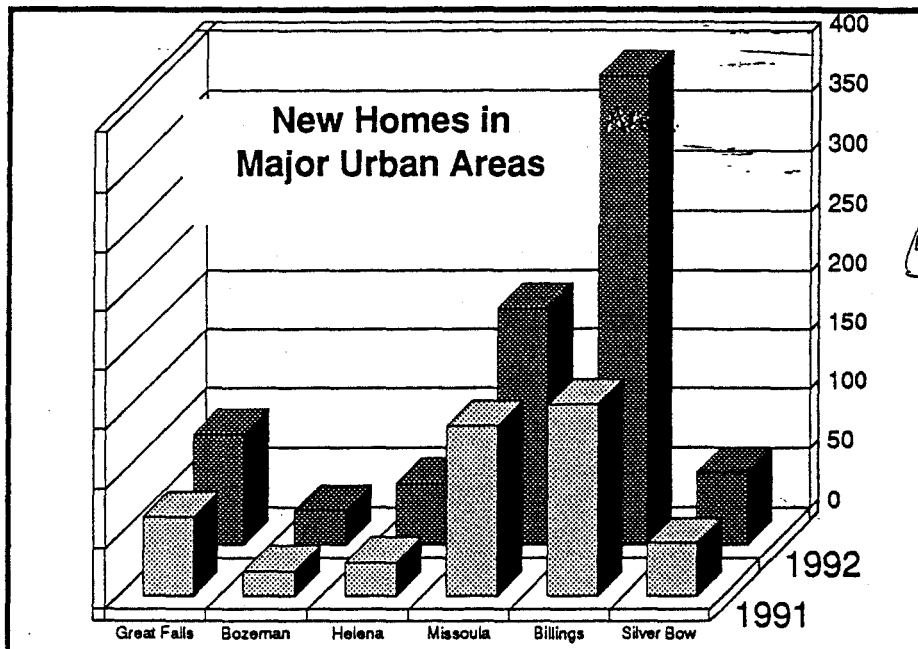
Montana Single Family Housing Starts

EXHIBIT 3-13-93
DATE

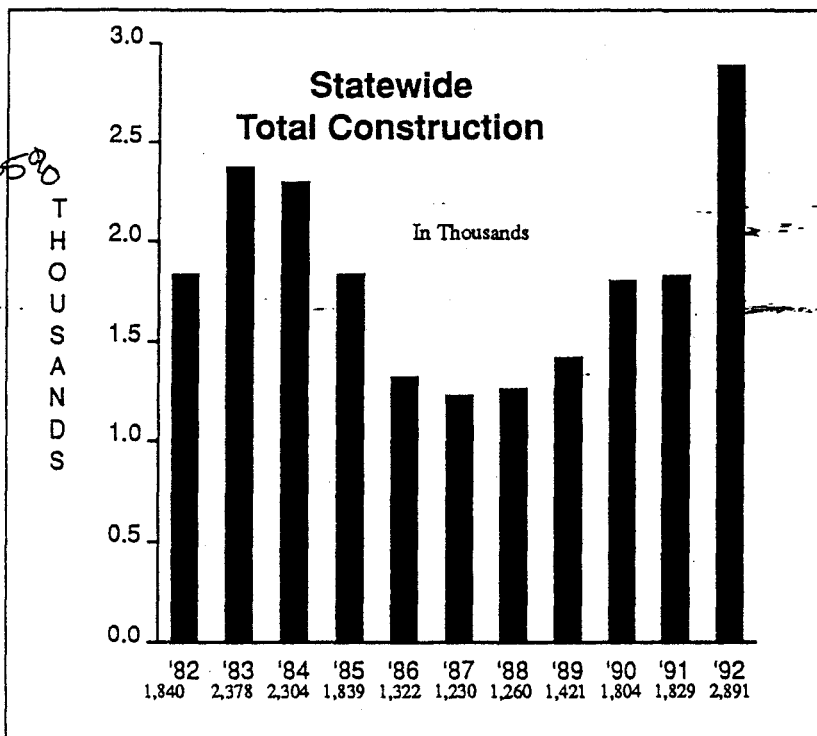
City/County	'91	'92
Beaverhead	32	40
Big Horn	33	7
Blaine	3	7
Broadwater	6	6
Carbon	44	50
Carter	0	0
Cascade	36	46
Great Falls	66	93
Choteau	5	3
Custer	5	20
Daniels	4	2
Dawson	4	5
Deer Lodge	9	6
Fallon	3	2
Fergus	18	18
Flathead (incl. Kalls.)	413	728
Gallatin	193	344
Bozeman	215	231
Garfield	0	3
Glacier	3	7
Golden Valley	1	3
Granite	10	19
Hill	15	10
Jefferson	52	73
Judith Basin	2	3
Lake	121	175
Lewis and Clark	102	190
Helena	28	52
Liberty	1	1
Lincoln	70	91
Madison	35	54
McCone	2	1
Meagher	2	11
Mineral	7	18
Missoula County	106	183
Missoula City	142	200
Musselshell	8	7
Park	42	70
Petroleum	1	0
Phillips	6	3
Pondera	7	6
Powder River	5	0
Powell	9	11
Prairie	0	0
Ravalli	257	391

City/County	'91	'92
Richland	2	2
Roosevelt	4	15
Rosebud	4	10
Sanders	37	65
Sheridan	2	2
Silver Bow/Butte	44	66
Stillwater	21	36
Sweet Grass	8	21

City/County	'91	'92
Teton	10	14
Toole	2	7
Treasure	0	1
Valley	5	2
Wheatland	2	3
Wibaux	1	0
Yellowstone	55	89
Billings	160	349



320,000
ONR
1,660,000



MISSOULA COUNTY TSEP APPLICATION
on behalf of
SUNSET WEST RESIDENTS
(water)

EXHIBIT 13
DATE 3-13-93
88

I. BACKGROUND/PROBLEMS

Location: Sunset West is a 44 lot development created 20 years ago. Currently, there are 37 households in the development. It is located west of Missoula just off the Frenchtown Frontage Road.

Existing Service: The existing community water system is currently served by three wells. The best well produces 2.5 gallons of water per minute over a 24-hour period. The system is designed to fill the distribution lines first and then the storage tank which is located at the top of the hill.

Problem: The water system has been plagued by inadequate supply and contamination for approximately 15 years. The existing three wells are not adequate to maintain constant supply and pressure in the lines. The lack of positive pressure throughout the system allows siphoning and backflow activity to occur. The system then tries to draw water from whatever source it can find. This means the system may be drawing water from private wells that are using the system's distribution lines. Most of the private wells have been drilled and connected to homes without inspection or approval by the appropriate health agency. The system may also be drawing water through cracks in distribution lines. A drainfield in close proximity to one of the main wells may also be a source of contamination.

The residents have been under a permanent boil order for several years and in 1992 received an Administrative Compliance Order from the State of Montana ordering them to improve their water system. As of November 24, 1992, more than half of the calendar year's water samples submitted to the Water Quality Bureau tested positive for coliform bacteria, including fecal contamination.

On March 7 and 8, 1993, 11 households were without water. Three homes have been without water since October of 1992.

II. ALTERNATIVES

~~Previously, the residents have attempted to deepen at least one of the existing wells and have drilled, on the development site, three wells which turned out to be dry. In 1991, a new well was drilled off-site. This well will be the new supply source for the development.~~
Previously, the residents have attempted to deepen at least one of the existing wells and have drilled, on the development site, three wells which turned out to be dry. In 1991, a new well was drilled off-site. This well will be the new supply source for the development.

There is no surface water supply available, nor is there any other public water system within a reasonable distance of this area which could be used to supply this development.

In frustration, several property owners have had private wells drilled. There are at least 17 unapproved wells in existence, with 13 of them having tapped into the community water system distribution lines. In most cases, the private wells have not benefitted the individual homeowner.

III. SOLUTION

Using a combination of TSEP and RSID funds, the new well will be fully developed and a main transmission line installed directly from the well to the storage tank. A disinfection system will be installed at the tank. The water will then be disbursed to the homes through upgraded distribution lines. Additional project activities include: construction of a pump house, a distribution line leak detection survey, disconnection of private wells that have been improperly tapped in to the community water system distribution lines, upgrading of system security, curb stop location/installation, fire hydrant installation and securing easements from the new well to the Sunset West development.

IV. HOW TSEP CAN HELP

The TSEP funds requested are slightly less than half the \$309,107 anticipated project cost. Under Missoula County's proposal, based on a 20-year RSID, each homeowner would be billed \$26.66 per month, plus \$10.65 per month for operation and maintenance (this does not include an allowance for fund reserves). Total cost per month would be \$37.31. Through a RSID the property owners will pay for just over half of the project cost.

Without TSEP assistance, each property owner's share of the cost of construction would double; thereby creating a severe financial hardship. Each property owner's share of the construction debt would be \$52.38 per month (based on a 20-year RSID), plus \$10.65 per month for operation and maintenance (not including an allowance for fund reserves). Total cost per month would be \$63.03.

According to John DeVore, Missoula County Administrative Officer and RSID Coordinator, it would be very difficult, if not impossible, to sell bonds to finance the project as 100 percent RSID. This is based on the depressed condition of the area, the size of the project and the limited number of property owners to share the debt.

V. COMMUNITY SUPPORT

Fifty individuals representing property owners and tenants, as well as the President of the Homeowners' Association, have signed letters stating their support of the TSEP application. The property owners and residents are anxious to improve their system and are looking forward to working with the County and the State on this project.

March 8, 1993

Dear Senators and Representatives:

The purpose of this letter is to request your support for the Treasure State Endowment Program application submitted by Missoula County on behalf of residents in the Sunset West development. Approval of the County's application will allow the residents in this area to make improvements, as required by the State of Montana, to a water system that is plagued by inadequate supply and contamination.

Currently, many households are without water and have been for months. In addition to a 1992 Administrative Compliance Order to repair the system, a boil order for our system has been in effect for several years. We wholeheartedly support the County's request for funds on our behalf and would like to thank you in advance for your time and consideration of Missoula County's request.

Sincerely,

Sunset West Property Owners and Residents

Nancy L. Robert
Douglas M. Robert
Julie A. Block
Ronald Block
Tina & Leann Porter
Larry Scharberg
Colleen Scharberg
Linda A. Haider
Jeffrey M. Haider
Marsha L. Jones
Donald M. Jones

Gerald & Marianne Fredrickson
Bob Johnson
Judy Johnson
Larry Selle
Lillian Selle
Dana & Julie Hanson (Porter)
Carol D. Ellis (Porter)
~~Donna~~ (Porter)
Barbara L. Peterson
Linda Walsh
Pat Walsh & venture
Alicia L. Kendall

March 8, 1993

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Sincerely,

David M. Eaton
Sunset West Property Owners and Residents

Angie M. Eaton

Lori Smith

Peggy Krimes

Pat Krimes

Michael & Joanne Dolce

Monte Daniels

Dayle Daniels

Harry & Connie Strong

Valerie Walter

Sue Walter

Dee Peterson

Harriet Peterson

George Gould

March 8, 1993

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Sincerely,


Sunset West Property Owners and Residents

Mr. & Mrs. Douglas Smith

Sandy Wlfhukle

 David A. Holy
5907 Helena Dr.
Missoula, MT 59803

Ref - Community Block Grant
Sunset West.

I had surgery on my ankle + cannot come in to sign letter. Please accept this as substitute. I own 4 properties + I am in full support of this Grant.


March 8, 1993

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Sincerely,

Sunset West Property Owners and Residents

Tracy R. [unclear] (center)
Celene E. Jones
George E. Jones
Jay & Kari Follis
Lana Steinko

EXHIBIT 14
DATE 3-13-93
~~88~~

My name is Nancy Robert and I am the president of the Sunset West Homeowners Association. I am here today in behalf of the residents of Sunset west requesting that you give your support to our request for TSEP funds.

Our development of 37 homes has been plagued by water problems for the 15 years I have lived there. We not only have been without water for long periods of time we also are under a permanent boil order from the state due to sporadic but continual contamination. We are now also under Mandate to bring the system up to standards. This is a very expensive venture. We did drill a new well off the development in 1991 but due to the expense of getting it to our tank is sits idle.

We have 3 families that have been without water since November and on the weekends it is common to have half of the properties without water.

The three wells we have are not sufficient to supply water to 37 families. Our best well is producing 2.5 gallons per minute over a 24 hour period.

We are in desperate need of your support to help us get water for everyday necessities.

Nancy L. Robert



TREASURE STATE ENDOWMENT PROGRAM

'95 BIENNIUM RECOMMENDED PROJECTS

AVAILABLE DOLLAR CONSUMPTION

01	Blue	300,000.00
		350,000.00
02	Anaconda	650,000.00
		25,000.00
03	Carbon	675,000.00
		544,673.00
04	Neihart	1,219,673.00
		154,107.00
05	Missoula	1,373,780.00
		95,500.00
06	Yellowstone	1,469,280.00
		370,000.00
07	Circle	1,839,280.00
		200,000.00
08	Reedpoint	2,039,280.00
		160,000.00
09	Bainbridge	2,199,280.00
		100,000.00
10	Ronan	2,299,280.00
		366,000.00
11	Shelby	2,665,280.00
		33,000.00
12	Wheatland	2,698,280.00
		217,300.00
13	Harlem	2,915,580.00
		100,000.00
14	Yellowstone	3,015,580.00
		285,000.00
15	Richland	3,300,580.00
		60,000.00
16	Lewistown	3,360,580.00
		338,633.00
17	Helena	3,699,213.00
		100,000.00
18	Livingston	3,799,213.00
		25,000.00
19	Toole Co.	3,824,213.00
		117,000.00
20	Froid	3,941,213.00
		100,000.00
21	Ennis	4,041,213.00
		33,245.00
22	Gallatin	4,074,458.00
		85,000.00
23	Yellowstone	4,159,458.00
		50,000.00
24	Dutton	4,209,458.00
		25,000.00
25	Toole	4,234,458.00
25		4,234,458.00
00		

EXHIBIT 15
DATE 3-13-93
80

DATE 3/13/93
^{House Sub}
~~SENATE~~ COMMITTEE ON Long Range Planning
 BILLS BEING HEARD TODAY: HB 663, HB 9

Name	Representing	Bill No.	Check One	
			Support	Oppose
Bob Goodell	Dutton	663	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gene Vuckovich	Anderson/Deer Lodge	663	<input checked="" type="checkbox"/>	<input type="checkbox"/>
RICHARD BAER	ENNIS	663	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vic Miller	HARLEM	663	<input type="checkbox"/>	<input type="checkbox"/>
Francis Wright	Nerhat	663	<input checked="" type="checkbox"/>	<input type="checkbox"/>
A.R. Burskirk	Merhat	663	<input type="checkbox"/>	<input type="checkbox"/>
Nancy Robert	Missoula (Sunset West)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Billie Lee	Bonan		<input type="checkbox"/>	<input type="checkbox"/>
Jay Billmeyer	Bonan		<input type="checkbox"/>	<input type="checkbox"/>
Don / Don	Butte-Silver Bow		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cindy Wulfkuhle	Missoula Co.	"	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Nancy Robert	" "		<input checked="" type="checkbox"/>	<input type="checkbox"/>
George Atkinson	Bonan		<input checked="" type="checkbox"/>	<input type="checkbox"/>
DAN McCauley	RICHARD COUNTY DUTTON, ENNIS		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bill Verwoilt	City of Helena	"	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SPENCER HEGSTAD	BEAUFORT COUNTY	663	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 3/13/93

House Sub
SENATE COMMITTEE ON Long Range Planning

BILLS BEING HEARD TODAY: HB 663, HB 9

Name	Representing	Bill No.	Check One	
			Support	Oppose
Louise Thompson	Red Point Water & Sewer	663	✓	
Maria E. Whitford	Red Point Water & Sewer	663	✓	
Edeline Prutton	Red Point Sewer	663	✓	
Jerry L. Friend	Red Point Water & Sewer	663	✓	
TONY PREITE	HARlem - Chester	663	✓	
Joe Galfred	Sewer from water + sewer	663	✓	
Esther H. Bengtson	Shepherd Water/Sewer	663	✓	
Ken Heikes	Yellowstone Co	663	✓	
Ly. Baker	City of Shelby	663	✓	
John Brinker	Carbon County			
Adrian Logan	Yellowstone Co.			
Steve Huntington	Anaconda - Deer Lodge Co	663	✓	
Donald Charles Mayan	Arch Mt	663	✓	
Ken Griffin	City of Livingston	663	✓	
BILL PARKER	FROID			
John Schramm	Donation	663	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY