

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

#### JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By CHAIRMAN ERNEST BERGSAGEL, on January 25,  
1995, at 8:00

#### ROLL CALL

**Members Present:**

Rep. Ernest Bergsagel, Chairman (R)  
Sen. Ethel M. Harding, Vice Chairman (R)  
Sen. B.F. "Chris" Christiaens (D)  
Rep. Matt McCann (D)  
Rep. Tom Zook (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Nan LeFebvre, Office of the Legislative Fiscal  
Analyst  
Jane Hamman, Office of Budget & Program Planning  
Tracy Bartosik, Committee Secretary

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

**Committee Business Summary:**

Hearing: Treasure State Endowment Program (TSEP)  
- HB 11  
Executive Action: None

{Tape: 1; Side: A}

#### DISCUSSION ON MENTAL HEALTH CONFERENCE CALL

SEN. CHRIS CHRISTIAENS said that the phone conference on mental health issues left him with many more questions. What has been done is impressive but there's a lot more information needed before the legislature can make decisions about the Warm Springs State Hospital. Maybe for this biennium the process should be slowed down and the state hospital can make do.

CHAIRMAN ERNEST BERGSAGEL said he understood that the individual who made recommendations about the state hospital facility hasn't visited Warm Springs in five years. It might be appropriate for the subcommittee to direct that individual to visit Warm Springs

and report on what in fact is needed for the facilities to meet accreditation standards.

**SEN. CHRISTIAENS** said it might be possible to contract with other hospitals in the state to provide some psychiatric beds.

**CHAIRMAN BERGSAGEL** responded that there are approximately 100 psychiatric beds around the state which charge an average of \$400 per day. That is about three times the per day cost at Warm Springs. **CHAIRMAN BERGSAGEL** met with the head of the Montana Hospital Association in regard to possibly contracting on a guaranteed basis for hospital beds. The state would guarantee per day payment of beds, even if the beds were unoccupied, in exchange for a lower per diem rate. The Montana Hospital Association did not respond with much interest to that possibility.

**SEN. CHRISTIAENS** reported that Massachusetts is paying \$450 per day on hospital long term care which includes reconstruction costs. They use a five-year renewable contract with cost amortized over the five years. The average length of stay is 180 days. The subcommittee should request information from Massachusetts about their system.

**Jane Hamman, Office of Budget and Program Planning (OBPP)**, said information has been requested from Massachusetts. When that information arrives it could be used to create a dialogue with the hospitals.

**CHAIRMAN BERGSAGEL** asked **SEN. CHRISTIAENS** to explore the area of mental health and report to the subcommittee. **SEN. CHRISTIAENS** agreed and said he would keep the LFA involved and report back to the subcommittee with useable information.

**REP. TOM ZOOK** commented that the Montana Mental Health Association and other advocacy groups support the need for a new state hospital but are not comfortable with the Warm Springs location because it is too far from an urban center.

**SEN. CHRISTIAENS** said he serves on the state mental health advisory council which has representatives from state agencies and the advocacy groups. The advocacy groups believe there needs to be a state hospital but are concerned about the direction it seems to be taking and the speed of the process. It seems the community piece of mental health services has not been considered in the decision making process.

**CHAIRMAN BERGSAGEL** directed **SEN. CHRISTIAENS'S** research to be confined to the aspect of whether or not Montana needs to build Warm Springs. It is not appropriate at this point to look at setting community mental health policies.

{Tape: 1; Side: A; Approx. Counter: 290}

HEARING ON HB 11  
TREASURE STATE ENDOWMENT

Newell Anderson, Division Administrator, Local Government Assistance Division, Department of Commerce (DOC), introduced presenters for the Treasure State Endowment Program (TSEP) projects and recommendations for the 1997 biennium.

Robb McCracken, Program Manager, Treasure State Endowment Program (TSEP), DOC, provided an overview of TSEP. **EXHIBIT 1** TSEP is a still new public facilities program established by the legislature and approved by Montana voters in 1992. The program is designed to assist communities in financing drinking water systems, sewer systems, storm sewer systems, solid waste systems and bridges. TSEP was designed to help local governments make crucially needed projects affordable for local citizens, particularly projects which involve solving urgent public health threats and are necessary to comply with state and federal standards. TSEP does not provide funding for agricultural projects or private projects. The focus for TSEP is exclusively on basic community infrastructure. Research indicates the principle reason many Montana local public facilities are deficient is that most options for correcting those deficiencies are not affordable for the citizens. Additional grant funding was found to be the key element to making the fees affordable for community residents.

Another reason TSEP focuses on grants as opposed to loans is because there are loan funds available to local governments from other services. The policy recommended by DOC and the Governor is that TSEP grants should only be for projects where the applicant is unable to borrow funds or obtain grants or other financing at affordable rates. TSEP is designed to be a gap financing program.

Mr. McCracken gave the program summary found in **EXHIBIT 1** pages 4-7. For the 1997 biennium there are 21 requests totaling \$7.1 million. TSEP, with conservative projections, will have approximately \$3.8 million available to grant. DOC is proposing a policy of capping grants at \$500,000 with the actual grant award based on an assessment of the applicants' financial capacity, including the ability to borrow money. TSEP believes the proposed \$500,000 ceiling strikes a reasonable balance between the need to provide sufficient money to make projects affordable and the desire to fund as many projects as possible.

{Tape: 1; Side: B}

The Governor has endorsed the concept of a grant ceiling. TSEP would like to have direction from the subcommittee about the need and desire for the grant cap. Project costs continue to escalate and many local governments have to do massive repairs-- "complete system rehabilitation"--so costs keep going up. In dialogue with applicants across the state there seems to be a

clear understanding that TSEP is trying to fund as many worthy projects as possible.

**SEN. CHRISTIAENS** asked if this biennium will continue seeing low interest rates that can assist in getting projects up and running as the 1995 biennium had. **Mr. McCracken** answered many different factors drive local governments' needs to make repairs and instigate projects. The bond market still has quite a bit of activity in anticipation of rates going even higher. But one of the fundamental factors is local governments needing to comply with state and federal standards. Currently there are a lot of drinking water applications because the new standards are pretty comprehensive. There is probably going to be quite a bit of activity as local governments try to get in before rates go up and federal and state governments increase the push for local governments to meet regulations.

**SEN. CHRISTIAENS** asked if TSEP has the ability to assist a very small community, which may not have much expertise, in putting a proposal together. **Mr. McCracken** said TSEP is sensitive to that need but must be careful to provide unbiased evaluations of applications. DOC has a community technical assistance program and the community development block grant (CDBG) program also can assist with grant applications. TSEP has tried to design a "user friendly" application process that doesn't require a professional grant writer. There are also interagency groups that are completely away from conflict-of-interest issues with DOC, who can provide assistance.

**REP. MATT MCCANN** asked for clarification on the interest earnings being spent for TSEP grants and how that relates to the jump-start funding. **Mr. McCracken** explained that jump-start funding was a one time "borrowing from the future" on coal severance tax proceeds. That loan is being repaid on a six-month basis and will be retired in the year 2000. The loan was a short-term approach to get TSEP up and running because there was not much money available in the first biennium. Without the loan, TSEP wouldn't have been able to do more than six projects some of which wouldn't have started until the last quarter of the biennium.

Interest rates over the past nine months have risen faster than was expected and TSEP has adequate resources to repay the loan. There is approximately \$5.5 million in TSEP of which \$1.5 million is for debt service.

**Nan LeFebvre, Office of the Legislative Fiscal Analyst (LFA)**, said that TSEP estimates are not the same as those adopted by the Revenue Oversight Committee (ROC). The ROC estimates for interest earnings are approximately \$600,000 higher.

**Mr. McCracken** gave an overview of the ranking process. **EXHIBIT 1, Pages 19-23** The policy established is that an application should demonstrate reasonable compliance with the ten statutory priorities and should indicate a clear financial need for grant

funds. It was deemed inappropriate for the state to provide grant funds to applicants that could obtain loans at affordable rates.

**Steve Huntington, General Partner, Mountain West Management,** explained how the financial need rankings were determined by the independent financial consultants working with TSEP. The process was separated into two distinct pieces. Financial need is part of the statutory priority ranking process. **EXHIBIT 2** Financial needs were analyzed as it exists in a relative fashion among all the applicants. The statute and the policy focus on the relative financial condition of households--how households are impacted by the costs of government. The pure economic conditions of households were determined from the 1990 census, which is a somewhat weak standard, but is the most fair data base available to rank the applicants. Communities with lower median household incomes fared better in this process because the lesser the median household income the lesser the economic condition of that household.

**SEN. CHRISTIAENS** asked if there are special considerations for communities that have gotten TSEP grants over several continual bienniums, since this would affect their ability to repay loans.

**Mr. Huntington** said this would indirectly influence those communities' ability to compete successfully. To the extent a community has gotten previous TSEP awards that community does not have to borrow those funds and does not have to charge user fees or taxes to repay a loan.

**CHAIRMAN BERGSAGEL** said the more often a community is successful in getting a TSEP grant, the better the economic condition reflected in the next grant application.

*{Tape: 2; Side: A; Comments: Tape malfunction, lost two minutes}*

**Mr. Huntington** explained the financial gap analysis. **EXHIBIT 3** This piece of the ranking applies the "but for" concept, i.e. "but for the grant award the community could not carry the project forward." If a community can borrow the money, it becomes less of a priority for TSEP to fund. Target rate comparison is a common practice used by public grant agencies. It compares the current or projected rates a community levies on its citizens versus a target or a benchmark rate based on the community's ability to pay. The most typical baseline, which TSEP used, is median household income. This is accepted as the best common indicator among applicants of all types. TSEP managers determined the rates for median households based on conditions in Montana--which came out to be a lower rate than national averages. These lower rates are more statistically reliable for Montana and are a little more conservative, which is good because it allows TSEP to err in favor of the applicants.

The gap analysis measured the communities' ability to pay on the combined rates for water and waste water systems. This combined

rate recognizes the overall condition of both systems, which reflects the overall debt capacity for the community. This combined rate drives the rest of the gap analysis and in most cases is a benefit to the applicants. It is not a benefit if the applicant system has high rates and the sister system has low rates; the combined rate will be less than the applicant single rate.

In gap analysis the difference between target rates and projected rates is the amount of money the community could use to retire debt. Applying 100% of the target rate would generally be too tight of a requirement for communities, so TSEP uses a 90% target rate figure which makes the recommendations more statistically and financially justifiable. The process also allows a cushion of additional debt capacity based on community size. A larger community is subject to greater variation in terms of error in the data as well as its infrastructure needs. Smaller communities may also have significant infrastructure needs, as well as possible inaccuracies in data information. In general, TSEP has used conservative figures which favor the applicants.

**CHAIRMAN BERGSAGEL** and **SEN. CHRISTIAENS** asked how conditions such as residents whose income is reported to other states and retirement and second homeowners are taken into consideration. **Mr. Huntington** responded that the amount of time and effort it would take to determine the specific conditions of each community is prohibitive. The use of median household income is not a perfect system, but it is the best indicator available that can be fairly applied to all applicant communities.

**Mr. Huntington** directed attention to **EXHIBIT 1, Page 22** - the grant award recommendations based on gap analysis.

**SEN. CHRISTIAENS** asked how TSEP developed the application criteria. **Mr. Huntington** said TSEP reviewed the criteria used generally to make grant award decisions in infrastructure programs throughout the country and the history that has been applied in Montana. Also considered were the directions given by the legislature and Governor when the program was approved. In particular, attention was paid to the legislature's direction that it is unwilling to overly subsidize projects that a community could otherwise finance by itself. The process is somewhat intuitive. It is not possible to know to the penny how much a community could borrow. The criteria recommendations are produced in bands so it provides the most obvious recommendation in terms of which communities could finance the projects and which ones couldn't. Other methods could be used, but they all use the same data and debt service calculations and arrive at basically the same conclusions.

**CHAIRMAN BERGSAGEL** commented that there is the potential for communities to allow themselves to get so far into debt that they rank high on the recommendation listing while communities that are conscientious about their debt situation are penalized

through this process. **Mr. Huntington** agreed that the potential for deliberate abuse does exist. The recommendation process is constantly being reviewed and tightened, it is likely there will be some changes for the next biennium.

{Tape: 2; Side: B}

**CHAIRMAN BERGSAGEL** invited **SEN. CHUCK SWYSGOOD** to comment on his concerns about the ranking process.

**SEN. CHUCK SWYSGOOD, District 17**, said the process precludes communities that have been fiscally responsible to their citizens from ever being funded under this program because their debt service capacity is higher than the project cost. This ranking system encourages a community to become irresponsible and spend beyond its bonding capacity, so as to position itself to qualify for a program that was put in place, to help communities bring antiquated systems up to standards. Just because a community still has debt capacity that is not used, it should not be eliminated from this process. That has happened to a couple of the applicants in this biennium. There is no hope in this program for communities that remain fiscally responsible. Other considerations of the community, such as Initiative-105 restrictions should be taken into account in the ranking process. This ranking process is a slap in the face to communities that have been fiscally conservative.

**REP. ZOOK** commented that one way to correct that inequity would be to give less points to the financial ranking. **CHAIRMAN BERGSAGEL** reported the Department of Commerce has asked the subcommittee to make recommendations for the ranking system for future years.

**SEN. ETHEL HARDING** said in 1993 this same concern was raised, but the program was established to assist communities that could not get financing otherwise.

**Mr. McCracken** explained that after communities are ranked according to the 10 criteria, which includes the 600 out of 5,500 points for financial need, the recommendation turns to whether or not the applicant could finance the project through borrowing. That becomes a measurement all on its own, completely separate from the competitive ranking process. Even if a community ranked first according to the statutory priorities, if it had a huge amount of debt capacity the current process would recommend that TSEP not fund that project.

**SEN. CHRISTIAENS** asked if this was the same method of ranking for the 1993 grants. **CHAIRMAN BERGSAGEL** said it was basically the same. In 1993 the TSEP staff only had two months to prepare for the legislature and the discussion focused more on health and safety considerations rather than financial capability.

{Tape: 2; Side: B; Approx. Counter: 350}

Note: Descriptions of the following projects can be found in the "Treasure State Endowment Program" binder (Exhibit 1)

TOWN OF WHITEHALL

Water Systems Improvements, page 51

Mr. McCracken provided an overview of the town of Whitehall application. EXHIBIT 1

REP. DUANE GRIMES, District 39, asked for the subcommittee's favorable consideration of this application. Whitehall has a severe infrastructure need. The fire concerns are because of the increased capacity needs caused by the growth in the area. Whitehall is becoming a bedroom community for a couple of major population centers.

SEN. MIKE FOSTER, District 20, asked the subcommittee to look favorably on this application. This is a project that absolutely has to be done and there is an affordability problem. The city of Whitehall has done an excellent job in developing this project.

Neil Gallagher, Mayor of Whitehall, said most of the water system in Whitehall is pre-1970, some parts dating back to 1915. In 1991 a study of the deficiencies was conducted, which identified areas of concern: old pipes, low pressure, inadequate flows and lack of conservation. Because of fiscal responsibility, the rates in Whitehall are low, so the community does not qualify for grants. In 1992 revenue bonds were sold to cover \$250,000 in improvements. The water rates rose 135% in 1993 and 3% in 1994. Right now the rates cover debt service, basic operating costs, and minimal funds for replacement costs. There are no funds being generated for future improvements.

In 1994 the city council started work on a grant/loan package to complete the project. The package includes loan/grant applications through TSEP, CDBG and DNRC. The goal of these improvements is to improve the water system to modern standards of health; allow progress to be made in long-term street improvements--it is not effective to have to tear up the pavement for the water breaks Whitehall continually has, and to position Whitehall to handle future growth. If a significant part of the whole package doesn't come through, the project will fall through and Whitehall will have to do the improvements through increased rates. This method of payment would take an additional 20 years to get the improvements completed. Even with the grant/loan package there will be a painful rate increase; without it the increase will be worse. Whitehall is not a water metered town. If Whitehall has to pay as it goes for improvements, the water meters will be the last part of the package. In addition to this proposal, Whitehall has an additional \$160,000 worth of improvements to make by 2000. When the rate increase is made part of it will be dedicated to increasing the replacement funds,



which will cover the additional improvements and position Whitehall to have funds available into the future.

**REP. ZOOK** asked what water system fees will Whitehall be charging as new developers and subdivisions want to be annexed. **Mr. Gallagher** answered that the revenue system is not based on hook-up fees, but strictly on user rates. As the system expands everyone's rates increase. A new developer has to put in his own pipes, and wells. If the development is large enough to need a water storage reservoir everyone will pay for that.

**REP. ZOOK** asked if Whitehall has explored hook-up fees as a way to control growth and keep the rate burden on current residents lower. **Mr. Gallagher** responded that it's a matter of philosophy. In Whitehall everyone that lives there now and everyone that lived there before them pays for the water system. The philosophy is probably not going to change to one of "we've got ours, now you pay for your own."

**CHAIRMAN BERGSAGEL** asked if the CDBG grant has been approved. **Mr. Gallagher** answered that it has.

{Tape: 3; Side: A}

**Chuck Booth, President of the Town Council, head of the Water and Sewer Committee**, quoted part of a letter sent to the owner of a new Super 8 Motel in Whitehall. "The town is concerned with the liability in the event a fire event occurs. There's not sufficient water to suppress fire. Therefore this letter, and through previous verbal discussion, the town of Whitehall specifically gives you notice that the town's liability for fire protection in the area is limited to the volume disclosed and the amount of pressure and water availability." That letter was sent September 23, 1993. Since then, the developer of a federal office complex has been sent the same letter. Whitehall has very few lots left on which to build. Several subdivisions have made application for annexation and the flow and pressure problem applies to those subdivisions. Habitat for Humanity has bought lots to the west of Whitehall in an elevated area on the boundary on the west side. These nine lots would be used for low-income housing and they are petitioning for annexation.

**REP. ZOOK** asked if the gap analysis rating took into account what some of these communities had already received in loans and grants. **Mr. McCracken** said the whole financial package was considered. Applications were due June 15, then brought up to date by the TSEP staff in October. These applications reflect the current total package that can be portrayed right now.

**CHAIRMAN BERGSAGEL** asked if the City assumes ownership of wells that developers may be required to dig. **Mr. McCracken** said that is typically what is done. If a community accepts a subdivision into the city they accept the utilities also. At the present time Whitehall has enough water supply to feed the system into

the future. The reason the tank is proposed to increase from 200,000 gallons to 500,000 gallons is for fire fighting flow, not increased domiciles.

{Tape: 3; Side: A; Approx. Counter: 160}

**CITY OF CONRAD**

**Water System Improvements, page 57**

**Gavin Anderson, Administrative Officer, TSEP, DOC,** provided an overview of the city of Conrad application.

**Byron Grubb, President of the Conrad City Council,** said this is a top priority project for Conrad. Lake Francis is Conrad's only source of water and DNRC has given a time frame to remedy the situation at the dam site. Conrad has just requested an increase of 12% on sewer rates and hopes to keep the water rates as they are currently.

**Tom Thomas, Engineer, Thomas, Dean & Hoskins Inc.,** explained the layout of the proposed improvements to the Lake Francis Dam. The existing eight-inch lines that bring the water supply to the city of Conrad pumping facilities are located in the toe of the dam. There is also a conduit through the dam. The lines and conduit have the potential of leaking into the earth-filled dam, which is what DNRC says has to stop. Conrad has until 1996 to complete this or the county canal and reservoir company would have to quit using the dam. It is a vital project and it has to be done. This project would excavate rock and build a pool area for the pipes to discharge into. When there isn't water being used for irrigation then only water needed for the city would be released. Right now the pressurized system allows water to leak down to the stream. The new intakes will go into the new pump station which will replace the existing one. The new pump will be smaller because the current pump is built to maximum capacity, which is a waste of energy and cost to the City in the winter months. When this project is done the City will have a more reliable water intake system. Currently the lack of a reliable water system violates health and safety standards. This project serves everyone in the City; it's not related to new development.

**SEN. CHRISTIAENS** asked what are the plans to work on this high hazard dam. **Mr. Grubb** explained the dam is classified as meeting the safety requirements once the pressurized pipes are taken out of the earth filled portion of the dam. This is not a dam project per se, the project addresses city facilities which pose a threat to the dam.

{Tape: 3; Side: A; Approx. Counter: 490}

**SEELEY LAKE WATER DISTRICT**  
**Construct Water Filtration System, page 57**

Mr. Anderson provided an overview of the Seeley Lake water district application.

Paul Torok, Manager, Seeley Lake Water District, provided testimony in favor of the Seeley Lake application. **EXHIBIT 5**

REP. DON LARSON, District 58, said Seeley Lake is under an administrative order from the Department of Health to filter its water. The water system is dangerously close to being contaminated and the city can't control the watershed because of the nature of the valley. Seeley Lake is the only source of water. The pollution in Seeley Lake is increasing as the lake becomes more popular, and this increases the need to filter. More retirees are moving in, which is increasing demands on the water system. The system is about 25-years-old and it is expected that soon the old concrete and asbestos lines will have to be replaced along with adding new lines to accommodate growth. The major employer in town is the lumber mill, which does have its own fire-fighting capability. However the city has only enough water to supply fire suppression for one hour through its 100,000 gallon tank. This proposal includes a 200,000 gallon tank plus another mile of additional line, which would provide four to five hours of fire-fighting capability. If it were not for the administrative order Seeley Lake could probably eventually pay for the improvements, but with the time constraints the community cannot fund the project. A \$500,000 loan has been authorized and a sewer district has been created. Seeley Lake is an unincorporated town and the TSEP grant is one of its only avenues for funding.

{Tape: 3; Side: B}

CHAIRMAN BERGSAGEL asked if Seeley Lake is requesting this grant at this time because of the creation of the sewer district.

REP. LARSON responded that is correct.

{Tape: 3; Side: B; Approx. Counter: 80}

**CITY OF HAMILTON**  
**Sewer Sytem Improvements, page 62**

Jim Edgcomb, Administrative Officer, TSEP, DOC, provided an overview of the city of Hamilton application.

Don Williamson, City Administrator, Hamilton, said Ravalli County has been ranked as the fastest growing county in Montana in the past four years, at a 23% population increase. Much of that growth is taking place in the Hamilton area. Hamilton built a new sewer plant in 1983 with capacity for future growth. Unfortunately, the sewer lines that were installed in Hamilton in

the 1950's were not well done, in some instance the ends weren't sealed. As a consequence Hamilton has a major source of ground water infiltration in the summer. In the winter approximately 500,000 gallons of sewage are processed daily, in the summer it is 2.5 million gallons. The sewer plant can handle that amount of water but it's working to full capacity. In order to deal with growth Hamilton must address this problem. Underground water flows through the valley to the river right underneath the City. The areas that are being built are all on septic. Four subdivisions have been approved in the past year with 12 more making application. The sewer hook-up fees have been raised from \$150 to \$500 per household which is one of the highest in the state. The people in the City are long-term residents, approximately 46% retired, with 55% of the residents being low to moderate income. They can't afford a huge increase in sewer rates. When new subdivisions come in Hamilton wants to make them pay their share, but the base information for these rates has not yet been determined. A water/sewer facility assessment is being conducted that includes three miles outside the City limits.

The proposed project is for the City of Hamilton and must be done regardless of growth. The line is the trunk line that all sewer lines in Hamilton run into. This line has a lot of infiltration in it. The sewer plant only has 2.5 employees, which the engineers have said is vastly understaffed, so that will have to be addressed. Hamilton has done work to fix the sewer lines with its own funds; this is the first request to the state. One developer has purchased 10,000 acres and plans to build 3,000 to 4,000 homes in the next 30 years. If he can't come into the Hamilton water system he'll put that development on septic, and all that septic runs under the City to the river. It is important to get this development on sewer to protect the integrity of Hamilton's five wells. In an old neighborhood in Hamilton there are septic tanks 50 feet from neighboring drinking wells. By doing this first line then doing other adjacent lines in the City in the future it will address infiltration which will allow additional existing housing to be hooked to the sewer system.

**REP. ZOOK** complimented the City of Hamilton for raising its hook up fees and using it as a tool to pay for services and control growth. **Mr. Williamson** said the City is also planning to allot costs to new subdivisions for sewer improvements.

**SEN. CHRISTIAENS** asked if Hamilton is incorporated with the ability to assess impact fees. **Mr. Williamson** answered Hamilton has used impact fees. An example is a fee assessed to a new subdivision for its lift station. The proposed project will eliminate the lift stations and that fee would be returned to the developer. Hamilton is in the process of trying to purchase land for a city park. The developer of the subdivision said he would let Hamilton keep that lift station fee for development of the city park.

REP. MCCANN asked why the amount of water in the sewer lines is higher in the summer. Mr. Williamson explained the surrounding county land is irrigated via ditches filled from Cumo Lake and various reservoirs. As soon as those ditches are filled to ground water level, it'll go from 12 feet down to 3-4 feet which puts the sewer lines underwater.

{Tape: 3; Side: B; Approx. Counter: 575}

**GARDINER - PARK COUNTY WATER DISTRICT**  
**Water System Improvements, page 67**

Mr. Edgcomb provided an overview of the Gardiner-Park County water district application.

Carol Temple, Double Tree Inc., Gardiner, said in 1993 the Gardiner-Park County Water District did a water system needs assessment and master plan. All of the identified deficiencies to the water system could result in a failure to the system that could be devastating to the economy in Gardiner. Gardiner's economy is dependent on Yellowstone Park tourists and hunters and anglers. Gardiner also houses a large complex which supplies all the laundry services for the hotel, restaurants and personnel facilities in Yellowstone Park. The water system in Gardiner affects many more people than are in its 290 residential households. It impacts the entire support system in Yellowstone Park as well as the basic economy of the area. A failure of any kind in the water system, which is possible with existing conditions, would have a devastating economic impact on the community.

Patrick Murtagh, Engineer, HKM Associates, said the goals for Gardiner are to provide a safe and dependable water supply. In order to make the water safe, the spring has to be protected from the waste of burrowing animals, such as mice, and large animals, such as elk. Radon is also an issue. Radon is treated by atomizing (spraying) the water through a media from which air is extracted. Radon extraction is part of the project plan. The way water goes from the spring into the water tower has to be changed because the water tower constantly releases water that has already been chlorinated. To insure the safety of the water supply, a new well needs to be installed next to the existing well as a backup. If the current well goes out of service it takes three to five days to get water service back to Gardiner. Gardiner also needs a new river crossing. The Yellowstone River splits the town in half. In the past the sewer pipe broke (it has since been replaced). If the water pipe breaks, southern Gardiner will be without water. When these improvement are made, the dependability of the supply system will be as insured as it can be.

{Tape: 4; Side: 1}

**SEN. CHRISTIAENS** asked if the radon is coming from the well or the spring. **Mr. Murtagh** answered radon is coming from the well, it is rarely a problem in springs. All of western Montana has a relatively elevated level of radon.

**SEN. CHRISTIAENS** asked how the chlorinated water is getting spilled. **Mr. Murtagh** said water flows from the spring through a chlorinator into the tank and there is no shut-off. During the winter and at night when demands are low, the tank fills and overflows. The project plan includes a float system for the tank.

**REP. MCCANN** asked what the main expenses of the project are. **Mr. Murtagh** answered the river crossing is the most expensive at about \$195,000.

**CHAIRMAN BERGSAGEL** asked if the line from the airport to the town will be replaced or if a backup pipe will be added. **Mr. Murtagh** explained that the capacity of the pump is okay until 2013 so it is not being replaced in this project.

{Tape: 4; Side: A; Approx. Counter: 140}

#### POWELL COUNTY

#### Replace Snowshoe Creek Bridge, page 96

**Mr. Anderson** provided an overview of the Powell County application.

**Don Valiton, Chairman, Powell County Board of Commissioners**, said Powell County has a 4-mill bridge levy which raises \$45,000 to \$50,000. The County is responsible for all bridges, including those in the city of Deer Lodge. It's virtually impossible for the County to be able to replace a major bridge. A bridge replaced in 1993 with federal funds came in at a little less than \$500,000. The Snowshoe Bridge has a five-ton load limit. A 52-passenger school bus uses it daily, and it provides access to the Helena National Forest for ranching, mining and recreational use. In the past year a logging company has put in temporary reinforcements so they could use the bridge. The highway department recommended replacement of this bridge. Since they started this project three or four years ago, the building costs have escalated 150%.

**REP. ZOOK** asked the LFA to check into the maximum mill levy allowed for bridges. He believes in 1989 the legislature raised the levy above 4-mills. **Mr. Valiton** commented that the 4-mill levy has been used for years and Powell County is reluctant to raise it more. This levy does cover ordinary maintenance and upkeep costs for the bridges.

**SEN. CHRISTIAENS** asked if the County has emergency reserve funds. **Mr. Valiton** answered the County only has the legal one-third built into the budget.

{Tape: 4; Side: A; Approx. Counter: 460}

TOWN OF HYSHAM  
Sewer System Improvements, page 105

Mr. Anderson provided an overview of the town of Hysham application.

Larry Fink, Mayor, Hysham, introduced the project engineer, Brian Hilderman, Interstate Engineering Inc.

Mr. Hilderman provided additional information about the town of Hysham application for sewer system improvements. **EXHIBIT 6**

CHAIRMAN BERGSAGEL asked what Hysham water rates will be if the DNRC grant is not approved. Mr. Hilderman said the rate without DNRC has not been calculated, but if none of the project grants are approved the rate would be \$21.60, up from the current rate of \$5.60. There are 213 households served in this system.

{Tape: 4; Side: A; Approx. Counter: 945; Continue on Tape 4, Side B}

BEAVERHEAD COUNTY  
Replacement of Bailey Street Bridge, page 92

Mr. Edgcomb provided an overview of the Beaverhead County application.

Spencer Hegstad, Beaverhead County Commissioner, asked the subcommittee to look positively on this application. Beaverhead County has a responsibility for all bridges in the county. Of Beaverhead County's more than 80 bridges, 60 are substandard. The County has a 5-mill bridge levy, which may be the maximum levy allowed. This levy brings in about \$13,000 to the road fund with the total bridge budget at about \$80,000. Because of I-105 restrictions it is difficult for the County to raise needed funds. Through programs like TSEP, the legislature has provided a vehicle to meet some of these responsibilities. One bridge provides access to the cemetery, so it affects all of the residents in the city of Lima. The bridge has been inspected and before long it will have to be completely shut down and removed.

REP. ZOOK asked how long the bridge is. Mr. Hegstad answered the bridge is short, about 20 feet. It is no longer acceptable to use old railroad trestles as bridges, although many of the old bridges in the county are built this way.

ADJOURNMENT

Adjournment: 11:45 a.m.

  
\_\_\_\_\_  
ERNEST BERGSAGEL, Chairman

*for*   
\_\_\_\_\_  
PAULA CLAWSON, Recording Secretary

EB/pc



# LONG RANGE PLANNING

## Joint Appropriations Subcommittee

ROLL CALL

DATE 1-25-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ernest Bergsagel, Chairman	X		
Rep. Matt McCann	X		
Rep. Tom Zook	X		
Sen. Ethel Harding, Vice Chairman	X		
Sen. Chris Christiaens	X		

54th Legislative Session

# LONG-RANGE PLANNING SUBCOMMITTEE

Chairman: Ernest Bergsagel

LFA Staff: Nan LeFebvre      OBPP Staff: Jane Hamman  
Meeting Room: 317      8:00 a.m. to 12:00 noon  
Secretary: Tracy Bartosik

Thursday – January 26, 1995

## House Bill 11 Treasure State Endowment Program

Agenda Item	Project/Topic	Priority	Reference	Grant Request	Grant Recommended
I.	<b>Project Presentations</b>	<b>"Treasure State Endowment Program" Notebook</b>			
1.	Hill County Water District Water Treatment System	Priority #1	Page 25	\$500,000	\$500,000
2.	City of Havre Expand Water Treatment Plant	Priority #18	Page 109	\$500,000	\$0
3.	Town of Chester Wasterwater System Improvements	Priority #19	Page 113	\$92,350	\$0
4.	City of Troy Wastewater Plant & Sewer System	Priority #4	Page 41	\$500,000	\$500,000
5.	City of Thompson Falls Sewer System Rehabilitation	Priority #12	Page 83	\$400,644	\$400,644
6.	City of Kalispell Construct Northside Water Well	Priority #10	Page 72	\$270,000	\$0
7.	E. Glacier Park Water & Sewer District Drinking Water Treatment Facility	Priority #2	Page 30	\$306,555	\$306,555
8.	City of Dillon Wasterwater System Improvements	Priority #11	Page 78	\$0	
9.	Butte – Silver Bow Improve Wastewater Treatment Plant	Priority #13	Page 88	\$500,000	\$500,000
10.	Beaverhead County Replace Bailey Street Bridge	Priority #14	Page 92	\$23,000	\$23,000
III.	<b>Subcommittee Business</b>				

Exhibits 1 and 6 can be found in the Historical Society.

## FINANCIAL NEED ANALYSIS FOR THE COMPETITIVE RANKING PROCESS

Financial need constituted the fifth of the ten statutory ranking priorities. The analysis was conducted using three competitive ranking indicators which judge the relative financial need of applicant jurisdictions using factors common to all applicants.

The three indicators are:

1) **The relative economic condition of households within each of the applicant jurisdictions:**

Factors used for this indicator are:

- Awarding point scores based on the relative levels of Median Household Income in each of the applicant jurisdictions
- Awarding point scores based on the percent of persons living at or below the level of Low to Moderate Income
- Awarding point scores based on the percent of persons living at or below the level of Poverty

2) **The total cost of property taxes and public utility user charges in relation to the median level of household income for each of the applicant jurisdictions:**

- This indicator, also known as the "Affordability Index" awards points based on results produced by the following formula:

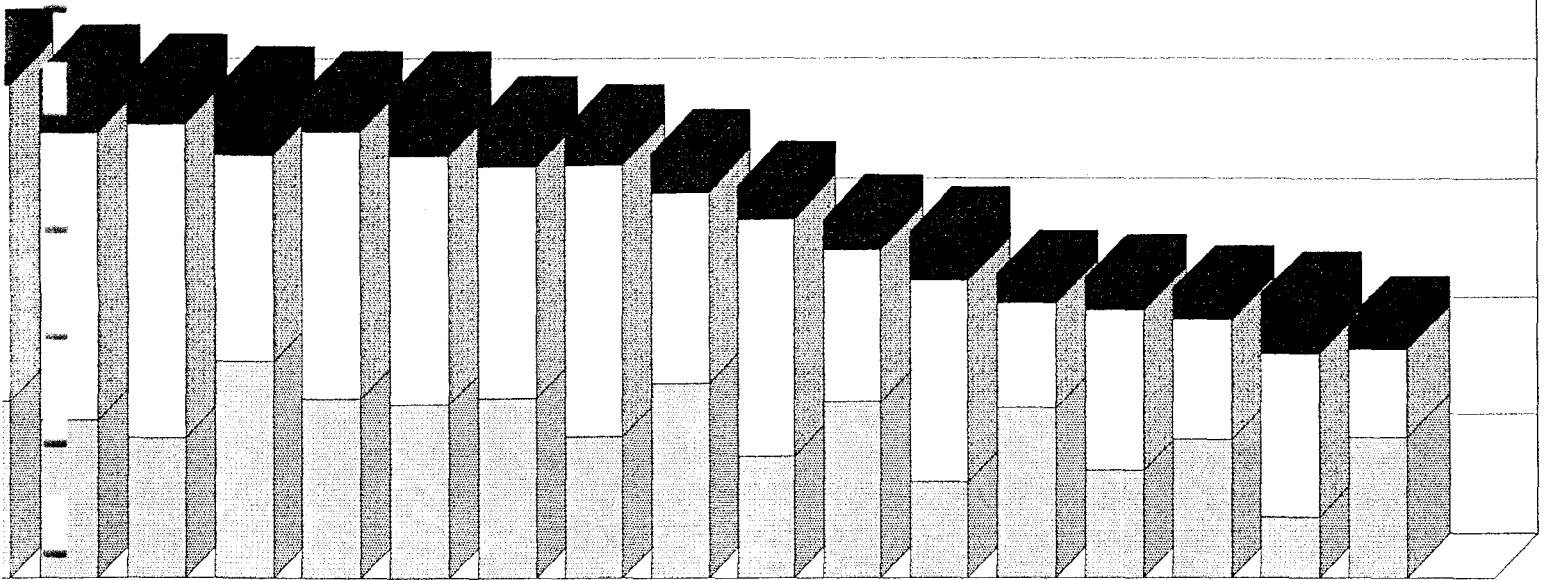
$$\frac{\text{Total property taxes} + \text{User Charges}}{\text{Median Household Income}}$$

3) **The impact on financial need as a result of grant award decisions:**

- This indicator measures additional charges that would be levied through taxes or user charges in order to pay debt service on an amount of money equal to the jurisdiction's grant request. Additional charges were divided by the applicant jurisdiction's Median Household Income in order to produce a measure of households' ability to pay the increased charges.

The following page displays results of the analysis of financial need conducted as part of the overall statutory priority ranking process.

**TSEP Program - 94/95**  
Competitive Ranking Scores



	Seeley Lk	Hill	Troy	Lewistown	Whitehall	Flysham	Chester	Dillon	Havre	Bvrhead	Gardner	Powell	Conrad	Dawson	E. Glacier	Richland
1	131.54	116.63	181.44	150.03	144.96	150.51	118.09	163.12	100.98	147.58	79.28	142.42	88.98	115.53	50.00	116.95
1	743.45	265.11	174.87	226.01	210.97	196.53	230.22	162.24	202.54	130.35	171.86	89.44	136.97	102.07	138.17	75.00
5	7.1	37.87	53.49	29.68	49.63	38.25	29.85	31.90	27.27	25.00	41.78	25.31	27.94	27.31	51.82	26.84
8	5.70	419.61	409.80	405.72	405.56	385.29	378.16	357.26	330.79	302.93	292.92	257.17	253.89	244.91	239.99	218.79

## **FINANCIAL GAP ANALYSIS AND GRANT AWARD RECOMMENDATIONS**

### **Background:**

- Used as a method of rationing scarce grant award funds among applicants which have done well in the competitive ranking of statutory priorities.
- Based on the policy assumption that applicants should receive grant support to the extent that they can not finance their projects "but-for" the receipt of assistance.

### **Target Rates and Median Household Income:**

- Target Rate Analysis compares applicants' actual or projected utility rates versus predetermined benchmarks.
- Target rates for many public grant programs, including TSEP, are based on a percentage of Median Household Income (MHI). MHI means there are as many households in an applicant jurisdiction with incomes above its MHI as there are below its MHI.
- Using MHI recognizes the relative ability of households in various jurisdictions to pay user charges.

### **TSEP Target Rates:**

- Many public grant programs assume the target level of water system rates at 1.5 percent of MHI, and the target level of wastewater system rates at 1 percent of MHI.
- Research was conducted on the average rates applicable to improved systems around Montana to produce a more precise set of targets. For water systems, TSEP utilizes a target of 1.41 percent of MHI, and for wastewater systems, TSEP utilizes a target of .81 percent of MHI.

### **Combined Water and Wastewater System Rates:**

- Based on the concerns and recommendations of local governments and others during the last biennium, TSEP elected to utilize combined water and wastewater system rates.
- Ensures that low rates in one system will not ignore high rates that may be present in the other system - thereby falsely overstating an applicant's financial condition.

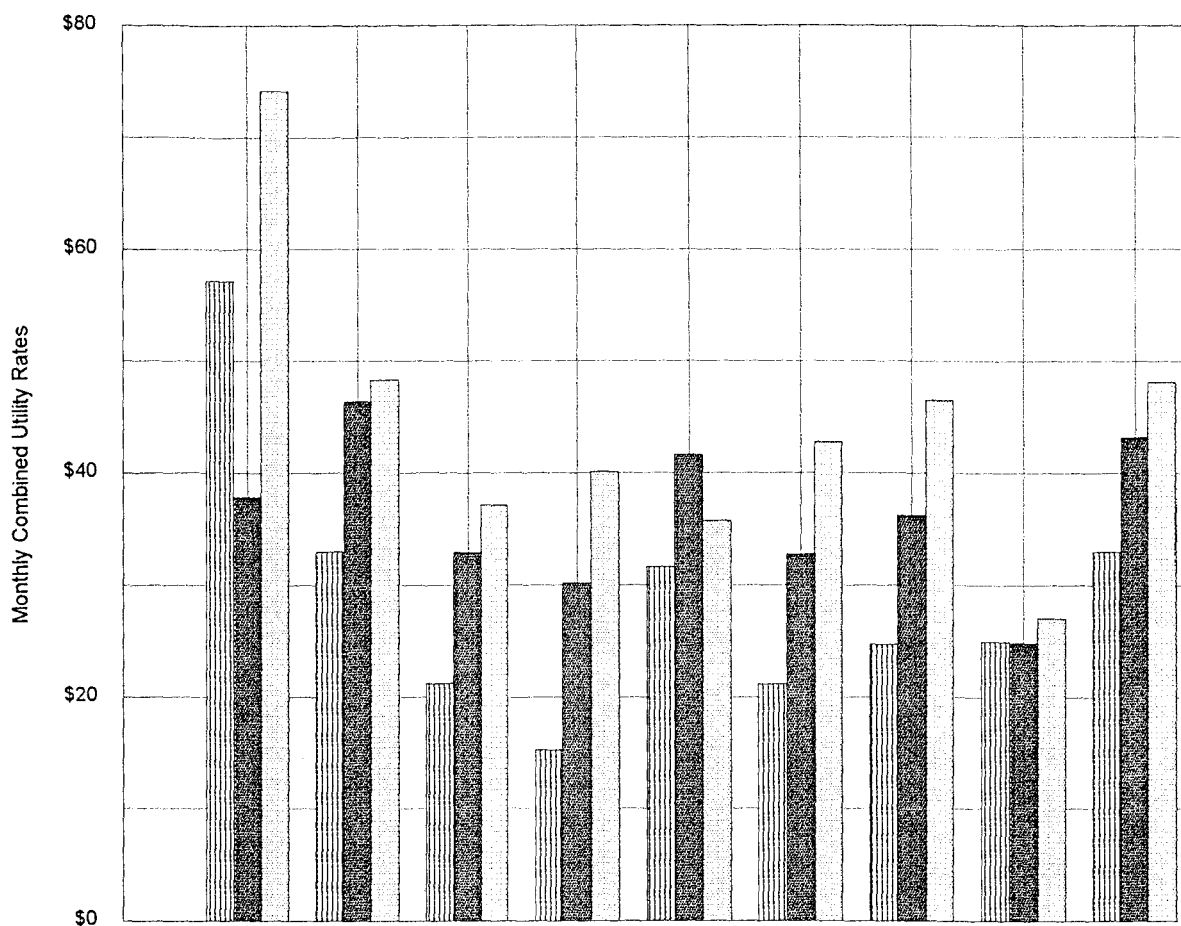
### **Process:**

- 1) Determine the gap that exists between target rates and projected rates.
  - For water and wastewater applicants, target rates = 2.22 percent of an applicant's MHI (1.81% for water systems + .81 percent for wastewater systems).
- 2) Calculate the amount of debt capacity that can be leveraged as a result of the variance between projected and target rates.
- 3) Subtract that amount of debt capacity from the amount of the applicant's grant request to determine the amount of the proposed grant award.
- 4) Measures to assure statistically and financially responsible conclusions:
  - Target rates were reduced by 10 percent.
  - Each applicant was allowed a substantial debt capacity cushion, based on the number of households in the applicant jurisdiction, before any amounts were deducted from the grant request.




0 to 500 households -	\$500,000 cushion
501 to 1,500 households -	\$1 million cushion
1,501 to 3,000 households -	\$1.5 million cushion
3,001 to 5,000 households -	\$2 million cushion
5,001 households and greater -	\$3 million cushion

### **Graphs:**

- Variance among current rates, target rates, and rates assuming projects are implemented without TSEP assistance.
- Gap between target rates and rates assuming TSEP assistance, and the amount of debt capacity remaining for each applicant based on the factors described above.

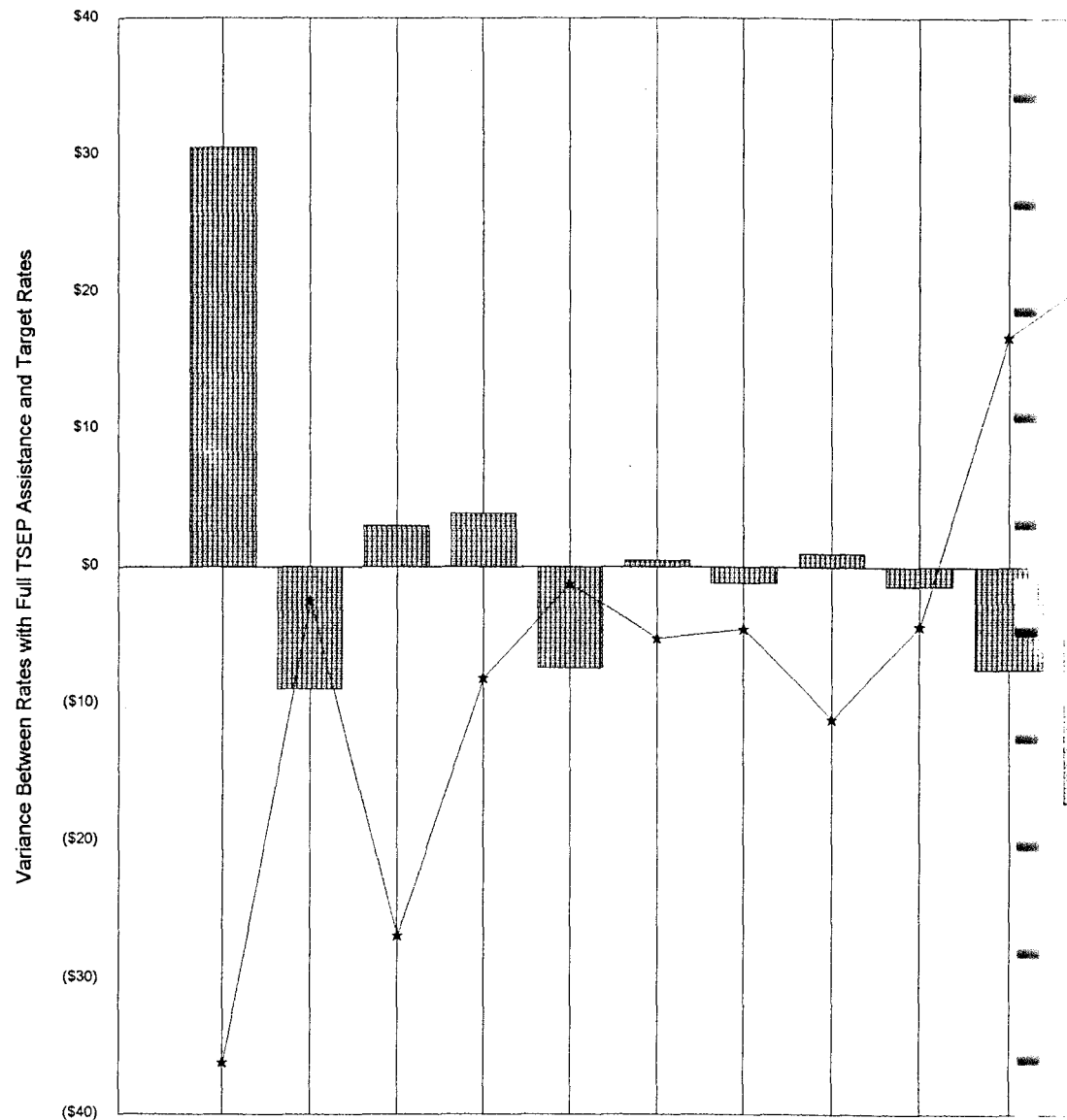


	Hill	E. Glacier	Lewistown	Troy	Conrad	Whitehall	Seeley Lk	Hamilton	Gardner
Existing Rates	57.20	33.00	21.21	15.24	31.61	21.19	24.72	24.95	32.97
Target Rates (90%)	37.81	46.36	32.91	30.13	41.66	32.74	36.21	24.81	43.13
Rates with No Assistance	74.17	48.32	37.13	40.11	35.74	42.79	46.51	27.03	48.13

 Existing Rates  
 Target Rates (90%)  
 Rates with No Assistance

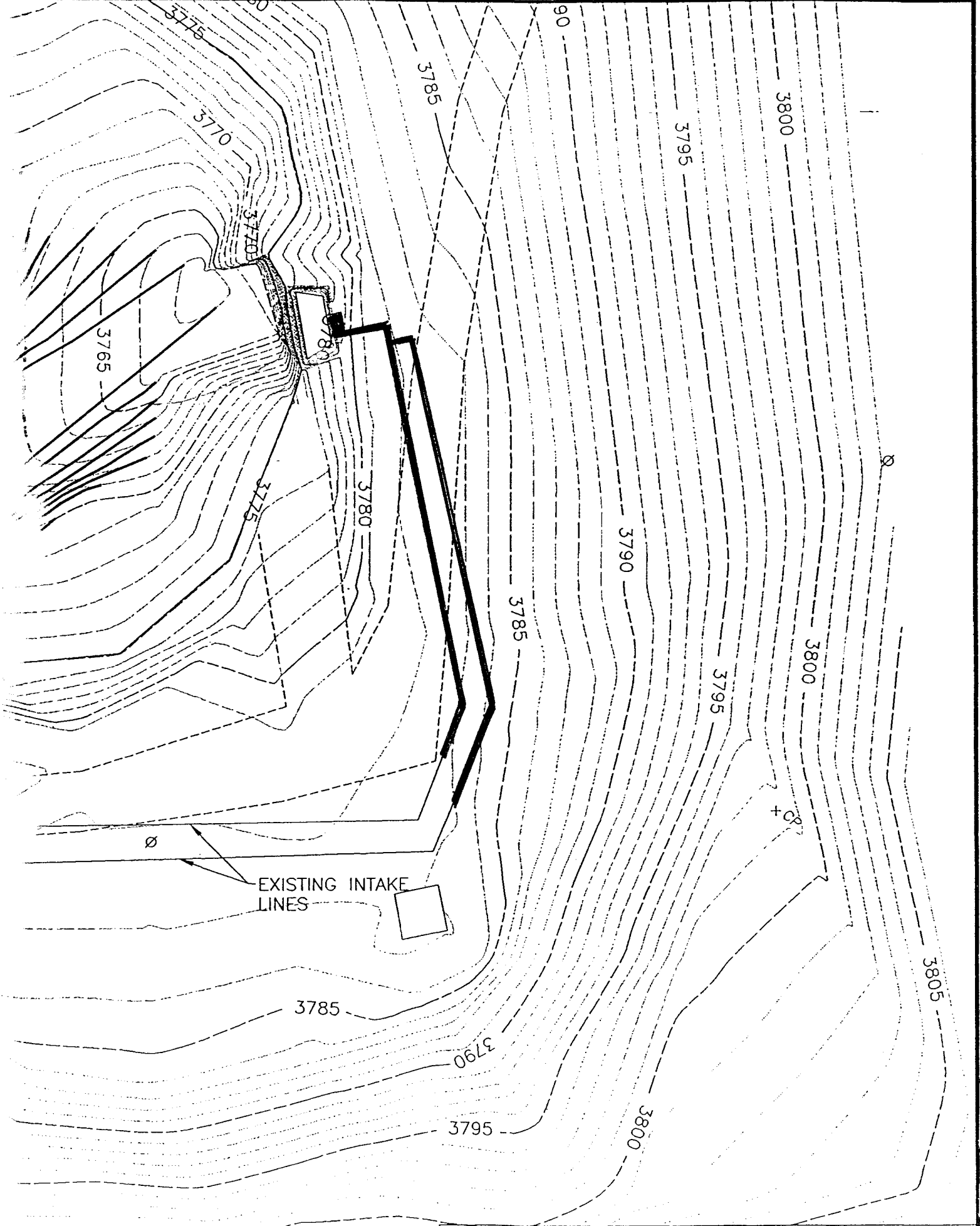


TSEP - 94/95  
Variance Between Rates with Full TSEP Assistance VS Target Rates



	Hill	E. Glacier	Lewistown	Troy	Conrad	Whitehall	Seeley Lk	Hamilton	Gardner	Kalisj
Variance VS Target Rates	30.55	-8.96	2.97	3.85	-7.44	0.47	-1.19	1.01	-1.44	-7.52
Additional Debt Capacity	(3,606,570)	(249,826)	(2,682,239)	(812,941)	(124,380)	(524,330)	(452,277)	(1,114,180)	(433,195)	1,673,000
Number of Households	717	173	2,222	409	989	435	337	950	290	5,222
Debt Capacity Allowance	1,000,000	500,000	1,500,000	500,000	1,000,000	500,000	500,000	1,000,000	500,000	3,000,000





THOMAS, DEAN & HOSKINS INC.  
ENGINEERING CONSULTANTS  
GREAT FALLS—BOZEMAN—KALISPELL  
SPOKANE MONTANA  
WASHINGTON

# SEELEY LAKE - MISSOULA COUNTY

## WATER DISTRICT

### Board of Directors

Robert H. Scott, Chair

Robert (Bud) Johnson, Vice-Chair

Greyson Phipps, Director

Tim Clark, Director

George Myers, Director

P.O. Box 503

Seeley Lake, MT 59868-0503

Telephone (406) 677-2559

Fax (406) 677-2898

General Manager

Paul Torok

EXHIBIT 5  
DATE 1-25-95  
BY HB 11

Long Range Planning Committee  
Capital Building

January 20, 1995

Mr. Chairman and Members of the Committee:

The Seeley Lake Water District provides drinking water to 1,100 people in the Seeley Lake area. The District is required under a Department of Health and Environmental Science Administrative Order to install a water treatment facility by 1996. The proposed project, which will install filtration on its currently unfiltered public water supply, will rectify serious public health concerns over drinking water quality in Seeley Lake. The unfiltered water contains naturally occurring organic matter which can transform into a carcinogenic substance when combined with chlorine. Seeley Lake has a potential for giardia cysts and cryptosporidium which are also harmful to public health.

The construction of this 1,000,000 gallon a day water treatment plant at Seeley Lake will thoroughly address regulatory and health problems. The design capacity will meet projected water demands for the next 20 years

Treatment alternatives analyzed included:

- wellfield
- Streamside infiltration gallery.
- Ozonation
- Slow-sand filtration (tested by pilot plant)
- conventional treatment (tested by pilot plant)
- pressure clarifier/filtration (tested by pilot plant)
- direct filtration/2 stage pressure filtration (tested by pilot plant)

After pilot studies were performed on the methods listed above, the Board selected the 2 stage clarifier/filter method, based on performance, efficiency, low operations and maintenance cost and, affordability of the unit.

The Seeley Lake Water District has a certified Class 1 operator. The District is therefore technically capable of implementing, operating, and maintaining the proposed project.

The Seeley Lake Water District has an approved environmental assessment, Decision Notice, and FONSI from the United States Forest Service. The Forest Service is the owner of the land at the existing pump station and at the proposed treatment site. The

District has reached an agreement with the Forest Service for the treatment site. All other appropriate agencies, including the Corps of Engineers, MDFWP, SHPO, SCS, and DNRC, have been contacted. Therefore, no environmental delays are expected. Since pilot studies have been completed and are currently being reviewed by DHES, no technical delays are predicted.

The capitol cost of project is estimated at \$997,041.00. With the \$464,364.00 grant and a \$533,000.00 loan user fees will be at 1.5% of Median household income, or at the top end of target rates. The Seeley Lake Water District has obtained bonding authority from DNRC for the remaining amount. The TSEP money is vital to this project and to the economic stability of this community. Volatility in the timber industry coupled with growth in tourism and recreation intensifies the need for a diversified economic base and adequact infrastructure.

The Seeley Lake Water District has sought Fmha and CDBG grant funding to make this project affordable and have not had much luck. It appears that TSEP is Seeley Lakes' "last resort" in getting our project funded affordably.

In summary please remember:

- Public health and welfare *is* the issue.
- The Seeley Lake Water District is under an Administrative Order to install filtration on the public water supply.
- The District has loan authorization and bonding capability to finance the remaining funds required for this project.
- The District is in good standing with its current loans and bonds.

Seeley Lake has strong community growth potential, but is under a water service moratorium from the Montana Department of Health and Environmental Sciences. (See att. # 1)

The Board respectfully requests this Committee retain the project ranking and authorize the \$464,364.00 TSEP grant funds as recommended. Thank you for your time and consideration.

For the Board,



R.H. Scott, Chairman

HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

Long Range Planning

SUBCOMMITTEE

DATE 1-25-95

DEPARTMENT(S) \_\_\_\_\_

DIVISION \_\_\_\_\_

PLEASE PRINT

PLEASE PRINT

NAME	REPRESENTING	
<u>Don McCarty</u>	DAMSCHEN ASSOCIATES WHITEHALL	
<u>Tom Thomas</u>	W. L. G. G. G.	
<u>Neil P. Gallagher</u>	Town of Whitehall	
<u>Tom Thomas</u>	THOMAS BIZ & HOSTING CITY COUNCIL	
<u>Byron GRUBB</u>	CITY OF CORNELL	
<u>Carol Temple</u> CAROL TEMPLE	Double-Tree	
<u>Don Larson</u>	HD58 - July Lake	
<u>DON W. WILLIAMSON</u>	CITY OF HAMILTON	
<u>Don Hunter</u>	Gardiner	
<u>Paul T. T. T.</u>	Seelye Lake	
<u>DON VALITON</u>	CH. POWELL COUNTY BO. COMMISSIONERS	
<u>Bob Andreozzi</u>	HRC&D Forester for Powell Co. Bridge	
<u>Patricia Murty</u>	HKM ASSOC.	
<u>E. E. Hilde</u>	GARDINER WATER DIST Interstate Eng. Inc. Sidney, MT.	
<u>Larry Fink</u>	Town of Hysham	
<u>SPENCER HEASHTO</u>	BOND. County	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT  
FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.