Project No. 1
Lewis and Clark County for the Woodlawn Park Addition – Water System Improvements

This application received 4,152 points out of a possible 4,900 points and ranked 1st out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $596,420**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 596,420	Awaiting decision of Legislature
CDBG	Grant	$ 254,097	Applied May 2006
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Loan	$ 375,909	60th on the SRF priority list
County	Cash	$ 79,077	Funds committed
Private	Cash	$ 43,982	Discussed with executive director of AGC Training Facility
Project Total		**$1,449,637**	

Median Household Income:	$34,875	Total Population:	120
Percent Non-TSEP Matching Funds:	59%	Number of Households:	40

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA	-	Target Rate:	$ 61.50	-
Existing Wastewater Rate:	$28.00	46%	Rate with Proposed TSEP Assistance:	$ 62.19	101%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$105.50	172%

Project Summary

History – The project area is generally referred to as the Fairgrounds/Dunbar area, which is comprised of the Lewis and Clark County fairgrounds, the Woodlawn Park Addition, and the Associated General Contractors (AGC) Laborer's Training Facility. The fairgrounds are served by city water via a 12-inch main running north from Brady Street and by two outlying wells. Woodlawn Park Addition consists of a total of 52 residential and commercial properties that currently rely on individual water wells. The AGC Laborer's Training Facility is served by a public water supply well. The project area will also be connected to the City of Helena's wastewater system, which has already received a TSEP construction grant for that phase of improvements. Water meters will be installed as part of the first phase of improvements currently in progress.

Problem – The Lewis and Clark County Fairgrounds/Dunbar area water systems have the following deficiencies:

- the water supply does not provide adequate fire flows,
- wells sampled at the fairgrounds and in the Woodlawn Park Addition show elevated nitrate levels of up to 13 mg/L,
- a convenience store with a public water supply well has had repeated high nitrate levels and is required by Department of Environmental Quality (DEQ) to use a filtration system to lower levels, and
- fire protection for both the Woodlawn area and the AGC facility is not adequate because of the lack of hydrants.

Proposed Solution – The proposed project would:

- construct approximately 2,700 feet of water line and valves to connect the existing water system on the eastside of the fairgrounds to the Northgate Meadows development water main,
- construct approximately 4,300 feet of water main with valves and hydrants to service the fairgrounds

campground area, north barn area and rodeo grounds,

- construct approximately 100 feet of water main and valving for Woodlawn Park's portion of the Green Meadow Loop connection,
- construct approximately 6,900 feet of water mains with valves and hydrants within the Woodlawn Park Addition and connect these mains to the city mains, and construct a water service line, valve and hydrant to the AGC facility and connect to the existing city water main.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 5 and received 1,000 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public health and safety problems associated with the deficiencies in the wastewater system have occurred or are imminent.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including elevated nitrate levels in the wells used for drinking water that have exceeded the nitrate maximum contaminant level of 10 milligrams per liter. High nitrate levels in the area wells are an indication that sewage from on-site septic systems is contaminating the groundwater. Drinking water that is contaminated can lead to disease and illness. Nitrate levels above the maximum contaminant level can cause serious illness or death in infants. The community has documented contamination of their water supply with acute levels of nitrates with no current means of protection from the contaminants.

There is a potential for serious injury, death and significant property damage if sufficient water is not available to fight structure fires. Currently, the residential area and the AGC facility have no water system in place to fight fires. Fire flows at the fairgrounds are less than half of the required fire flow.

Statutory Priority #2: Reflects greater financial need.
The applicant received 432 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 45th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 46.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 22nd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 14.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 26th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The

number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the city-county health division completed a study in 2002 to identify the limitations of the on-site sewer systems that are prevalent in the Helena valley and elsewhere in the County. With the assistance of a State and Tribal Assistance Grant (STAG) that the County received, infrastructure studies have been completed in three target areas and the first phase of the Lewis and Clark Fairgrounds/Dunbar area project is currently in progress. Cooperative efforts have been made between the County and the City to provide well-planned, cost effective public facilities, and they are working together to provide a means for extending city utilities to those areas adjacent to the City. One of those completed projects is the cooperation between Fort Harrison, which lies within the County, and their connection to the City's wastewater system. Fort Harrison built a lift station and outfall to carry wastewater from their facility into the City's wastewater system. The sewer upgrades to the project area take advantage of the Fort Harrison trunk line and allow for a more modern, long-term solution to the area's sewage problems. A similar beneficial situation occurs with the water service. The City currently supplies a portion of the water for the fairgrounds facilities and the existing water system will be upgraded and expanded to the Woodlawn Addition and the AGC facility.

The applicant stated that the County adopted its first comprehensive plan in 1983, which was revised as a growth policy in 2004. The adopted growth policy, contains a five-year capital facilities plan (CFP). The applicant stated that the CFP was updated in 2002, with plans of another review in 2006, and the capital improvements included in the CFP are fully funded during each annual budgeting process; only the schedule of projects was included in the application. The proposed project is consistent with the growth policy and the study completed in 2002. The applicant listed 46 public works projects, costing nearly $12 million, which the County has completed over the past five years. Voters approved a mill levy in 2004 for fairground improvements, which is to be used to partially fund a combination grandstand and exhibition building, water, sewer, parking infrastructure and various repairs to existing structures.

The applicant stated that the problems associated with high nitrates in wells are not a result of inadequate operations and management practices on behalf of the residents, the County or the City. The problems are common in older developments that are comprised of small lots having on-site wastewater systems and on-site drinking water wells. The problems associated with the AGC facility are similar in nature; their well does meet the fire flow requirements of the existing facility and will not allow for expansion of the facility. The facilities at the fairgrounds were designed and installed according to the accepted standards of the day, but need to be re-built to meet current standards in order for the County to use the fairgrounds to its fullest potential. Water meters will be installed as part of the first phase of

improvements currently in progress. Existing wells will continue to be used, but solely for irrigation purposes.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL grants in combination with an SRF loan, private funds, and local funds. The project is ranked 60th on the SRF priority list; therefore, the County is eligible to apply for the loan. The County would utilize mill levy funds, which voters approved in 2004, to pay for a portion of the proposed project. The AGC training facility would also contribute funds toward the project. The applicant conducted an income survey, which the applicant stated shows the proposed project is eligible to receive CDBG assistance; the project area contains 65% LMI; however, the applicant did not provide the actual results of the survey, and therefore, the results could not be verified.

The applicant stated that if TSEP funds were not received, implementation of the overall project would likely be seriously jeopardized, as user fees would be 244% of the target rate.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 3 and received 300 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities, and cited various businesses that would benefit by the proposed improvements. However, the applicant did not reasonably demonstrate that the proposed project would directly result in the expansion of a specific business, or the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly add to the tax base if any business expansion occurs.

Rationale: The applicant stated that there are 12 lots in the Woodlawn Addition that are currently used for commercial purposes. There are several other lots within the area that are undeveloped or un-developable due to fire flow requirements and setback requirements for wells and drainfields that cannot be met. Providing city water service would allow these lots to be developed for commercial development, which could potentially result in additional jobs. The applicant stated that the fairgrounds planning committee identified various jobs that could potentially result from the expansion and enhancement of the fairgrounds, including two jobs directly related to the operation of the fairgrounds. The applicant stated that the AGC facility plans to expand their facility and add to the curriculum of its training program. This addition would increase the number of individuals served by the facility and would allow year-round training for laborers in the construction industry. The applicant stated that the AGC facility expansion would add training positions.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting,

and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because there were some discrepancies between the proposed rate that residents were informed of and the proposed rate stated in the application.

Rationale: The applicant stated that the County held technical committee meetings relative to the water and sewer project in November 2002, and in January, May, June, and August of 2003. Public meetings for Woodlawn residents and the general public were held in February and August of 2003, March 2004, June 2005, and March 15, 2006. The public meetings informed people about the alternatives, user rates, funding options, and in particular, the projected costs of water improvements to the Woodlawn residents. The March 15 meeting was held at 6:00 p.m. at the fairgrounds 4-H building, and was attended by 20 residents of Woodlawn Addition. Residents were sent a newsletter about the upcoming meeting and the meeting was advertised in the *Independent Record*. A copy of the notice, newsletter, minutes, and a powerpoint presentation for the March 15 meeting were included in the application. Documentation, including copies of notices, minutes, and presentations, was included for all of the other public meetings beginning in February 2003.

The applicant stated that the Lewis and Clark Fairgrounds Users Inc. started a long-range planning effort in 1996, which has included a needs assessment for fairgrounds facilities, research and summaries of ideas for growth, and a presentation of the long-range plans to the public. The applicant included a "draft" of a long-range plan for the fairgrounds.

The application included letters of support from the AGC training program, the fairgrounds coordinator, the fairgrounds commission, the Mayor of Helena, and one business located in the Woodlawn Addition. Following the meeting in 2004, a petition in support of the project was circulated to determine interest in forming a rural improvement district (RID). The petition that was signed by 33 people, informed them of the estimated costs that would be associated with their monthly sewer and water bills; however, the 2004 petitions included in the application show that the residents were informed that the monthly cost would be $59.47, which is below both the target rate and the projected rate.

The applicant stated that the proposed project area is not listed as a high priority within the CFP. However, the study conducted in 2002 revealed that the area was an area of concern and needed infrastructure improvements due to problems with existing septic and water systems.

Project No. 2
Town of Bainville – Wastewater System Improvements

This application received 4,060 points out of a possible 4,900 points and ranked 2nd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $715,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 715,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Applied May 2006
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Loan	$ 153,608	89th on the SRF priority list
Town	Cash	$ 20,000	Expended on PER, growth policy, CIP, and income survey
CDBG	Grant	$ 15,000	Expended on PER, growth policy, CIP, and income survey
Project Total		**$1,453,608**	

Median Household Income:	$26,250	Total Population:	153
Percent Non-TSEP Matching Funds:	52%	Number of Households:	73

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$45.20	-	Target Rate:	$ 46.29	-
Existing Wastewater Rate:	$21.67	-	Rate with Proposed TSEP Assistance:	$ 81.87	177%
Existing Combined Rate:	$66.87	144%	Rate without TSEP Assistance:	$131.33	284%

Project Summary

History – Bainville's wastewater collection system was constructed in the 1950s and consists of about 13,000 feet of gravity sewers, most of which is eight-inch clay tile pipe. About 15% of the pipe was replaced in 1999 along with the lift station. The lagoons were constructed about 1975, but liners were not included. Currently, there is no surface discharge, but if the lagoons did discharge, the likely route would be along a natural drainage to Shotgun Creek.

Problem – The Town's wastewater system has the following deficiencies:
- the lagoon leaks a considerable amount of wastewater to groundwater - about 85% of the wastewater entering the lagoons is lost through leakage,
- lagoon dikes are severely eroded and in danger of failing,
- clay tile collection pipes leak excessively, and
- there is excessive infiltration and inflow into the system.

Proposed Solution – The proposed project would:
- clean and videotape all sewer lines,
- replace about 2,400 feet of sewer lines,
- construct a three-cell facultative lagoon and provide a liner for all cells,
- dispose of sludge, and
- provide for final wastewater disposal through irrigation.

Note: The proposed solution does not propose to resolve the problems related to all of the sewer lines; rather they plan to replace those suspected of contributing the most infiltration and inflow to the system. Therefore, those deficiencies were not taken into consideration in the scoring of statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 5 and received 1,000 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public health and safety problems associated with the deficiencies in the wastewater system have occurred or are imminent.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: severely eroded lagoon banks at the treatment facility, excessive leakage from the treatment lagoons, and considerable infiltration and inflow into the collection system.

The largest potential for public health or safety problems would occur if there was a catastrophic failure of the lagoon banks. The interior banks of the lagoon were judged to be almost vertical and very unstable due to erosion, according to the Department of Environmental Quality's inspections. Complete failure of the lagoon banks is imminent and a potential threat to the public and environment. Untreated wastewater and sludge would potentially contaminate Shotgun Creek, and to some extent the Missouri River.

Approximately 85% of the wastewater entering the lagoons leaks through the bottom. Leakage from the lagoons constitutes an unauthorized discharge to the groundwater, which is a violation of the Clean Water Act and the Montana Water Quality Act.

Some sewer backups have occurred in the collection system due to clogging caused by roots entering the sewer pipe. There is no recorded documentation that these deficiencies have contributed directly to public health or safety problems in the past. The proposed project will replace those sewer lines that are suspected of contributing the most infiltration and inflow to the system.

Statutory Priority #2: Reflects greater financial need.
The applicant received 720 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 14th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 48.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 18th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 14.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 22nd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the applicant only recently started to utilize some of the various types of planning tools available such as a capital improvements plan (CIP).

Rationale: The applicant stated that the Town has maintained sufficient funds for the operation and maintenance (O&M) of the wastewater system. However, since there has been no discharge from the wastewater lagoon system since its original construction, the Town has seen relatively minimal O&M costs for the wastewater system to date. The Town had to significantly increase rates after replacing a substantial amount of sewer collection line and constructing a new lift station in 1999.

The applicant stated that the Town also constructed a new water treatment plant and replaced some water mains in 1999. In addition, the Town has been assessing the fees for development of the Dry Prairie Rural Water System and plans to connect to the system in the summer of 2006. It estimates that water rates will increase to approximately $45.20 when the Town connects to the regional water system.

The applicant stated that the Town completed a needs assessment in October 2005, adopted a 10-year CIP, and is in the process of finalizing a draft growth policy. The CIP covers all facilities owned by the Town. The applicant stated that once the Town adopts its growth policy, it plans to review and update the CIP annually. The proposed project is the top priority in the CIP and is consistent with the main goal of the growth policy, which is to maintain the public health and safety. The draft growth policy was not included in the application.

The applicant stated that the existing problems are not due to inadequate O&M practices, but instead are due to poor construction and design. However, MDOC review team had some concerns about the Towns O&M practices related to the wastewater system given the severe deterioration of the sewer lagoon dikes and the 85% loss of sewage effluent to leakage, but concluded that they were adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL grants, in combination with an SRF loan and local reserves. The Town adequately considered using other major grant and loan sources, but did not pursue them because of eligibility requirements and interest rates. The project is ranked 89th on the SRF priority list; therefore, the Town is eligible to apply for the loan.

The applicant stated that TSEP grant is essential to the feasibility of the project. TSEP funds make up nearly 50% of the overall project costs and without them, the Town would have to raise user rates to over 312% of the target rate; a level that would burden the community.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation or retention of a substantial number of long-term, full-time jobs, but the proposed project would directly result in a business expansion for at least one farmer living within the Town's boundaries. By allowing the farmer to use the lagoon water, a minimum of 12 additional acres would be placed under irrigation. In addition, two adjacent landowners also expressed an interest in using the treated wastewater. A letter from one of the landowners was included in the application.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that the Town held two public hearings on April 9, 2006 at 6:00 p.m.; one to discuss the project and accept the PER, and the other to approve applying to the programs for funding. Residents were informed about the cost of the project and that the cost per user would be $16.44. The applicant stated that a significant number of citizens was present at the hearings (the sign-in sheet lists 15 people, while the minutes of the meeting list 25) and that all comments were in support of the proposed project. The applicant included copies of the notices published in the Culbertson *Searchlight*, sign-in sheets, and minutes of the hearings.

The applicant stated that the Town received a letter of interest from one landowner adjacent to the treatment plant who is interested in using the treated effluent for spray irrigation. In addition, two other parties were also interested in using the effluent for irrigation, but the application did not include documents substantiating this interest.

The applicant stated that a public hearing held on October 24, 2005 gave citizens an opportunity to discuss community needs. An article about the process was included in the application. A needs assessment was completed and then used as a basis for the preparation of a CIP and growth policy. The wastewater system was ranked as the second highest priority in the needs assessment. Only water was a higher priority and it will be addressed once the Town is connected to Dry Prairie in 2006. The proposed project is the number one priority in the CIP.

Project No. 3
Madison County – Bridge System Improvements

This application received 4,040 points out of a possible 4,900 points and ranked 3rd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $370,100.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 370,100	Awaiting decision of Legislature
County	Local	$ 15,000	Expended on the PER
County	Local	$ 338,314	Committed by resolution
County	In-kind	$ 16,786	Committed by resolution
Project Total		**$ 740,200**	

Median Household Income:	$30,233	Total Population:	6,851
Percent Non-TSEP Matching Funds:	50%	Number of Households:	4,371

Project Summary

History – Madison County has identified four bridges that are in critical condition and in need of replacement.

- The Coy Brown Bridge is located about two miles south of Alder. This single-lane structure crosses the Ruby River on Judy Lane. The 41-foot long steel structure was constructed in 1946 and its deck was replaced in 1996. The bridge serves 30 part-time residents, six agricultural operations, recreational users accessing the Lower Ruby River and the Ruby Mountains, and is on a mail route. Closure of the bridge would result in a 10-mile detour over unimproved roads.
- The Cherry Creek Bridge is located about 10 miles northeast of Norris. This single-lane structure crosses Cherry Creek on Cherry Creek Road. The 35-foot long timber structure was constructed in 1955. The bridge serves six year-round residences, ranchers, three home businesses, and recreational users. The bridge is the sole public access to the area so there is no alternative route, except for a 15-mile detour through private land.
- The South Boulder Bridge is located about 10 miles southeast of Whitehall. This structure crosses the South Boulder River on South Boulder Road. The 18-foot long timber bridge was constructed in the 1960s. The bridge serves about 13 year-round residences, the Indiana University Geological Field Station, several ranch properties, national forest users, and is on school bus and mail routes. Closure of the bridge would result in a five-mile detour on an unimproved road.
- The Bear Creek Bridge is located about six miles southeast of Cameron. This structure crosses Bear Creek on the Bear Creek Road. The 22-foot long steel and timber bridge was constructed in the 1960s. The bridge serves five year-round residences, two part-time residences, three agricultural operations and national forest users. Closure of the bridge would result in about a 10-mile detour.

Problem – The County's four bridges have the following deficiencies.

- The Coy Brown Bridge deficiencies include:
  - steel floor beams have minor rust and are experiencing loss of bearing on the south pile cap,
  - timber stringers are weathered with numerous broken stringers,
  - the south timber abutment has several cracks and splits with section loss of the timber piles,
  - the north concrete abutment is scoured with several spalls and advanced section loss, and
  - slight bow of the timber pile cap.
- The Cherry Creek Bridge deficiencies include:
  - steel stringers have surface rust with pitting,
  - several timber stringers are split and broken,
  - upstream piles have large open cracks,
  - severe scour at the east abutment, and

- pile caps have rotated and have section loss.

- The South Boulder Bridge deficiencies include:
  - rot present on timber backwalls, wing walls, pile caps, and stringers,
  - substructure exhibits severe rotting, crushing, and settling,
  - significant scour has occurred below and behind the abutments,
  - bridge rail is substandard, and
  - wing walls are failing.
- The Bear Creek Bridge deficiencies include:
  - timber stringers are weathered with horizontal checking and cracks,
  - steel stringers have moderate surface corrosion,
  - timber deck exhibits signs of surface rot, and
  - significant scour with undermining on the north abutment.

Proposed Solution – The proposed project would replace the four existing bridges with the following types of structures:

- the Coy Brown and Cherry Creek Bridges with a single-span precast concrete superstructure founded on piles,
- the South Boulder Bridge with a single-span precast concrete superstructure founded on a concrete grade beam, and
- the Bear Creek Bridge with a reinforced concrete box culvert.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 5 and received 1,000 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system have occurred or are imminent.

Rationale: The MDOC technical review team noted that the four bridges had NBI sufficiency ratings ranging from 29% to 41%. The structure ratings ranged from two to three and the lowest condition ratings ranged from three to four. TSEP scoring levels had two of the bridges at a level five score and two of the bridges at a level four score. A weighted score, based on construction costs, resulted in a level five score for the entire project.

Statutory Priority #2: Reflects greater financial need.
The applicant received 540 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 29th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 30th highest of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 12.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 32nd highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	19
The number of bridges over 20 feet that the County is responsible for maintaining.	37
Total available funds per county maintained bridge.	$23,183

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the County has accomplished 36 major bridge replacement or rehabilitation projects since 1997. The approximate cost of these bridge improvements was well over $1 million, of which over $430,000 was paid from the County's bridge fund, not including major Department of Transportation (MDT) projects totaling upwards of $7 million. These improvements do reflect the two remaining TSEP projects; the Lower South Willow Creek and Noble Fork Bridges. The County has also utilized the MDT off-system bridge program to replace seven bridges recently and five more have been nominated for replacement in the near future. County crews have been replacing smaller span bridges and have addressed most of the structures within their financial capabilities. The remaining structures are larger and more complicated. In 2002, the County became concerned with the rapidly deteriorating condition of the Upper South Boulder Bridge and sections of Bailey bridge were placed over the existing structure to provide a temporary crossing until a more permanent solution could be implemented.

The applicant stated that the County is limited in the number of bridge mills that can be charged through property tax assessments, and decided not to utilize the floating mil levy for the bridge budget this fiscal year, rather adding additional monies from the property in lieu of taxes (PILT) allotment. The

County has a history of levying the maximum number of mills it can afford. However, budget restrictions imposed by state law have made it difficult for the County to build sufficient reserves to finance major infrastructure replacement and rehabilitation projects. The County has not historically set aside a bridge reserve fund, and instead, carry over savings from the previous year to be used for emergencies or large projects.

The applicant stated that due to the size and financial constraints of the County, there is no designated bridge department. Rather the crew in each district, consisting of a foreman and between two and four employees, performs road and bridge duties as needed. Normal bridge related duties include routine maintenance such as barrier and guard rail repairs, cleaning waterways, patching concrete, re-decking, etc. The County has adopted a standard for repair and replacement of all bridges, with culverts as the preferred method where feasible. In addition, the elimination of timber bridges is a high priority to minimize ongoing, expensive maintenance of these types of structures.

The applicant stated that the County conducted its first bridge inventory and adopted a capital improvements plan (CIP) in 2001. The CIP covers all of its infrastructure including buildings, bridges, roads, emergency services, and departments. The County revises the plan annually as a part of the annual budgeting process. The CIP identifies critical bridges as the highest priority for improvements. As part of the CIP effort, a build out study was completed, which focused on four major areas, examining development patterns as well as making projections of future development during the next decade.

The applicant stated that the County is currently cooperating in a process of economic development planning encompassing all residents, landowners and businesses throughout the County. Meetings have been occurring monthly for over four years. The priority of maintaining and enhancing the County's traditional businesses (agriculture and other natural resource opportunities) and expanding new economic opportunities (tourism, recreation, new ventures) has been a primary focus of the County's economic development council. The applicant stated that a safe, functional road system, including quality bridges, is essential to meeting these goals.

The applicant stated that the county planning board has begun drafting a growth policy to update the County's 1999 comprehensive plan. The replacement of the four bridges would be consistent with current plans as they represent four of the top five critical structures.

The applicant stated that the deterioration of the four bridges is primarily due to the advanced age of the structures and could not have been prevented by operation and maintenance (O&M) activities. The structures have simply exceeded their useful life. The County bridge crew has performed routine maintenance on each of these bridges over the past several years in order to maintain their current status or at a minimum, retard deterioration. The MDOC review team concluded that the County's O&M practices related to its bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because TSEP funds were not considered to be critical to the project, since some of the bridges could be replaced with the County's own funds.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with local funds and in-kind services. The County currently is levying the maximum amount of bridge mills allowed by state law. Although they have not established an official bridge depreciation reserve fund, they do carry over savings from year to year to build up reserves for emergencies or major projects. They do not currently have a CIP fund. However, the County does collect PILT monies and has utilized a relatively large portion of this for the bridge fund. The applicant thoroughly discussed numerous other funding sources, but it was the opinion of the County that, aside from TSEP, there are typically no other viable sources of funding available outside of the County's bridge budget.

The applicant stated that the proposed project will not occur without the TSEP grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the replacement of the four bridges would assist in retaining current long-term, full-time jobs. However, the applicant did not identify any specific business that would expand as a result of the proposed project, or any new jobs that would be created.

The applicant stated that the Coy Brown Bridge serves as a key link in the area for transportation and emergency response network west of Alder. The bridge is situated on a road that, although not a sole access, serves as the main route between Alder and the Ruby River. The Coy Brown Bridge is used regularly for residential, agricultural, ranching, and recreational purposes, as well as extensive truck, mining, and logging traffic.

The applicant stated that the Cherry Creek Bridge is considered the sole access to residences and facilities above the bridge and its closure would severely affect families and businesses using the structure. Bridge closure would also inconvenience local ranchers from accessing some of their property. The road over this bridge is used by recreational traffic (fishing, hunting, etc.) and is also utilized by truck traffic including concrete and gravel suppliers, freight haulers, propane suppliers and local septic tank services.

The applicant stated that the South Boulder Bridge serves as a key link in the South Boulder Valley transportation and emergency response network. The bridge is located on a road that is a major artery running up the valley to and beyond the small community of Mammoth. The bridge is not on a portion of the route that serves as the sole access up the valley; however it is the most convenient route to MT 389, given that it is on the only stretch of pavement on the South Boulder Road, and the closest alternate route is often impassable in the winter. The road over this bridge is heavily used, particularly in the summer months, by recreational traffic coming off MT Route 359 and traveling up the valley to utilize private cabins and the Beaverhead-Deerlodge National Forest. A major user of the bridge is the Indiana University's geologic field station. The U.S. Forest Service (USFS) has several livestock grazing permits up the valley, arising for the need of ranchers to trail and/or truck cattle and horses up the road. The route is also utilized by truck, logging, and mining traffic. The residents, businesses, and local ranchers using the bridge would be hampered when conducting business if the bridge were closed.

The applicant stated that the Bear Creek Bridge serves as the main access to several year-round residences, recreational cabins, and a large section of the Beaverhead-Deerlodge National Forest. The bridge does not serve as the sole access to the area but it is the most convenient and reliable route. The road over this bridge is used heavily by the agricultural community, ranchers and farmers, as well as year-round recreation enthusiasts. Mining and logging entities also utilize the road during various times. Bridge closure would hinder local ranchers from accessing some of their property.

The applicant also stated that all four of the bridges are crucial to service oriented business such as mail carriers, concrete and gravel suppliers, propane delivery, trash haulers, and septic tank services. Use of the bridges is crucial in maintaining their client base and sustaining jobs.

The applicant stated that subdivision development around all the bridges, particularly the Ruby River (Coy Brown) and Bear Creek areas is a major issue. These areas have experienced significant growth to date and much more is expected. The USFS and Department of Natural Resources and Conservation have previously let logging contracts in the areas of the South Boulder and Bear Creek Bridges. In addition, there is the possibility of logging on private property that would utilize the Cherry Creek and Coy Brown Bridges, but until adequate bridges are put in place, any business opportunities associated with this work are on hold.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant stated that there was only one public meeting specifically held to discuss this project.

Rationale: The applicant stated that a public hearing was held in Virginia City at 11:00 p.m., on April 18, 2006. The hearing was held in conjunction with the regularly scheduled county commission meeting at the county courthouse. This hearing was advertised and an article on the proposed project ran in the *Madisonian*. Residents were informed that they will not see an increase in property taxes as a result of this project. Minutes from the hearing, as well as the notices, agenda, and handouts, were included with the application.

In addition, the County has had extensive public participation over the last five years as it has developed and updated the CIP, including many newspaper articles, public meetings and public hearings, most from 2001. Documentation of the efforts was included in the application.

There were 43 letters of support (13 of which were signed form letters) that were included in the application, including letters from nine ranchers, 21 residents, the County sheriff, and administrators from three affected fire departments, the Harrison Public School, and county ambulance services. Other letters of support came from the University of Indiana's geological field station, Department of Fish, Wildlife, and Parks, U.S. Forest Service, U.S. Bureau of Land Management, Department of Natural Resources and Conservation, State Senator Bill Tash, and State Representative Diane Rice. In addition, the County has a current CIP and these bridges are a high priority in that plan.

Project No. 4
Sweet Grass County – Bridge System Improvements

This application received 3,984 points out of a possible 4,900 points and ranked 4th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $151,493.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$151,493	Awaiting decision of Legislature
County	Reserves	$ 15,000	Expended on PER
County	Reserves	$ 94,425	Committed by resolution
County	In-kind	$ 42,068	Approved by county commission
Project Total		**$302,986**	

Median Household Income:	$32,422	Total Population:	3,609
Percent Non-TSEP Matching Funds:	50%	Number of Households:	1,860

Project Summary

History – Sweet Grass County has identified six bridges that are in critical condition and in need of replacement.

- The Dry Creek Bridge is located about eight miles southeast of Big Timber. This single-lane structure crosses Dry Creek on Dry Creek Road. The 15-foot long timber structure was probably constructed in the 1970s. The bridge serves as the sole access to 11 permanent residences, including five ranch operations, and is on a mail route.
- The Glaston Lake Road Bridge is located about 12 miles north of Big Timber. This single-lane structure crosses the Glaston Lake Canal on Glaston Lake Road. The 12-foot long timber structure was constructed in the 1960s. The bridge serves numerous ranching properties, and is the sole access to Lower Glaston Lake and two ranching operations.
- The Otter Creek Bridge is located about fifteen miles north of Big Timber. This single-lane structure crosses the Upper Sweet Grass Canal on Otter Creek Road. The 12-foot long timber bridge was constructed in the 1960s. The bridge serves numerous residences, five ranch properties, and is on a rural mail route. Closure of the bridge would result in a 20-mile detour.
- The Stephens Hill Bridge is located about 25 miles northeast of Big Timber. This single-lane structure crosses the East Fork of Sweet Grass Creek on Stephens Hill Road. The 15-foot long timber bridge was constructed in the 1960s. The bridge serves numerous residences, four ranch properties, and is on a mail route. Closure of the bridge would result in a 16-mile detour.
- The Tony Creek Bridge is located about 35 miles northeast of Big Timber. This single-lane structure crosses an unnamed drainage that is a tributary to Tony Creek on Tony Creek Road. The 16-foot long timber bridge was constructed in the 1970s. The bridge serves numerous residences and four ranch properties, and is on a mail route. Closure of the bridge would result in a 30-mile detour.
- The Wheeler Creek Bridge is located about 15 miles north of Big Timber. This single-lane structure crosses a spring creek that is a tributary of Wheeler Creek on Wheeler Creek Road. The 12-foot long timber bridge was constructed in1968. The bridge serves six permanent residences, numerous ranch properties, provides access to national forest lands, and is on a mail route. Closure of the bridge would result in an 18-mile detour.

Problem – The County's six bridges have the following deficiencies:

- The Dry Creek Bridge deficiencies include:
  - scouring beneath north abutment,
  - pile caps are cracked and rotating, and
  - timber piles are unstable and rotating inward.

- The Glaston Lake Bridge deficiencies include:
  - vertical and lateral movement of foundation,
  - backwalls are bulging due to soil pressure,
  - timbers in substructure are rotting, crushing, and settling, and
  - undersized timber stringers.
- The Otter Creek Bridge deficiencies include:
  - vertical and lateral movement of foundation,
  - backwalls are bulging due to soil pressure, and
  - timbers in substructure are rotting, crushing, and settling.
- The Stephens Hill Bridge deficiencies include:
  - lateral movement of piling,
  - scour below south abutment,
  - pile caps are cracked and rotating and pulling away from the piles,
  - timber piles are unstable and rotating inward, and
  - deck is in poor condition.
- The Tony Creek Bridge deficiencies include:
  - several timber stringers and piles exhibit signs of rot and decay,
  - deck is in poor condition, and
  - poor sight distance.
- The Wheeler Creek Bridge deficiencies include:
  - substantial rotting in the timber sill and columns forming the substructure,
  - rotting and decaying of timber stringers and backwall, and
  - crushed and rotting decking.

Proposed Solution – The proposed project would replace the six existing bridges, utilizing county crews, with the following types of structures:

- the Dry Creek and Wheeler Creek Bridges with a bottomless steel arch culvert,
- the Glaston Lake Bridge with a reinforced concrete box culvert,
- the Otter Creek and Stephens Hill Bridges with a corrugated steel pipe arch culvert, and
- the Tony Creek Bridge with a round corrugated steel pipe culvert.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system are likely to occur in the near-term if the deficiencies are not corrected.

Rationale: The MDOC technical review team noted that the six bridges had NBI sufficiency ratings ranging from 25% to 66%. The structure ratings ranged from three to five and the lowest condition ratings ranged from two to five. TSEP scoring levels had three of the bridges at a level three score and three of the bridges at a level four score. A weighted score, based on construction costs, resulted in a level four score for the entire project.

Statutory Priority #2: Reflects greater financial need.
The applicant received 684 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of

the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 37th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 38.5%. **The applicant's relative concentration of persons living at or below the LMI level is the 41st highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 11.4%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 33rd highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	68
The number of bridges over 20 feet that the County is responsible for maintaining.	34
Total available funds per county maintained bridge.	$6,534

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the County has not historically set aside a bridge reserve fund. Rather, they carry over savings from the previous year to be used for emergencies or large projects. The

applicant stated that it has repaired or replaced 262 bridges and culverts since 1997. The approximate cost of all the replacements/repairs is nearly $4.5 million; however, $3 million of that figure was used for the bridge replacement project at Grey Cliff. Many of the other larger projects were substantially funded by others: Department of Transportation (MDT), Stillwater Mining Company (SMC) and Federal Emergency Management Administration (FEMA). The County has been working with the SMC over the past 11 years, and although detailed cost information is not available, SMC did pay the entire cost of the replacement of eight deficient bridges on the East Boulder route. Within the time frame of those improvements, the County was able to build up $130,000 in revenues from gas taxes to be put towards future bridge improvements. The County is also currently negotiating a contract with the U.S. Forest Service (USFS) to replace a bridge on Bridger Creek Road; replacement is expected to take place during the summer of 2006. Two county bridges have been replaced utilizing MDT's off-system bridge program, and five more have been nominated for replacement.

The applicant stated that the County has been an active participant in many planning efforts since a transportation study was conducted in 1977. The County adopted its current bridge standards and its first bridge capital improvement plan (CIP) in 2002; the most recent revision of the bridge CIP was adopted in April 2006. The plan will continue to be revisited each year during the annual budget cycle and used as a tool in overall county planning. The County participated in an area plan/comprehensive economic development strategy (CEDS) prepared in 2001, which includes the proposed project. The County completed a growth policy in March 2003, which served as an update to its master plan adopted in 1993. The replacement of the six bridges is consistent with the bridge CIP as the projects represent six of the top 24 (#2,#5, #6, #12, #13, and #24) critically listed structures. The proposed project is also consistent with the CEDS and the growth policy.

The applicant stated that the County has begun the process of rating all of its roads using the pavement surface evaluation and reporting system. A planning grant application was submitted to the CDBG in April 2006 to help finance the preparation of a road inventory and evaluation plan, and a county-wide CIP; the MDOC review team noted that the grant was awarded. The MDOC review team also noted that the applicant stated in its 2004 TSEP grant application that it had its road system mapped with GPS and the information would be used to create and complete a roadway CIP during the first half of 2005.

The applicant stated that it has also been active in dealing with deficiencies in other areas of its infrastructure. The County completed CTEP projects addressing handicap access to the Courthouse and sidewalks in Big Timber, they have been involved with improvements to the airport facilities in Big Timber, and following the closure of the County owned hospital in the late 1980s, the County constructed an addition onto the nursing home, which is used for emergency medical and hospital services. More recently, the County constructed an assisted living facility in Big Timber next to the nursing home.

The applicant stated that the deterioration of the six bridges identified in the PER is primarily due to the advanced age of the structures and could not have been prevented by operation and maintenance (O&M) activities. The structures have simply exceeded their useful life, and none of the six bridges are capable of handling HS20 load requirements as specified by the county bridge standards. The MDOC review team concluded that the County's O&M practices related to the bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. MDOC review team did not score this priority higher primarily because the TSEP funds were not considered critical to the project, since some of the bridges could be replaced with the County's own funds.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with local reserves and in-kind services. The County passed a resolution that commits $94,425 from the

bridge budget to fund the proposed project and according to minutes from a March 20, 2006 hearing, in-kind services of $42,068 will be provided as match.

The applicant evaluated 19 different funding sources; some potential sources were contacted directly. The sources were either unable or unwilling to commit to any funding assistance. However, the USFS is participating in the replacement of a non-prioritized minor bridge on the Bridger Creek Road.

The applicant stated that the TSEP grant is crucial to the replacement of the six structures; without TSEP funds, the proposed project will not move forward as proposed. At best, two of the six bridges might be replaced.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that although a specific business expansion project has not been identified, all six of the bridges proposed for replacement are crucial to service oriented business such as mail carriers, concrete and gravel suppliers, propane delivery, trash haulers, and septic tank services. Ranchers in the area use the bridge to haul hay, transport grain, move livestock, secure supplies, etc. The replacement of the bridges would assist in retaining current long-term, full-time jobs and maintaining the private tax base in the area. Closure of any one of these bridges would likely have adverse impacts to vendors relying on the presence of residents in the area.

The Dry Creek Bridge serves five ranching/agricultural operations and 11 permanent residences that rely on the bridge as the sole access to their properties.

The Glaston Lake Bridge provides sole access to four ranching properties and the Lower Glaston Lake, a popular recreation area. The applicant stated that one of the area ranchers has considered subdividing a portion of the ground as it is prime residential land adjacent to Glaston Lake. However, it is doubtful that a subdivision would be financially feasible in this area should the developer be required to reconstruct the bridge as a condition of approval.

The Otter Creek Bridge is a farm to market road in the Melville area and serves as the MDT designated detour route should State Highway 191 North ever close due to a natural disaster or other event. It is imperative that Otter Creek Road be maintained so that it could adequately serve as a detour to Highway 191 traffic should the need arise.

The Stephens Hill Bridge provides a link between the east Melville area and the Reed Point and Rapelje ranching communities and provides access to four area ranching operations.

The Tony Creek Bridge serves as the primary link between the Melville area and the Shawmut ranching community and also provides access to four area ranching operations.

The Wheeler Creek Bridge provides a connection between the Sweet Grass Creek ranching community and Big Timber and provides access to five area ranching operations.

Comments were provided in the application from emergency service providers, as well as residents and business owners in the area, which expressed the importance of replacing each bridge. The fire chief detailed a situation where a fire truck fell through a bridge while responding to a grass fire, and that bridge reliability is essential for responding to emergencies without delay.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting,

and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because there was only one public meeting and little public attendance.

Rationale: The applicant stated that a public hearing was held in Big Timber on March 20, 2006 at 1:00 p.m. in the county commission chambers to discuss the PER, grant application, and to solicit comments from citizens. A copy of the notice published in the *Big Timber Pioneer* was included in the application. Emergency service providers, planning office personnel, and two residents were in attendance. A copy of the presentation handout was included in the application, along with the sign-in sheet and minutes. Minutes of meetings that took place between February 2004 and July 2005 that relate to the proposed project were also included in the application.

Since there was low public turnout at the March 20 hearing, the county planner wrote an article and submitted it to the newspaper for publishing. A copy of that newspaper article, and other newspaper articles reporting the progress of the bridge inventory, the proposed improvement project, and the progress on other recent bridge improvement projects were also included in the application.

Copies of 16 letters of support (representing seven public and emergency service providers, three area business owners, and six property owners), along with two telephone conversation memos, were included in the application.

The six bridges proposed for replacement are listed in the top 24 priorities in the bridge CIP; the applicant stated that the proposed improvements for the other 18 priorities fit better into other financing scenarios. The improvement of county bridges was also a high priority in the growth policy.

Project No. 5
Powell County – Bridge System Improvements

This application received 3,948 points out of a possible 4,900 points and ranked 5th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $263,074.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$263,074	Awaiting decision of Legislature
County	Reserves	$ 15,000	Expended on PER
County	Reserves	$147,698	Committed by resolution
County	In-kind	$ 18,903	Committed by resolution
Rock Creek Cattle Co.	Cash	$ 81,473	Letter of Commitment
Project Total		**$526,148**	

Median Household Income:	$30,625	Total Population:	7,180
Percent Non-TSEP Matching Funds:	50%	Number of Households:	2,422

Project Summary

History – Powell County has identified four bridges that are in critical condition and in need of replacement.

- The Old Stage Road Bridge is located about nine miles west of Deer Lodge. This single-lane structure crosses Rock Creek on Old Stage Road. The 17-foot long timber structure was constructed in the early 1960s. The bridge serves one full-time residence, a cattle ranch that is developing a 200-lot seasonal resort, the Montana prison ranch, and recreational users accessing the Deerlodge National Forest and Rock Creek Lake. Closure of the bridge would result in a 25-mile detour over primarily unimproved roads.
- The West River Road Bridge is located about seven miles south of Deer Lodge. This single-lane structure crosses the West Side Irrigation Canal on West River Road. The 17-foot long timber structure was constructed in the 1960s. The bridge serves about 16 residences, eight of which are agricultural or ranch operations, and school bus and mail routes. Closure of the bridge would result in a nine-mile detour.
- The Yellowstone Trail Bridge is located about seven miles south of Deer Lodge. This structure crosses Racetrack Creek on Yellowstone Trail Road. The 40-foot long concrete and timber bridge was constructed in1912 and was widened in the 1930s. The bridge serves about 12 residences, seven of which are agricultural or ranch properties, and school bus and mail routes. Closure of the bridge would result in a five-mile detour.
- A second Yellowstone Trail Bridge is located about seven miles south of Deer Lodge. This structure crosses the Branch Irrigation Ditch on Yellowstone Trail Road. The 15-foot long concrete and timber bridge was also constructed in1912 and widened in the 1930s. The bridge also serves about 12 residences, seven of which are agricultural or ranch operations, and school bus and mail routes. Closure of the bridge would result in a five-mile detour.

Problem – The County's four bridges have the following deficiencies.

- The Old Stage Road Bridge deficiencies include:
  - major scouring beneath bridge abutments,
  - split and bowed timber cap on south abutment,
  - rotting and cracking in the superstructure, and
  - vehicles with heavy loads have been fording the stream 300 feet downstream of the bridge.
- The West River Road Bridge deficiencies include:

- aged and cracked abutment walls,
- scouring beneath both abutments,
- three of four wing walls and the bridge rail are missing, and
- gravel and fill over the superstructure that has contributed to rotting of beams.

- The Yellowstone Trail Bridge, over Racetrack Creek, deficiencies include:
  - major scouring under the south abutment and center pier,
  - inadequate spread footings,
  - substandard guard rails,
  - spalling and section loss of concrete deck, and
  - two of the four wingwalls are missing, and the other two are deteriorated.
- The Yellowstone Trail Bridge, over the Branch Irrigation Ditch, deficiencies include:
  - longitudinal and vertical cracks in both abutment walls,
  - minor scouring under both abutments,
  - inadequate spread footings,
  - spalling and section loss of concrete superstructure,
  - all four wing walls are missing, and
  - missing bridge rail.

Proposed Solution – The proposed project would replace the four existing bridges with the following types of structures:

- the Old Stage Road Bridge with a single-span precast concrete superstructure founded on a concrete grade beam,
- the West River Road Bridge with a reinforced concrete box culvert utilizing county crews,
- the Yellowstone Trail Bridge over Racetrack Creek with a single span precast concrete superstructure founded on steel piles, and
- the Yellowstone Trail Bridge over the Branch Irrigation Ditch with a corrugated steel pipe arch culvert utilizing county crews.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system are likely to occur in the near-term if the deficiencies are not corrected.

Rationale: The MDOC technical review team noted that the four bridges had NBI sufficiency ratings ranging from 27% to 46%. The structure ratings ranged from three to four and the lowest condition ratings ranged from three to four. TSEP scoring levels had all four of the bridges at a level four score.

Statutory Priority #2: Reflects greater financial need.
The applicant received 648 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added

together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 32nd lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 29th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 12.6%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 29th highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	35
The number of bridges over 20 feet that the County is responsible for maintaining.	31
Total available funds per county maintained bridge.	$13,792

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the County has not historically set aside a bridge reserve fund, but instead carry over savings from the previous years to be used for emergencies or large projects. A reserve fund was included in the 2005 and 2006 budgets, and is currently at over $10,000; it is expected to grow to over $20,000 during this year. The bridge mill levy remained at 2.5 mills from 1987 through 1998. Starting in 1999, at which time the "floating mill" was authorized by the legislature, the bridge mills were increased to 2.53. The bridge mills have increased yearly from 4.94 in 2002, to its current levy of

10.55 mills or an annual total of $123,562. Voters also approved a special a 10-year, five-mill bridge levy assessment in June 2004 to address the needs of the County's bridges. The measure will raise an estimated $530,000 over 10 years that may be put towards bridge needs of the County.

The applicant stated that it has been proactive in seeking outside funding partners for replacement of deficient bridges under their jurisdiction. Over 19 bridge replacement, repair or rehabilitation projects have been conducted since 1998, and nine additional projects are either nearing completion or will be completed within a year. The county requested federal funding in 1998 and 1999, through U.S. Senator Burns, to assist with the replacement of three major bridge projects. As a result, the County received a $1.3 million federal grant, the Department of Transportation (MDT) provided $541,000, and the County was able to obtain $329,000 from ARCO, who uses these roads for heavy hauling. The bridges are under construction and scheduled for completion in summer of 2006. The County has again requested support from U.S. Representative Rehberg, and U.S. Senators Burns and Baucus for additional federal funding. The County is currently working with the Federal Emergency Management Agency (FEMA) to remove and replace several bridges along Cottonwood Creek in Deer Lodge. The County requested funds from FEMA to replace two bridges and abandon three others along Cottonwood Creek, because of potential flooding disasters. A grant was awarded in 2005, and construction is planned to begin in the fall of 2006. The County also solicited $175,000 from ARCO and $100,000 from the Rock Creek Cattle Company to go towards the County's match requirement.

The applicant stated that it has undergone many planning activities including the adoption of a comprehensive plan in 1996, and participated in the area plan/comprehensive economic development strategy (CEDS) prepared in 2002 by Headwaters RC&D. The County adopted its bridge standards and first capital improvements plan (CIP) for bridges in 2004, and the most recent update to the bridge CIP was adopted on March 30, 2006. A comprehensive plan and growth policy was finalized in 2004. The replacement of the four bridges that are part of the proposed project is consistent with current plans as the projects represent four of the top 13 (#4, #5, #6, and #13) critically listed structures in the bridge CIP. The proposed project is also consistent with the CEDS, comprehensive plan and growth policy, and a pre-disaster mitigation plan. The County has not yet prepared a CIP for its roadways; however, it already has an electronic listing and location of all its roads utilizing GPS mapping. The road inventory is expected to be performed this spring with the CIP finalized by summer of 2006.

The County is currently moving forward with a trail system project at an estimated $1 million. The project will be phased over several years, using MDT's community transportation enhancement program, ARCO, Department of Fish, Wildlife and Parks, and other yet to be determined funding sources. The County has also been involved with improvements to the airport facilities in Deer Lodge. The County is currently preparing an planning grant application to the Department of Justice's natural resource damage program to plan recreation enhancements and outdoor education infrastructure on the lower reach of Cottonwood Creek.

The deterioration of the four bridges identified is primarily due to the advanced age of the structures and could not have been prevented by operation and maintenance (O&M) activities. The structures have simply exceeded their useful life and cannot support modern day loads. The MDOC review team concluded that the County's O&M practices related to the bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because TSEP funds were not considered to be critical to the project, since some of the bridges could be replaced with the County's own funds.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with assistance from the Rock Creek Cattle Company, local reserves, and in-kind services. The applicant evaluated 19 funding sources; some potential sources were contacted directly. With the exception of the

Rock Creek Cattle Company, other sources of funding were either unable or unwilling to participate in the funding package.

The applicant stated that without TSEP funding, only one of the proposed bridges would be replaced at best.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that other than the Rock Creek Cattle Company's potential 200-lot development, a specific business expansion that would result from this project has not been identified at this time. However, the development of a sound infrastructure, including the road and bridge network, is essential to maintaining the tax base by promoting the retention and expansion of business.

The West River Road and Yellowstone Trail Bridges are critical to the southwest area of Powell County as they are situated on farm to market roads. Farmers and ranchers in the area use them continually to haul hay, transport grain, move livestock, secure supplies, etc. A major user of these bridges is a concrete business, which supplies concrete and gravel for new construction in the surrounding Deer Lodge area. The replacement of these three structures will enable businesses currently serving the area to maintain continued access. The replacement of these structures will also retain local ranch jobs by allowing continued access to their properties and allowing heavy farm implements, loads of hay, livestock, etc. to cross the structures. Closure of these bridges would likely have adverse impacts to vendors relying on the presence of residents in the area.

The West River Road Bridge is on a route used by ARCO during their cleanup of the Clark Fork. The current condition of the bridge will not support such loadings. Without the bridge, ARCO would have to find or construct an alternate route in order to continue its cleanup operations.

The Old Stage Road Bridge provides a key link between the Deer Lodge area and Gold Creek, and provides access to Rock Creek Cattle Company and Montana State Prison ranching operations and is a critical route of several log hauling contractors in the area. The bridge also provides access to U.S. Forest Service and Rock Creek Lake recreation areas. The Rock Creek operation is in the process of creating a planned unit development that will ultimately serve up to 200 full and part-time homes as well as a golf course (Rock Creek Cattle Company has agreed to match funds to replace the Old Stage Road Bridge). The replacement of this structure will provide for a second access route into the subdivision for emergency vehicles and enable businesses to continue accessing the area and allow area ranchers to access neighboring pastures and hayfields.

Comments were provided in the application from agency officials, as well as residents and business owners in the area, which expressed the importance of replacing each bridge. Additionally, all four of the bridges are crucial to service oriented business such as mail carriers, concrete and gravel suppliers, propane delivery, trash haulers, and septic services. Use of the bridges is crucial in maintaining their client base and sustaining jobs.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to

elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because only one meeting specific to the proposed project was documented.

Rationale: The applicant stated that the bridge CIP was presented and public comment was solicited at a meeting at 11:00 a.m. on March 30, 2006; the number of residents attending was unknown. The proposed bridge replacements, sources of funding and any impacts on current tax assessments were discussed at the public hearing held in Deer Lodge on April 6, 2006, at 1:30 p.m.; no residents attended. The commission chairman stated that she didn't feel this was due to apathy, but rather that the residents are comfortable with what the commission is doing. The hearing notice was advertised in the local newspaper, the *Silver State Post*, as well as being posted in the courthouse. Minutes, agenda, notice, and a handout available at the public hearing were included in the application. The application also provided various new articles and minutes from 2003 through March 2006 related to bridge projects.

The County sent out sample letters of support to residents with the idea that educating them on the project and giving them ideas for a response would help the return. The applicant thought that if people did not respond with a letter, they would at least be aware of the proposed projects. Copies of 36 letters of support were included in the application, from State Senator Dave Lewis, State Representative Cindy Hiner, Department of Corrections, Department of Fish, Wildlife & Parks, district forest ranger, emergency service providers (including sheriff, fire, and county fire warden), a private emergency medical services provider, emergency management coordinator, county planner, local conservation district, Headwaters RC&D, two local school superintendents, and 15 local residents.

The proposed bridge replacements represent four of the top 13 priorities listed in the bridge CIP. The proposed improvements for the other nine priorities fit better into other financial scenarios. The proposed project is also consistent with the comprehensive plan, CEDS, growth policy and pre-disaster mitigation plan.

Project No. 6
Town of Circle – Wastewater System Improvements

This application received 3,912 points out of a possible 4,900 points and ranked 6th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Application submitted May 2006
RD	Loan	$ 328,000	Application submitted
Project Total		**$1,528,000**	

Median Household Income:	$27,500	Total Population:	644
Percent Non-TSEP Matching Funds:	51%	Number of Households:	285

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$44.70	-	Target Rate:	$48.49	-
Existing Wastewater Rate:	$12.38	-	Rate with Proposed TSEP Assistance:	$64.08	132%
Existing Combined Rate:	$57.08	118%	Rate without TSEP Assistance:	$73.93	152%

Project Summary

History – Circle's wastewater system consists of gravity mains, two lift stations, and a two-cell lagoon that discharges into the Redwater River. The lagoon and one of the lift stations were built in 1954; the other lift station was built in 1974. The lagoon has had a history of discharge permit violations, most recently in February of 2006 for discharging above the total suspended solids limit. The Town's discharge permit expired in April 2004. The lift stations and segments of collection main are scheduled to be rehabilitated in 2006.

Problem – The Town's wastewater system has the following deficiencies:
- the existing wastewater treatment system is marginally functional and has eroded dikes, inoperable transfer piping, broken inlet piping, excessive leakage and no measurement devise on the discharge line or means to determine a change in depth, and
- the new discharge permit will probably contain stricter limits on fecal coliform discharges that will require disinfection and monitoring requirements for ammonia; abilities that the existing facility does not currently have.

Proposed Solution – The proposed project would
- ☐ purchase land for the containment facility, and
- ☐ reconfigure the existing lagoon system into a two-cell total containment (non-discharging) facility.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after

chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety including leaking lagoon cells that contaminate groundwater and surface water. There are nearby drinking water wells that could be influenced by contaminated groundwater and nearby surface water used for recreation.

There have been several recent violations of the Montana Pollutant Discharge Elimination System (MPDES) permit limits. These pose an environmental threat to the Redwater River, which is the receiving stream, and a health threat to recreational users of the river. However, discharge usually occurs during the late fall of each year, which may somewhat lessen the health threat to recreational users. The MPDES permit expired in 2004 and is in the process of being renewed. It is anticipated that the existing wastewater treatment plant will not be able to meet the future requirements of the renewed MPDES permit.

The McCone County Conservation District conducted a study of the Redwater River that detected raised nutrient levels, which is a possible indicator that lagoon leakage is reaching surface water.

There is a possibility of contamination to the groundwater due to leakage from the lagoons, which could have an impact on nearby private wells in the long-term. There were no laboratory test results presented in the preliminary engineering report (PER) to confirm contamination of these private wells.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 19th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 33rd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 18.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 12th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the PER.

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that a $2.00 a month sewer assessment fee per user has been approved that is for future sewer main repairs and replacements. This $2.00 is in addition to the $7.00 assessment fee that has already been approved for the loan payment and reserves for the proposed project. While documentation was provided for the $7.00 increase, the $2.00 fee was not documented other than being reflected in the monthly user charge. The Town is metered, and sewer usage is billed and based on water usage.

The applicant stated that the Town budgeted funds in 2006 to make some sewer line improvements in the Becker Addition, and to purchase a sewer vacuum truck and loader. The Town is also replacing 2,000 feet of sewer main that is below grade and upgrading two lift stations in 2006 with the help of an RRGL grant awarded by the 2005 Legislature.

The applicant stated that the Town completed a water treatment plant project in 1997 to reduce the fluoride level in the municipal water. Another well was drilled after sand became a problem with the operation of the new treatment plant. The Town is setting aside funds for future valve, water line, and hydrant replacements.

The applicant stated that the Town adopted a five-year capital improvements plan (CIP) in June 2004, and updated it in March 2006. The project is consistent with the comprehensive CIP that addresses all of the Town's infrastructure. The applicant received a grant from the Coal Board in 2004, which it is using to cooperate with McCone County on the preparation of a countywide growth policy; the Town would be addressed in the growth policy. The Town completed a needs assessment survey in 2005, had many public meetings, and had news articles regarding the project in the *Circle Banner*.

The applicant stated that the problem is not of recent origin and has developed over time. The lagoons have exceeded their useful life. The MDOC review team concluded that the Town's operation and maintenance practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the

applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP and CDBG grants in combination with a RD loan. The applicant stated that an application was submitted to RD in April 2006. An application was submitted to the Coal Board in 2005, but was denied because the Board thought that it was premature to provide a grant to mitigate impacts when the coal gasification and generating plant at Nelson Creek has not yet become a reality. Although not included as part of the funding package by the applicant, the Town was awarded a RRGL grant by the 2005 Legislature, which is being used to rehabilitate the lift stations. The applicant completed an income survey that showed that the Town is 54.1% LMI, which made the applicant eligible for the CDBG program. The applicant discussed an SRF loan and the reason that RD was chosen instead.

The applicant stated that the TSEP and CDBG grants are essential to keeping the user rates reasonably affordable.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs or any business expansion, but would improve the services available to support future growth in the community and surrounding area, particularly if the proposed Great Northern Coal project is developed near Nelson Creek.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that the Town has held several public meetings and has used every opportunity to keep the public informed about the proposed project. Public hearings were held in March and April of 2004, to inform the public about the proposed project. These hearings were prior to the Town submitting an application for the proposed project to TSEP the first time in 2004. Hearings were also held in June 2004 and in May and November of 2005 related to increasing user rates; however, no information was found that would indicate that rates were increased as a result of those hearings. The applicant included notices and minutes from meetings and hearings, along with news articles from the *Circle Banner* about the proposed project being discussed at that time and the proposals to increase user rates.

The applicant stated that public hearings were held in February and May 2005 relative to the proposed project. In January 2006, the proposed project was discussed along with a proposed $7.00 a month rate increase; a resolution increasing the rate was passed in April 2006. A public hearing was held in conjunction with the senior center lunch at noon on February 14, 2006 to discuss the grant applications that would be submitted to TSEP and CDBG. In addition to local officials and consultants, 22 residents attended the hearing. The hearing was advertised in the *Circle Banner*. Copies of the hearing notices, minutes, sign-in sheets and news articles from the *Circle Banner* were included in the application.

The minutes of the February 14 hearing state that 60% of the people in attendance affirmed their support for the project by a show of hands. The applicant included two letters of support, along with a petition supporting the proposed project that was signed by 32 people. The petition stated at the top of the page that a $7.00 rate increase would be reviewed at the next month's council meeting.

The Town completed a needs assessment in October 5, 2005, with 18 residents attending the hearing; minutes and a sign-in sheet, along with a one-page summary of the results, were included in the application. The sewer system was prioritized as the fourth highest public facility need.

Project No. 7
City of Harlem – Water System Improvements

This application received 3,852 points out of a possible 4,900 points and ranked 7th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000. Because of existing debt on the water system that will retire in 2008, the City must agree to maintain its monthly residential water and wastewater user rates at a level that is no less than the combined target rate.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Applied in May 2006
SRF	Loan	$1,030,000	116th on the SRF priority list
Project Total		**$2,230,000**	

Median Household Income:	$27,794	Total Population:	848
Percent Non-TSEP Matching Funds:	66%	Number of Households:	376

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$28.28	-	Target Rate:	$49.01	-
Existing Wastewater Rate:	$17.13	-	Rate with Proposed TSEP Assistance:	$54.99	112%
Existing Combined Rate:	$45.41	93%	Rate without TSEP Assistance:	$68.86	141%

Project Summary

History – The water treatment plant in Harlem was constructed in the 1930s and treats water from the Milk River. The most recent upgrades to the treatment plant occurred in 1988. A 400,000-gallon water storage concrete reservoir was constructed north of the City in 1997. Other system improvements include a raw water intake into the Milk River, a transmission line to connect the reservoir to the distribution system, and various sections of water main have been replaced. All service connections are metered.

Problem – The City's water system has the following deficiencies:

- no redundancy with raw water pumps as required by Department of Environmental Quality (DEQ) standards,
- raw water pump lubrication is highly abrasive due to using raw water from the Milk River causing pump replacement or rehabilitation every four to five years,
- raw water pump station is located in the 100-year flood plain,
- piping for settling ponds promotes short circuiting and water stagnation,
- a single solids clarifier lacks redundancy and is not in compliance with DEQ standards,
- the clarifier and both filter tanks are corroding,
- filter media and gravel have lost effectiveness and are backwashed manually which is inefficient and labor intensive,
- yard piping is buried too shallow and is subject to freezing, and
- the water treatment plant has no chlorine leak detection system, the motor control center is obsolete, there is no standby generator, the automatic telephone dialer has a non-functional keypad, the radio telemetry system is unreliable, the wooden stairs do not meet building codes, and lighting and ventilation in the basement is inadequate.

Proposed Solution – The proposed project would:

- expand wet well and install two new pumps at intake pump station,
- install treated water pipeline for pump lubrication,
- install two micro-filtration units at treatment plant including construction of addition to accommodate units, and
- complete general improvements to the treatment plant including additional piping at settling ponds and in treatment plant yard, replace motor control center, telemetry system, and alarms, install chlorine leak detector, and install additional lighting and ventilation.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: lack of system redundancies; intensive operation and maintenance concerns related to use of abrasive raw water for pump lubrication; the existing pump station is located within the 100 year floodplain; short circuit and stagnation zones within existing settling ponds configuration; corroding condition of clarifier and filter tanks; inefficient backwashing procedures for existing filtration system; loss of filter effectiveness due to compromised filter media size distribution; shallow burial of yard piping which exhibits susceptibility to freezing; and deteriorating and/or undersized existing distribution piping. There were also numerous inadequacies of the existing water treatment plant such as antiquated components, lack of redundancy, lack of chlorine leak detection system, and inability to meet applicable building codes.

Public health is at risk of potential exposure to contamination resulting from an extreme flood event that would cause discharges from the wastewater treatment facility to enter the inlet of the plant as well as exposure to recycled backwash water that were identified as moderate risks. Additionally, risks of exposure are associated with use of the Milk River source if it is contaminated by upstream communities and/or non-point discharges of storm water runoff, septic tank systems, and agricultural runoff.

Water treatment plant workers are at risk of potential exposure to chlorine gas (inhalation) used for disinfection. Currently chlorine gas, contained in 150 pound bottles, is stored in a separated room that is not equipped with a leak detection system. Use of a leak detection system is an important safety practice due to the toxic and potentially lethal characteristics of chlorine gas. The existing facilities are out of building code compliance with respect to existing lighting, ventilation and access.

An imminent risk exists with respect to the raw water pump station which pumps raw water from the wet well to the two storage ponds. This single pump system provides no redundancy and requires frequent repairs. Similarly, the chemical feed and clarifier systems do not have necessary backups in standby for the event that the existing unit components break. If the raw water pump, clarifier or the chemical feed unit breaks down when storage in the ponds is low and/or when timely repairs are not possible, the City could run out of water posing a public health and fire protection risk.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of

the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 20th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 48.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 18th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 23.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 6th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the City does not have a capital improvements plan.

Rationale: The applicant stated that water rates were increased in 1999, 2000, 2001 and 2005, and overall, water rates increased by 28.4%. There were also increases to wastewater rates in 1996 and 1997, increasing wastewater rates by 11.7%. The City has been unable to develop a reserve fund to finance repair and maintenance for its public facilities.

The applicant stated that the City adopted a comprehensive plan in November 2000 that listed the renovation of the City's water system as a priority. In December 2003, the City went through a resource team assessment process, and the report listed water system upgrades as an important need. The City also is part of the regional comprehensive economic development strategy (CEDS), updated in June 2005. That document is one of the key foundational planning tools for all communities in Bear Paw Development Corporation's five-county, federally recognized economic development district. The MDOC accepted the CEDS in 2006, as the core-planning document for the Department's certified regional development corporation program. The CEDS shows that the rehabilitation of the City's water system is part of the current work plan. The applicant provided documentation for all of these documents. The

applicant stated that there is no need for a wellhead protection plan, since the source for Harlem's drinking water system is the Milk River.

In addition, the City held a needs assessment hearing on March 22, 2006 to solicit ideas from local residents about community and economic development projects. The meeting, attended by over 25 residents, resulted in a list of 34 separate items that area residents thought were important. A key community need that was identified by a number of individuals was the water system, including the water treatment plant. The applicant provided documentation of the needs assessment.

The applicant also stated that the City and the Fort Belknap Indian Reservation are exploring an alternative option of both communities utilizing a single treatment plant that is currently being constructed on the Reservation. At the time the application was submitted, it was too early in the process to determine whether that option would be feasible. In February 2006, the TSEP manager attended a meeting in Harlem that presented the concept to the public for the first time. Since that meeting, the City and the Tribe have been examining the possibility of a shared treatment plant. This alternative was discussed in the PER. Subsequent to the scoring of the application, TSEP was informed that the City does not intend to connect to the Fort Belknap treatment plant.

The applicant stated that the current problems with the City's water system are not due to inadequate operation and maintenance practices, but are instead due, in large measure, to antiquated parts and systems, a lack of necessary redundancy with certain components, and the general age of the plant itself. The City was recognized by the Montana Water Environmental Association as the "Small System of the Year" for 1995 and by Montana Rural Water Systems for having the "Wastewater Operator of the Year" for 1996. The MDOC review team concluded that the City's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP and CDBG grants in combination with an SRF loan. The City conducted an income survey that showed that Harlem's LMI rate is 60%, making it eligible to apply to the CDBG program. While the City is eligible to apply for a RRGL grant, they did not think the application would be competitive, because the proposed project does not involve substantial water conservation measures and the PER did not identify serious problems (such as leaks) with the distribution system. Therefore, the City decided not to pursue an RRGL grant. The RD program was made aware of this project several months ago, and RD staff attended the meeting on February 28, 2006, between representatives of the Fort Belknap Tribal Council and the City. The City was told that while it is eligible to apply for funding from RD, the financing would be in the form of a loan with no grant funding because RD is financing the water treatment plant on the Fort Belknap Indian Reservation. A loan through the local bank was discussed, but the terms were not competitive with other financing options and further consideration of that alternative was dropped. The project is ranked 116th on the SRF priority list; therefore, the City is eligible to apply for the loan.

The applicant stated that given the overall cost of this proposed project, TSEP funding is a critical part of the funding strategy. Not receiving a TSEP grant would drastically alter the viability of the City being able to proceed with the completion of this project in its entirety.

Based on the instructions in the Uniform Application, the applicant in its computation of the projected residential user rate included existing debt even though that debt will be retired after May 2008. If that monthly service fee were to be removed from the projected user rate it would result in Harlem being below the required target rate. Because the applicant was simply following the instructions provided, the

MDOC determined that it would not penalize the City in the evaluation and scoring of the proposed project. However, in order to ensure that monthly residential user rates are maintained at least at target rate, the City would need to continue to collect at least a portion of that service fee and place it into a reserve type fund that could be used for future improvements. As a result, a condition is included in the funding recommendation to ensure that user rates are maintained at the target rate. This may allow the City to build a reserve fund to help finance future repair and replacements.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the City is unaware of any existing businesses that would expand their operation as a direct result of this project, but noted that the proposed project is an important factor in encouraging private businesses to expand their operations.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The City held public hearings at 6:30 p.m. on both November 7, 2005, and March 29, 2006 to discuss the water system, including its deficiencies, possible solutions, and potential funding strategies. Thirty-three residents attended each of these hearings. The local residents were informed at the March 29 hearing that user rates would increase by $16 if both grants were received. A newspaper article published on April 5, 2006, in the *Blaine County Journal*, also informed residents that rates would increase as little as $6 with grants and as much as $36 if no grants were received. Additionally, the City held a meeting in Harlem on February 28, 2006, to discuss the possibility of jointly utilizing one water treatment facility that is being constructed on the Fort Belknap Indian Reservation that would be capable of serving the residents of both communities. This meeting was attended by 38 residents of both communities, along with several representatives from both Fort Belknap's tribal council and Harlem's city council. The applicant stated it utilized all local and regional press outlets, including the *Blaine County Journal*, *Great Falls Tribune*, and *New Media Broadcasters* to inform its residents of these meetings and also posted meeting notices in conspicuous public places throughout the community to ensure the broadest possible participation by those that would be impacted by this project. Copies of notices, posters, sign-in sheets, and minutes for all hearing and meetings; agendas for the November 7 hearing and February 28 meeting; presentations for the hearings on November 7 and March 29, and various newspaper articles were included in the application.

The applicant stated that the City has received no comments from any residents opposing this project. While there has been general concern expressed by a small number of individuals over any potential user rate increase, the vast majority of residents who have discussed this project in public forums have been supportive. Several businesses and organizations in Harlem also submitted letters expressing support for the proposed project. Additionally, there were numerous letters of support for the proposed project included in the application, including: the county commission, county sanitarian, U.S. Senator Max Baucus, U.S. Representative Denny Rehberg, State Senator Ken Hansen, State

Representative John Musgrove, St. Mary Rehabilitation Working Group, North Central Montana RC&D, Montana Home Ownership Network, Opportunity Link, District Four Human Resources Development Council, New Horizons Unlimited, the local public library, and nine businesses.

The City sponsored a community needs assessment, adopted a comprehensive plan that lists water system improvements as a priority for the community, and added the project to the five-county CEDS.

Project No. 8
Town of Jordan – Wastewater System Improvements

This application received 3,804 points out of a possible 4,900 points and ranked 8th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $700,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 700,000	Awaiting the decision of the Legislature
CDBG	Grant	$ 450,000	Applied May 2006
RRGL	Grant	$ 100,000	Awaiting the decision of the Legislature
SRF	Loan	$ 142,953	65th on the SRF priority list and applied in May 2006
Town	Cash	$ 15,000	Expended on PER
Project Total		**$1,407,953**	

Median Household Income:	$26,250	Total Population:	364
Percent Non-TSEP Matching Funds:	50%	Number of Households:	214

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$27.07	-	Target Rate:	$46.29	-
Existing Wastewater Rate:	$ 8.53	-	Rate with Proposed TSEP Assistance:	$46.42	100%
Existing Combined Rate:	$35.60	77%	Rate without TSEP Assistance:	$65.64	142%

Project Summary

History – Jordan constructed the original sewer system in 1951. In 1968, the existing lift station, force main and lagoons were added, three sewer extensions were built, and the original 1951 sewer lagoon was abandoned and reclaimed as pastureland. The existing lagoon system consists of a two-cell facultative lagoon that discharges treated wastewater to Big Dry Creek. The collection system consists of approximately 26,000 feet of gravity main and 2,600 feet of force main in various sizes.

Problem – The Town's wastewater system has the following deficiencies:

- the wastewater facility will be unable to comply with permitted discharge limits from Department of Environmental Quality (DEQ) by their April 1, 2009 deadline,
- the lagoon embankments have extensive erosion from wind and ice formations,
- the control structures for routing wastewater between the lagoon cells are either significantly deteriorated or altogether inoperable and the original construction materials for the control structure are not compliant with current standards,
- an overflow in the wet well of the lift station discharges raw sewage to Big Dry Creek during power outages in direct violation of the Montana Water Quality Act,
- the wet well/dry well design of the lift station presents a health and safety hazard to Town personnel by creating a confined space in the dry well,
- the lift station itself is aged and nearing the end of its useful life,
- large sections of the collection system were originally constructed with slopes and pipe diameters that are less than the minimums required by current standards, and
- four damaged areas of the collection system have been documented.

Proposed Solution – The proposed project would:

- reconfigure and reconstruct the existing lagoon system into a three-cell facultative lagoon that is

properly sized to enhance treatment including the continued discharge of treated wastewater to Big Dry Creek,

- construct a new lift station with submersible pumps and an aboveground control building, and
- replace four damaged sections of the collection system.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including deficiencies with the lift station, lagoons and collection system. There is no emergency power at the lift station; emergency overflows discharge directly to Big Dry Creek. The lift station is also a confined space and is hazardous to maintenance workers. The lagoons do not provide adequate treatment, which can result in contamination of Big Dry Creek. Final permit limits are not attainable with the current lagoons. There are damaged sections of pipe within the collection system that would create a health hazard if they plugged and backed sewage into homes.

Two reports prepared by the DEQ in November of 2002 identified major deficiencies with the existing sewer system including the un-permitted release of wastewater from the lagoon system and lift station. Discharge of raw sewage is a serious public health problem and is in violation of the Montana Water Quality Act. Discharge of raw sewage is a high public health risk affecting users downstream of Big Dry Creek.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 14th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 44.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 23rd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 19.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 11th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's

user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the Town implemented a user rate increase in 2004. The applicant stated that the Town has maintained minimal reserves for water and sewer, and adequate funds have not always been available to make repairs. The Town did not have any debt on their sewer system until 2005, when several new sewer crossings under the highway were completed in conjunction with a Department of Transportation road reconstruction project. As a result of the loan, the total cash and reserve funds for the sewer system at the end of 2005 totaled $69,233.60.

The applicant stated that the Town completed its first capital improvements plan (CIP) in 2000 and updated the plan in June 2005. The five-year CIP addresses the Town's water and wastewater systems, solid waste, streets and sidewalks, and storm drainage. The proposed project is consistent with the CIP.

The applicant stated that the Town participated in the development of a comprehensive economic development strategy (CEDS) with the Great Northern Development Corporation (GNDC) in 2002. In addition, the Town and Garfield County completed a growth policy in November 2004. The growth policy has been adopted by the Town and it mentions the need for the proposed project. The CEDS and GNDC work plan are updated annually, and the CEDS is expected to be rewritten during FY 2007. Neither the CEDS nor the work plan was included in the application.

The applicant stated that the system's deficiencies are design problems that can not be addressed through normal operations and maintenance (O&M). The Town has made replacements/repairs as needed. The MDOC review team concluded that the Town's O&M practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be

critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL grants, in combination with an SRF loan and local reserves. The Town considered using other major grant and loan sources, but did not pursue them because of eligibility requirements and interest rates. The project is ranked 65th on the SRF priority list; therefore, the Town is eligible to apply for the loan.

The applicant stated that the Town did an income survey to determine eligibility for CDBG grant funds. The survey results showed the LMI to be 56.3%, which makes the proposed project eligible for CDBG funds.

The applicant stated that if sufficient funding was not received, the Town would have to reapply for funds or consider options to phase the project. TSEP funds make up nearly 50% of the overall project costs.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation or retention of a substantial number of long-term, full-time jobs and that no new businesses have expressed interest in expanding or developing in the Town. The applicant stated that the proposed project would provide basic sanitary service that is needed for economic growth that could come from coal development and tourism.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that the Town's first hearing was held at 7:00 p.m. on October 25, 2005 to discuss various state funding programs and to let citizens discuss the community's concerns and their thoughts on the best use of the funds. The minutes show that in addition to local officials and consultant, three residents attended the hearing. Hearing notices from the *Jordan Tribune* and minutes were included in the application.

The GNDC staff met with citizens and county commissioners in Jordan on February 22, 2006, at 11:30 a.m. to discuss brownfields and a community needs assessment. The needs assessment part of the meeting examined the needs of the Town and Garfield County as they relate to housing, public facilities and economic development. The applicant stated that at this meeting the residents of Jordan expressed their concerns regarding the sewer lagoon problems and DEQ directive. However, the meeting notice from the *Jordan Tribune*, the minutes, and related article from the *Jordan Tribune* fail to reflect any discussion or comments on the lagoon problems or the DEQ directive. The application included copies of these documents.

The applicant stated that the Town held a series of three public hearings starting at 7:00 p.m. on April 6, 2006. Eight people attended the hearings; of the eight, six were town officials, one was from the engineering firm, and one was from GNDC. At the hearings, the results of the draft PER were presented, the costs per user of the recommended alternative were specifically addressed, and other possible funding sources were discussed. The hearing notice from the *Jordan Tribune*, minutes, and sign-in sheet were included in the application.

The Town's CIP and growth policy both place a high priority on correcting the deficiencies with the wastewater system.

Project No. 9
City of Thompson Falls – Water System Improvements

This application received 3,800 points out of a possible 4,900 points and ranked 9th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $363,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$363,000	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
SRF	Loan	$137,250	107th on the SRF priority list
City	Reserves	$135,000	Committed by resolution
Project Total		**$735,250**	

Median Household Income:	$28,103	Total Population:	1,343
Percent Non-TSEP Matching Funds:	51%	Number of Households:	528

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$37.35	-	Target Rate:	$49.55	-
Existing Wastewater Rate:	$40.59	-	Rate with Proposed TSEP Assistance:	$77.84	157%
Existing Combined Rate:	$77.94	157%	Rate without TSEP Assistance:	$81.99	165%

Project Summary

History – Thompson Falls acquired the water system in 1936 from the Northern Pacific Railroad. Built in the late 1800s, the system obtains its water from a spring and groundwater wells, which is then disinfected. There are two storage reservoirs, and a distribution system consisting of three pressure zones. Major improvements to the system in the past have included meter pit installations, booster pump station improvements, telemetry, two groundwater wells and pump house improvements, spring development and transmission main improvements, and a water main extension.

Problem – The City's water system has the following deficiencies:
- leaky, undersized water mains in portions of the City,
- inadequate fire protection and low pressures during fire events,
- potential for backflow events and cross connections, and
- dead-end water mains.

Proposed Solution – The proposed project would:
- install approximately 2,800 feet of water mains to replace undersized mains and loop zones in the northwest portion of the City,
- install approximately 2,000 feet of water mains to replace undersized mains in the northeast portion of the City,
- install new service lines to the property lines and water service meter pits in conjunction with main line replacements,
- install 11 new fire hydrants, and
- upgrade the disinfection system.

Note: The proposed solution does not propose to resolve the distribution problems in all areas of the City; the areas chosen were considered to be the highest priority. Therefore, some of those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted various deficiencies that could affect the public's health and safety. There are large sections of the distribution system that are undersized and poorly looped, preventing the system from providing adequate fire flows to significant sections of the community or to maintain minimum required pressures throughout the system during fire events. System modeling and hydrant flow testing have verified that minimal water pressures cannot be maintained in accordance with state standards during fire flow events. There are an inadequate number of fire hydrants to provide complete fire protection to the community. The possibility of backflow events exists during periods of low pressure, which could lead to water system contamination. The proposed project addresses the potential for system contamination due to backflow by eliminating the low pressure conditions through improved system hydraulics. Although no serious problems directly attributable to the identified deficiencies have occurred, a long-term threat to public health and safety exists.

Statutory Priority #2: Reflects greater financial need.
The applicant received 720 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 21st lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 54.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 10th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 16.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 18th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's

user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of incomplete documentation.

Rationale: The applicant stated that the City has raised and maintained water and sewer rates to fund projects, to ensure that revenue exceeds expenses, and to build and maintain a reserve fund in each of the utility accounts. Reserves are maintained in most of the City's budget categories including water, wastewater, and streets. The November 2005 minutes state that the City could incur up to a $2.00 increase in monthly water user debt per household without the need to increase the current user rates.

The applicant stated that the City has completed four studies related to the water system during the last 10 years: a master plan in 1996, a supply study in 1998, an update to the master plan in 2005, and an amendment in 2006 to provide specific information for the proposed project. The applicant included a draft source water protection plan in the application that is dated May 2002; however, the MDOC review team could not determine if the report, which was prepared by the Department of Environmental Quality (DEQ) and Montana Rural Water Systems, Inc., was ever completed or adopted. The applicant listed six water system projects that have been completed since 1996. The City exercises water valves and flushes hydrants on a scheduled rotation. The water system is currently metered, and the City has a program of installing meter pits in areas when improvements are made.

The applicant stated that the wastewater system is in good shape and has adequate capacity. The collection system, lift station, and treatment lagoon system were updated in 1998. A sewer main in the commercial district was replaced in 2004.

The applicant stated that the City has steadily maintained and upgraded streets using gas tax money, in-kind services and other funds. A street sweeper and liquid de-icing equipment have been purchased. The City has also completed over $400,000 in street paving. Many of the street improvements have been completed with the assistance of federal funds because the City had air quality deficiencies attributed to road dust. An air quality control plan was completed in 1997.

The applicant included documentation of a needs assessment that was mailed to residents in 2004. The applicant made a reference to a comprehensive plan, but did not provide any further information or documentation. However, the applicant did include documentation for a comprehensive planning and financing program dated 1998, that the applicant says has been updated annually since 1988. That document appears to be the City's first effort at a capital improvements plan (CIP). The applicant also included copies of three annual one-page CIP's documenting the needs of water, sewer, streets, parks, fire, and police departments.

The applicant stated that the current deficiencies are largely due to the age of the system components and the era of construction, and not poor operations and maintenance (O&M) practices. The

old water distribution mains simply are not large enough to provide good fire protection and are subject to losses due to leakage of the corroded steel, cast iron, and ductile water lines. The MDOC review team concluded that the City's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan and local reserves. The proposed project is ranked 107th on the SRF priority list; therefore, the City is eligible to apply to for a loan. The applicant stated that it does not meet the criteria to receive EDA grants, and RD loans have less favorable terms than the SRF program, so it was also not considered further. The applicant would be incurring additional debt for this proposed project; however, user rates will actually decrease because of a decrease in O&M costs that exceed the new indebtedness.

The applicant stated that TSEP grant assistance is essential and without TSEP funding the project would likely not proceed. It was noted in the April 10, 2006 public hearing minutes that if the RRGL grant is not awarded the proposed project would still go forward; however, if the TSEP grant is not awarded the project would have to be postponed.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, the proposed improvements would help maintain or expand the existing tax base by providing the basic public infrastructure necessary to support increased population and any business growth.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that the current planning process was initiated in 2004, after some residents of the City brought forth concerns regarding the low water pressures. The first public meeting was held in November 2004 to present the findings of the water system study and to receive public input; however, no documentation of that meeting was included in the application. A second public hearing was held on April 11, 2005 at 7:00 p.m. to solicit final comments on the master water plan update. A handout was provided that contained information about the current water system, the proposed project alternatives, recommended phasing plan, financing plan, and proposed implementation schedule for the first two improvements phases. Copies of the meeting advertisement, published in the *Sanders County Ledger*, a copy of the handout (dated December 2004), and a list of the five attendees (one of which was the project engineer) were included in the application. Six residents attended another public hearing held on November 14, 2005 at 6:30 p.m. in the commission chambers to offer final comments on the scope of the water system improvements. Minutes from that hearing indicated that the audience was informed that the City could incur up to $2.00 per user per month in additional debt without raising the user rate. The City elected to proceed with an amended first phase of water system improvements that would remedy the most significant needs. A copy of the advertised notice and the minutes were included in the application. A final public hearing was held on April 10, 2006 at 7:00 p.m. in the commission chambers with four residents attending to discuss the grant applications. A copy of the hearing advertisement and minutes were included in the application.

The applicant included 11 news articles that pertain to community projects, four of which were strictly water related. One article, dated June 23, 2005, discussed a survey of community attitudes, which indicated that water and sewer services were adequate.

The applicant included three letters of support from the volunteer fire department chief, his wife, and the local community development corporation. Copies of an additional three letters, written in April 2004, from the same fire chief, the chamber of commerce, and the public works director were also included.

Project No. 10
Town of Twin Bridges – Wastewater System Improvements

This application received 3,772 points out of a possible 4,900 points and ranked 10th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Submit application in May of 2007
STAG	Grant	$ 850,000	Submit application in January of 2007
SRF	Loan	$ 722,100	59th on the SRF priority list
Local	Cash	$ 70,000	Committed by resolution
Project Total		**$2,942,100**	

Median Household Income:	$25,833	Total Population:	409
Percent Non-TSEP Matching Funds:	75%	Number of Households:	206

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$25.25	-	Target Rate:	$45.55	-
Existing Wastewater Rate:	$19.05	-	Rate with Proposed TSEP Assistance:	$63.22	139%
Existing Combined Rate:	$44.30	97%	Rate without TSEP Assistance:	$84.62	186%

Project Summary

History – The core of Twin Bridges wastewater collection system was constructed in 1963, and includes about 18,000 feet of gravity main, three lift stations, and 2,400 feet of force main to the lagoon site that is located approximately 0.5 miles north of Town. The three lift stations have been constructed or updated in the past 15 years. The treatment facility was upgraded in 1991, and consists of two facultative lagoons that discharge to Bayers Ditch.

Problem – The Town's wastewater system has the following deficiencies:
- marginally treated wastewater is being discharged to surface waters because of inadequate detention time at existing flows,
- disinfection is not presently provided, but is anticipated to be required with any discharging facility in future permit requirements,
- the existing discharge does not meet the water quality standards for ammonia,
- the Town will exceed the non-degradation limits with any more growth and does not have reserve wastewater treatment system capacity to accommodate growth or improved treatment, and
- about two blocks of collection main have inadequate slopes that result in standing water in the main.

Proposed Solution – The proposed project would:
- add a lined storage lagoon to the existing facultative lagoon,
- install a spray irrigation system, and
- replace approximately 1,200 feet of sewer main, four manholes, two sewer cleanouts on Ninth Avenue and add auto-dialers to the satellite lift stations..

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety in the long term, including: an inadequately sized treatment lagoon system, incorrectly installed sewer mains, and lack of a lift station alarm system. While problems with inadequate treatment have not been clearly linked to any illness, it can be assumed environmental pollution is occurring due to winter time ammonia violations within the receiving waters and an apparent violation of the approved non-degradation equivalent service population.

The current equivalent population is greater than the approved non-degradation population limit. This means there is no remaining wastewater treatment capacity for future growth.

The existing lagoons have insufficient detention times which result in ineffective treatment with lower removal percentages and a higher pathogen presence in the discharge. Discharge of inadequately treated wastewater results in elevated public health and safety risks due to the potential for human contact.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 12th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 51.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 15th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 8.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 48th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because lack of documentation and it appeared that long-term planning has been limited and only recently re-initiated.

Rationale: The applicant stated that the Town has maintained reasonable operation and maintenance (O&M) budgets, and while the wastewater budget is adequate to make repairs, funds are not available for replacement of major system components. The Town raised sewer rates seven times, and water rates six times, between 1994 and 2002 in anticipation of various improvement projects. The Town cleans and inspects the sewer mains on a five-year cycle, and much of the collection system has been video inspected and found to be in good condition.

The applicant stated that lift stations were replaced, ponds were lined, and new piping and inlet/outlet structures were installed in 1990. In 1998, the main lift station was renovated, and updated again in 2001. In 1999, a new 300,000-gallon water storage tank was installed. The Town adopted a source water protection plan in 2002; while it was not included in the application, the Department of Environmental Quality's website confirmed the existence of the plan.

The applicant stated that the Town created a capital improvements plan (CIP) that covered the water and wastewater systems, and streets. The MDOC review team noted that only the CIP's priority ranking and schedule was included in the application, the time period that the plan covered was 1997 to 2001, and the proposed project is not addressed in the CIP. In 2006, the Town applied to the CDBG program for a grant to complete a comprehensive CIP that would address all of the Town's infrastructure; the grant was awarded in June. The Town completed a community needs assessment in 1988 and 1996, and an economic diversification action plan in 1994; however, none of these documents were included in the application. The Town was included in a comprehensive economic development strategy (CEDS) prepared by the Headwaters RC&D, in 2002. While the proposed project appears to be consistent with the CEDS, there was no specific discussion of the proposed project in the CEDS. The Town first completed a comprehensive plan in 1979, which was updated and adopted in 1999. A growth policy plan was prepared in 2003; the applicant did not state whether or not it was adopted. The proposed project appears to be consistent with the growth policy. The Town is currently working on an urban renewal plan, and a draft was included in the application. The applicant stated that with the groundwater and surface water quality threatened and the wastewater system currently at full capacity, with no room for growth, the proposed project is a top priority for the community.

The applicant stated that the treatment system is under capacity and cannot treat wastewater to the level necessary to meet the existing discharge permit limits. The MDOC review team concluded that the Town's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not rank this priority higher primarily due to the uncertainty of the STAG funding.

Rationale: The applicant has proposed a funding consisting of TSEP, RRGL, CDBG, and STAG grants, in combination with an SRF loan and local funds. The applicant stated that the Town is eligible for an RD grant and loan funding due to the income levels of the community; however, the 40-year term of the RD loan was not as desirable as the 20-year term of the SRF loan. The project is ranked 59th on the SRF priority list; therefore, the Town is eligible to apply for the loan. The proposed project was discussed with EDA staff, but at this point the staff did not know if the proposed project would meet the eligibility requirements related to new job creation. The MDOC review team noted that the Town does not plan to apply for the CDBG and a State and Tribal Assistance Grant (STAG) grant until 2007, which would mean that the CDBG funds, if awarded, would not be available until 2008. Furthermore, the applicant did not indicate that there has been any discussion with Montana's congressional delegates about applying for the STAG grant.

The applicant stated that if the STAG grant was not received, the town would apply for a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant. If the Town is unsuccessful in obtaining a WRDA grant, then the Town would need to re-apply for the STAG grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 4 and received 400 points out of a possible 500 points.

Conclusion: The applicant strongly demonstrated that the proposed project is necessary for economic development. The proposed project would provide the infrastructure necessary for the possible expansion of businesses that would likely have a high potential for financial success. The applicant cited a specific business that would be dependent on the proposed improvements being made and provided sufficient documentation to justify this position. However, the applicant did not provide the detailed documentation, such as a business plan, that would demonstrate the viability of the business and that would verify that the proposed project would be necessary for the expansion of a specific business. The business expansion would likely provide specific long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The proposed project would add to the tax base if the business expansion occurs.

Rationale: The applicant stated that the proposed project would allow for the development of the Old Montana Children's Center. A construction/property management firm, Leslie Adams Development, Inc. (LADI) is planning to expand in order to develop the Center. LADI currently has three employees, and has projected that 10 more full-time jobs would be needed to renovate the facility and 13 full-time jobs would be needed to maintain the facility at full operation. The applicant also stated that 30 to 40 full-time jobs could potentially be directly created over the next five to seven years; however, no further details or documentation related to these additional jobs was found in the application. LADI purchased the Center in 2005 and has invested $1 million in studies and repairs since then. The applicant stated that the facility does not have a wastewater treatment facility and would need to connect to the Town's wastewater system before occupying any renovated buildings. A business plan for LADI was included in the application; however, the business plan was very brief and did not include critical financial information especially in regards to the infrastructure that LADI would need to build in order to connect to the Town's wastewater system. A sewer main would need to cross the river in order to connect to the Town's wastewater system. However, the proposed project is needed in order to provide the additional capacity that would be required before LADI would be able to connect to the system.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not rank this priority higher primarily because the applicant was not able to demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant included documentation for 35 council meetings since 2000 that discussed various related topics such as rate increases, the preliminary engineering for the Old Montana Children's Center, and the preliminary engineering for the proposed project, which was discussed at seven of these meetings. Fifteen residents attended a public hearing held on May 1, 2006 at 7:00 p.m. at the town hall. The hearing was advertised in the *Madisonian,* as well as being posted at 13 public gathering places around town and being mentioned in an article in the *Madisonian* on April 20. The purpose of the meeting was to present the PER including recommendations, funding plan, and costs to users. Minutes from the meeting confirm that people at the hearing were informed about the cost of the proposed project. The application includes copies of the hearing notice, sign-in sheet, minutes, a handout, and the article.

Included in the application were fifteen letters that were received from the local chamber of commerce, the County's economic development council, sanitarian, planning director, and board of commissioners, the Town's public library, State Senator Bill Tash, State Representative Diane Rice, Headwaters RC&D, four local businesses, and two residents.

Project No. 11
Seeley Lake-Missoula County Water District – Water System Improvements

This application received 3,768 points out of a possible 4,900 points and ranked 11th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$1,000,000	Application to be submitted to in January 2007
RD	Loan	$1,981,000	Application to be submitted in Spring 2007
Project Total		**$3,831,000**	

Median Household Income:	$34,606	Total Population:	1,190
Percent Non-TSEP Matching Funds:	80%	Number of Households:	480

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$35.79	96%	Target Rate:	$37.14	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$50.46	136%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$56.92	153%

Project Summary

History – The Seeley Lake-Missoula County Water District was created in 1965. After losing a filtration waiver around 1997, the District constructed a treatment plant in 1998. System components include a raw water intake and pump station toward the northeast end of Seeley Lake, water treatment facility, transmission mains, and distribution system piping, hydrants and valves. In 2002, the District replaced every meter in the system, installed meters on non-metered services, and incorporated a radio read system.

Problem – The District's water system has the following deficiencies:
- the current peak water demands exceed the capacity of the existing water distribution system to maintain the minimum system pressures,
- available fire flows are inadequate through out the system as a result of undersized transmission main from the treatment facility to the main part of the community,
- the system storage is inadequate to meet the minimum fire requirements, and
- the system experiences excessive levels of disinfection by-products.

Proposed Solution – The proposed project would:
- construct a new 500,000-gallon water storage tank,
- construct a new high-service pump station to deliver water to the new tank,
- replace the 12,000-foot water transmission line between the treatment facility to the main part of the community,
- install about 3,000 feet of distribution mains,
- install three additional hydrants, and
- modify the disinfection process by installing a chloramine system to reduce the levels of disinfection by-products.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety. The worst deficiency results in concentrations of haloacetic acids, a byproduct created during the disinfection process, which periodically exceed maximum contaminant levels.

The system is also incapable of providing minimum pressures to all parts of the distribution system during peak demand periods. The loss of pressure in some portions of the distribution system during peak demands creates the very real threat of backflow. For example, a hose left unattended in a stock tank could draw water from the stock tank back into the water system during these occurrences. The introduction of contaminants and pathogens from untreated or stagnant water is a serious threat to public health.

There is an undersized transmission line between the water treatment plant and the distribution system as well as small water mains in the actual distribution system, which prevents the District from providing adequate fire flows. The system has insufficient storage to meet future demands or to provide fire protection. The lack of adequate fire protection presents an obvious threat to public health and safety, and one residence has already been destroyed by fire in the past few years due to the lack of fire protection.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 44th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 33rd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 11.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 37th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned

based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the District incurred a rate increase of $14.77 per month in 1998 for the construction of the water treatment plant. In 2000, the District increased rates again by $2.80 for water meter replacement and billing system upgrades. Early in 2006, rates were slightly increased again to fund general increases in labor and operations costs. The District is metered to provide for accurate accounting of the water used and effectively bill the system customers.

The applicant stated that the District funds several accounts for capital improvements and general repair and replacement. In addition to these accounts, are the reserve accounts required for the District's outstanding loans on the water system, which can also be used to fund the repair and replacement or capital improvement accounts. Separate budget line items are provided for repair and replacement accounts for the raw water pump station, the water treatment plant and the water distribution system. The applicant stated that the accounts are funded sufficiently to provide for routine replacement of minor system components and provide for either the emergency or scheduled replacement of the major pumps. There was no detailed information or documentation related to these various accounts. The applicant also stated that non-paying customers are not allowed to maintain outstanding balances for long periods, as the district frequently shuts off water to collect payment on such accounts.

The applicant stated that the District constructed a water treatment facility in 1998 as a result of losing the filtration waiver on the raw water from Seeley Lake. In the last five years, the District has replaced 100% of the individual service line meters, and a new radio read meter reading and billing system was implemented. Adding meters to every connection, replacing defective meters and identifying unknown or un-metered connections, has resulted in the District recovering approximately 65% of the unaccountable water loss.

The applicant stated that the community of Seeley Lake is unincorporated and operates within the authority of Missoula County. The closest entity to a local government for this area is a community council, which serves as a clearing-house of area needs and serves as a liaison between the community and the County. The community council has no actual governmental authority, but serves as an effective and proactive organization looking out for the interests of the community. The District operates independently and is not responsible for other infrastructure within the community. There is no capital improvements plan for the community. However, there are various applicable planning documents for the area, including a 1989 amendment to the County's 1975 comprehensive plan that is concerned with the Seeley Lake area, a regional land use guide that was adopted by the County in August 2002, and the County's growth policy (draft update 2005). One of the major objectives for the community in the regional

land use guide is to promote the formation of adequate community fire protection. As a result, the proposed project appears to be consistent with each of these documents, and the long-term goals of the community.

The applicant stated that the problems with the water system are related to capacity and inadequate fire protection, and are not the result of inadequate operations and maintenance (O&M) practices. The problems with inadequate fire protection are essentially a function of the original design. The system has difficulty maintaining compliance with the disinfectants/disinfection by-product rule because of the reduced limits established by the U.S. Environmental Protection Agency. The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the applicant has not yet applied for the STAG grant.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and STAG or WRDA grants in combination with a RD loan. The applicant discussed the CDBG program and the fact that it is not eligible because of having a low percentage of low to moderate-income households. The applicant also discussed not being eligible for a RD grant because the median household income is too high. An application for a State and Tribal Assistance Grant (STAG) or U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grants grant will not be submitted until 2007, and that funding would be from one or the other, or possibly both, if the amount of the STAG grant was reduced.

The applicant stated that the without the TSEP grant, the project would not have adequate match to utilize the STAG or WRDA grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not immediately result in the creation of long-term, full-time jobs, and there are no specific business developments or expansion plans that are dependent on the proposed project. However, the current system can not accommodate a main extension to service additional businesses, and extensions have not been approved to service lots without existing homes, as has been requested by multiple residential landowners. In addition, local developers have requested water service to develop an additional residential area consisting of at least 60 lots, but that cannot occur without the improvements. A letter from the District's engineer to the District explaining that the system was at capacity and could not accommodate the request for an extension was included in the application. However, the requests have been for residential services and not for any business developments.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant did not adequately demonstrate that there was strong support from local residents.

Rationale: The applicant stated that the District sent several newsletters describing the deficiencies, solutions, costs and the resulting rate increases that would result from the proposed project to all customers. However, only found one newsletter was found, dated March 2006, which discussed the project, but did not discuss rate increases. The newsletter did include an invitation to the public hearing that was held at 6:00 p.m. on March 30, 2006 at the Seeley Lake elementary school. Nineteen people attended the hearing that was noticed in the *Seeley Swan Pathfinder*. The presentation informed residents of the cost of the proposed project and that user rates could be increased to as much as $70.24. Copies of the newsletter, notices, presentation handout, and sign-in sheet were included in the application.

The applicant stated that the District has not received any negative feedback for the proposed project. Letters of support were included in the application from the local fire district, the Department of Transportation, one business owner and six residents.

The applicant stated that the community council meets once a year to specifically address infrastructure needs and conveys those needs to the County through its needs assessment process.

Project No. 12
Fergus County – Bridge System Improvements

This application received 3,748 points out of a possible 4,900 points and ranked 12th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $238,362.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$238,362	Awaiting decision of Legislature
County	Cash	$115,362	Committed by resolution
County	In-kind	$123,000	Committed by resolution
Project Total		**$476,724**	

Median Household Income:	$30,409	Total Population:	11,893
Percent Non-TSEP Matching Funds:	50%	Number of Households:	4,860

Project Summary

History – Fergus County's Cottonwood Creek Bridge is located eight miles west of Lewistown, and crosses Cottonwood Creek on Lower Cottonwood Creek Road. The 87-foot bridge was constructed in 1912 and major repairs were made to the substructure in 1970. The single-lane bridge serves several ranches and farms as well as a school bus route and access to transportation. The posted load limit of the bridge is 10 tons. The best alternate route requires a detour of about 15 miles.

Problem – The Cottonwood Creek Bridge deficiencies include:
- inadequate bridge rail and end treatments,
- extreme wear, decay and section loss of the timber deck planks,
- corrosion and pitting of steel stringers and truss members,
- decayed, bulging, and loose timber backwall planks the east abutment,
- limited sight distance at both approaches, and
- scour damage around the columns of the intermediate pier.

Proposed Solution – The proposed project would replace the existing bridge with a new precast, prestressed, bulb-tee superstructure on a steel pile foundation.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 5 and received 1,000 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system have occurred or are imminent.

Rationale: The MDOC technical review team noted that the Cottonwood Creek Bridge has an NBI sufficiency rating of 30.8%. The structure rating was a two; the lowest condition rating was a four for the superstructure.

Statutory Priority #2: Reflects greater financial need.
The applicant received 648 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 30th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 39.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 38th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 15.4%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 19th highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	28
The number of bridges over 20 feet that the County is responsible for maintaining.	101
Total available funds per county maintained bridge.	$8,390

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve

its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the planning efforts are of a relatively recent nature.

Rationale: The applicant stated that it recently established a capital improvements fund for which $75,000 had already been authorized during the previous budgeting cycle. The MDOC review team noted that a resolution creating the fund was approved; however, no documentation could be found that would suggest the funds were actually budgeted. The applicant also stated that the County has maintained reasonable budgets, and has implemented maintenance and repair projects.

The applicant stated that the County recently adopted a five-year bridge capital improvements plan (CIP) upon completion of a bridge inventory report. The plan would be reviewed and updated annually in conjunction with the budgeting process. Although the CIP had been completed in October 2004, no documentation could be found that verified the plan was ever adopted or that subsequent review has occurred, other than a letter from the road and bridge supervisor indicating the top five priority bridges as of March 2006. The applicant further stated that the County recently approved a long-term bridge operation and maintenance (O&M) plan and adopted a bridge standards document. Copies of the documents were in the application. The applicant stated that the County is currently in the process of developing a countywide growth policy along with an overall County CIP. The proposed project design is consistent with the recently adopted standards.

The MDOC review team concluded that the County's O&M practices related to the bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with in-kind services and local reserves. The applicant stated that various funding sources are discussed in the County's bridge CIP, but there are only three sources that are most likely to fund bridge projects: county funds, Department of Transportation (MDT) off-system bridge program, and TSEP. The County has already earmarked the local funds necessary for the match.

The applicant stated that if TSEP funds were not received, the proposed project would not be improved and limited use of the bridge would continue until it could be placed on the list for MDT's off-system bridge program.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the bridge is on a road which serves several ranches and farms west of Lewistown. In addition to agricultural purposes, the route is a key link between the communities of Lewistown and Ross Fork. The bridge also provides access to the area for recreational purposes.

The applicant stated that the County has received 25 applications for new subdivisions; however no additional information or documentation was provided, nor did the applicant link any of the subdivisions to the bridge.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 1 and received 80 points out of a possible 400 points.

Conclusion: The applicant did not demonstrate that the proposed project is a high priority or has the support of the community. The applicant's efforts to inform the public about the project were grossly inadequate. The MDOC review team did not score this priority higher primarily because the applicant did not meet the minimum requirements of having at least one advertised public meeting within the 12 months prior to the application's submittal.

Rationale: The applicant stated that public meetings regarding county roads were held in communities throughout the County. Minutes of those 10 meetings and the advertisements announcing them were in the application. However, the MDOC review team noted that the meetings were held between March 2002 and March 2004 and no further discussion could be found for any subsequent meeting specifically about the proposed project. Three area residents wrote letters in the fall of 2004 in support of the proposed bridge replacement, one of the letters referenced that the bridge would not be replaced for a couple of years.

The County adopted a bridge CIP this year. Although the proposed bridge replacement ranked fourth in priority, the first and third priorities have been completed with County resources and priority number two is planned for replacement with assistance from the MDT off-system bridge program.

Project No. 13
Sunny Meadows-Missoula County Water and Sewer District – Water System Improvements

This application received 3,728 points out of a possible 4,900 points and ranked 13th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $325,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$325,000	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
District	Reserves	$ 64,500	Committed
SRF	Loan	$180,000	90th on the SRF priority list
Project Total		**$669,500**	

Median Household Income:	$27,094	Total Population:	130
Percent Non-TSEP Matching Funds:	51%	Number of Households:	53

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$58.00	199%	Target Rate:	$ 29.08	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$ 59.95	206%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$108.68	374%

Project Summary

History – The Sunny Meadows-Missoula County Water and Sewer District, which was formed in March 2006, is located north of Highway 200, about one mile north of East Missoula. The water system serving the District was constructed about 1980, and has been operated until recently by the homeowners association. The system consists of two groundwater wells, a distribution piping system, and a 40,000-gallon concrete storage tank. A booster pump serves four households located higher up on the hill from the rest of the subdivision.

Problem – The District's water system has the following deficiencies:
- wells do not provide enough capacity and the District runs out of water in the summer,
- storage quantity is insufficient for operational and fire flow demand,
- booster station is substandard resulting in the potential for backflow contamination,
- a portion of the storage tank is not useable due to the booster station piping configuration,
- joints at top of concrete walls of tank may be allowing contamination into tank,
- a portion of the water meters (22 out of 53) are old and not compatible with newer meters,
- inadequate fire flows in the distribution system,
- miscellaneous pump, valve and alarm problems, and
- the combination of storage and booster deficiencies increases the likelihood of backflow contamination.

Proposed Solution – The proposed project would:
- construct new 125,000-gallon storage tank,
- install new booster station,
- replace approximately 22 water meters,
- install new pumps in water wells,
- install new water system control and alarms, and

- ❑ replace miscellaneous valve house components.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: There are various deficiencies that could affect the public's health and safety, including: inadequate capacity of the well pumps, loss of storage during periods of peak demand, backflow events, and inadequate fire flows in the distribution system. Serious public safety problems clearly attributable to the system deficiencies have occurred. The two wells cannot meet maximum day demand by themselves. The water storage tank has been emptied at times of high demand. Homes in the upper pressure zone connected to the booster station have also reported running out of water during high use periods. These residents have heard water flowing back through the booster station into the storage tank, and "sucking" sounds from home water fixtures when opened. The storage tank is also grossly undersized to provide operational storage for the average day demand and fire flow. All of these issues present a serious risk to property and human life.

Statutory Priority #2: Reflects greater financial need.
The applicant received 828 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 17th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 51.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 14th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 13.6%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 27th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the District was just recently created.

Rationale: The District was created in March 2006, with 82 votes for and only one vote against its formation. The applicant stated that the homeowners association has raised water rates, as required, to continue to operate and maintain its water system; however, there was no detailed information or documentation in the application related to past rate increases. In addition to completing numerous small water improvements projects during the past decade, the District has generated enough revenue to pay expenses and build a small reserve. Based on information included in the application, the District has generated a net income of $2,085 since FY 2003.

The applicant stated that the District exercise hydrants, and flushes and inspects the distribution system mains annually. The District has encouraged residents to install new touch read water meters, and approximately 31 of the 53 residents have been able to replace their meters to conform to the new District standard. The remaining meters are old and have problems with leakage, but the remaining 22 residents have not had the means to replace their own meters.

The applicant stated that the District's first water right was filed in 1981, which allows for a maximum of 75 gallons per minute for the wells. The second water right was obtained in 1996, and allows for an additional 120 gallons per minute. The total water right for the District is now 195 gallons per minute, which should meet the District's needs through the current 20-year planning period.

The applicant stated that the majority of the residents of the District have individual on-site wastewater treatment systems. Twelve of the 53 residents share a common septic tank and drainfield. The cost for maintenance of this shared system is paid for by the 12 residences using the system and is operated by the District.

The applicant stated that the proposed project appears to be consistent with the County's growth policy adopted in 2002, although there is nothing in it that deals specifically with this area.

The applicant stated that the deficiencies of the existing system are not caused by inadequate operation and maintenance (O&M), but instead appear to be the result of age and not being properly sized when originally constructed. The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to

thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan and local reserves. Although not described in the applicant's response to this priority, the applicant evaluated all applicable grant and loan programs elsewhere in the application and had a reasonable explanation for not pursuing them. The project is ranked 90th on the SRF priority list, and therefore, the District is eligible to apply for the loan.

The applicant stated that the TSEP grant is essential, and the project will likely not proceed without it.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would provide the basic public infrastructure necessary to support economic and business growth in the area along with increased population. However, the District is comprised only of residential dwellings, and the applicant did not discuss any businesses or job creation that would be dependent upon the proposed project.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because there was only one public meeting.

Rationale: The applicant stated that a work session with the engineer was held at 7:00 p.m. on March 2, 2006, at the Bonner school library, in order to summarize the alternatives being considered in the PER. A copy of a handout was included in the application. A public meeting was held at 7:00 p.m. on March 9, 2006 at the Bonner school library. In addition to board members and consultants, 14 residents attended the meeting to discuss the proposed project. A handout was distributed that covered all aspects of the proposed project, including the recommended funding strategy and the resultant user rate. The applicant stated that a letter was sent to all residents in the District announcing the public meeting, and that all residents were also called inviting them to attend the meeting. However, it did not appear that the meeting had been noticed in a newspaper. The minutes state that all attendees at the meeting support the proposed project. The letter announcing the meeting, minutes, sign-in sheet, and presentation handout were included in the application.

The applicant included letters of support from 24 of the households in the District. The election to form the water and sewer district was passed by a margin of 82 to 1.

Project No. 14
Tri-County Water District – Water System Improvements

This application received 3,708 points out of a possible 4,900 points and ranked 14th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $313,500.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 313,500	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
District	Reserves	$ 213,500	Committed
Project Total		**$ 627,000**	

Median Household Income:	$35,231	Total Population:	450
Percent Non-TSEP Matching Funds:	50%	Number of Households:	174

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$55.00	145%	Target Rate:	$37.81	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$55.00	145%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$69.32	183%

Project Summary

History – The Tri-County Water District is located in the eastern half of Teton County, the northern portion of Cascade County and the extreme western edge of Chouteau County. It spans from just east of Fairfield, south of Dutton, through Power, and all the way east into the western edge of Chouteau County. The District is a rural service area of approximately 95,000 acres. The District's water system, which was built in 1982, consists of 218 miles of water mains ranging in size from one and one-half to six inches in diameter. Water is supplied from a single source, which is an infiltration gallery located on the Greenfield Bench near Fairfield, on a terrace above Muddy Creek. The water is collected using two underground pipe laterals buried 17 feet below the ground surface that feed into a single concrete wet well and then into the distribution system. A 191,000-gallon on-grade steel storage tank is located about 11 miles north of the pump station.

Problem – The District's water system has the following deficiencies:

- the system does not meet Department of Environmental Quality (DEQ) standards for groundwater systems, which requires a minimum of two water sources be available to provide redundancy in case of the loss of a source,
- the system does not meet DEQ standards that require that the total developed groundwater source capacity shall be equal to or exceed the design maximum day demand with the largest producing well out of service,
- water levels in the well drop to just a few feet above the collector laterals during drought periods and in the early spring,
- the existing system is undersized for peak demands and operating pressures do not meet minimum DEQ required pressures for all portions of the distribution system, and
- portions of the system run out of water completely during peak demand periods.

Proposed Solution – The proposed project would:

- construct an additional infiltration gallery, wet well and pump house to provide additional supply

capacity and a redundant water supply,
- ❑ replace approximately 20,000 feet of undersized distribution system piping, and
- ❑ install a new booster station to provide sufficient pressures at a high point in the system.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: a limited source of supply capacity, lack of a redundant source of supply, and low distribution system pressures. The most important factor considered by the team was the single source of supply, leaving the system vulnerable to near-term water service interruptions. A water system that does not have a backup water supply is considered to have a serious deficiency.

Residents have also experienced complete water service interruption during high demand periods. These events can be associated with low or negative distribution system pressures which can result in contaminant entry to the water system. These conditions pose a significant public health hazard that could result in illness and disease outbreak.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 46th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.7%. **The applicant's relative concentration of persons living at or below the LMI level is the 47th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 17.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 15th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because there was little discussion of other planning efforts.

Rationale: The applicant provided documented financial information for the last two fiscal years. Expenses for FY 2004 and 2005 were $87,181 and $96,320, while revenue for those same years was $122,250 and $123,100; as a result, the District has a healthy reserve fund of over one million dollars.

The applicant included the growth policy for Teton County, which was adopted in March of 2003. The growth policy plan makes specific references to water supply improvements needed to implement its goals and objectives, such as improving the quality of residential life, improve business and industrial viability and protect public health. The applicant stated that the County also conducts a needs assessment as part of an ongoing annual planning process; however, no documentation of the needs assessment was found in the application. The applicant stated that Teton County teamed with Cascade, Glacier, Pondera and Toole Counties in 1999 to form a new regional economic development district. A newspaper article from the *Great Falls Tribune*, October 1999, was included in the application for documentation regarding the formation of the regional economic development district. Based on the above information it appears that the proposed project is consistent with the planning efforts discussed. The applicant stated that a capital improvements plan (CIP) was not warranted, since roads and other area infrastructure are not the District's responsibility.

The applicant stated the system's deficiencies are not the result of inadequate operation and maintenance (O&M) of the facilities, but instead are the result of being undersized to handle the demand. The MDOC review team concluded that the District's O&M practices related to the water system appear to be reasonable.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical for this project by the review team, since the District has reserves that could fund the project.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with local reserves. The applicant stated that they were not eligible for CDBG because the percentage of low to moderate incomes was too low. The applicant also discussed RD and EDA grants and the reasons for not applying for those funds. The District does not wish to incur debt for this project, so loans from RD or SRF were not pursued.

The applicant stated that TSEP assistance is essential, and without a TSEP grant the project will likely not proceed. The MDOC review team noted that the entire proposed project could be covered with local reserves, if necessary. However, the applicant stated that its cash reserves are in line with a sound financial operation and that committing greater than 20% of their reserves is not prudent.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The proposed project would not directly result in the creation or retention of long-term full-time jobs, nor would it directly result in business expansion. However, the applicant stated that additional population, development, and business growth in the area would be severely limited if the improvements are not made.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that a presentation on the preliminary water system analysis was made at a District board meeting on May 3, 2005. A presentation on updates to the water system analysis was made at another District board meeting on January 10, 2006. The last public meeting was held on March 20, 2006 at the Dutton High School at 7:00 p.m. A newsletter was sent to all residents in the District announcing the public meeting, which was also advertised in the *Great Falls Tribune*. The feasibility of the improvements discussed in the draft PER was presented at the meeting, which was attended by 24 persons, including the engineer and at least three board members. A handout was provided that contained a description of the water system, deficiencies, proposed project alternatives, proposed budget, a project schedule, and site maps. The recommended funding strategy was specifically discussed and included in the handout. The applicant stated that everyone at the meeting was in support of the proposed project; however, that statement could not be verified from the minutes. The application included the newsletter, notice, minutes and a sign-in sheet. According to 10 customer service surveys included in the application, water shortages and low pressures were concerns when the survey was solicited in March of 2005. The application also included a newspaper article about the District from the *Choteau Acantha* dated December 2004, which described concerns with the water system and the idea of having an engineering study performed.

Seventeen letters of support were included in the application, including letters from the Teton and Cascade County Commissioners, three businesses, the U.S. Department of Interior, and eleven residents.

Project No. 15
Blaine County – Bridge System Improvements

This application received 3,704 points out of a possible 4,900 points and ranked 15th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $616,017.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 617,017	Awaiting decision of Legislature
County	Local	$ 371,568	Committed by resolution
County	In-Kind	$ 225,950	Committed by resolution
County	Local	$ 19,500	Expended on the PER
Project Total		**$1,234,035**	

Median Household Income:	$25,247	Total Population:	7,009
Percent Non-TSEP Matching Funds:	50%	Number of Households:	2,501

Project Summary

History – Blaine County has identified three bridges that are in critical condition and in need of replacement.

- The Battle Creek Bridge is located 15 miles north of Chinook. This structure crosses Battle Creek on Sage Road. The 179-foot long steel through truss bridge was constructed in 1933 with major repairs to the structure made in 1976. The single-lane bridge serves several ranches and farms and is a school bus and mail route. The posted load limit of the bridge is 15 tons. The best alternate route requires a detour of about 20 miles.
- The Bagan Road Bridge is located four miles east of Chinook. This 61-foot long structure crosses the Fort Belknap Irrigation Canal on Bagan Road. The bridge superstructure was constructed using a steel flatbed railroad car. The single-lane bridge was constructed in1933 and serves several ranches and farms. The posted load limit of the bridge is six tons. The best alternate route requires a detour of about 15 miles.
- The Cherry Ridge Road Bridge is located one mile west of Zurich. The structure crosses the Fort Belknap Irrigation Canal on Cherry Ridge Road. The 40-foot long, single-lane steel bridge was constructed in 1932. The bridge serves several ranches and farms and is a mail route. The posted load limit of the bridge is nine tons. The best alternate route requires a detour of about 32 miles.

Problem – The County's three bridges have the following deficiencies:

- The Battle Creek Bridge deficiencies include:
  - corrosion and pitting of steel stringers, bearings and truss members,
  - numerous areas of rotten and spongy decking and several holes in the decking,
  - areas of rot in timber stringers, and
  - deteriorating concrete in both abutments.
- The Bagan Road Bridge deficiencies include:
  - rust and scaling of railroad car superstructure, and
  - lack of crashworthy bridge railing due to broken and rotting timber rail posts.
- The Cherry Ridge Road Bridge deficiencies include:
  - rust, pitting and scaling of steel stringers,
  - insufficient bridge railings due to rotten and split timbers, and
  - areas of rot in timber stringers and abutments.

Proposed Solution – The proposed project would replace all three existing bridges with the following types of structures:

- The Battle Creek Bridge would be replaced with a new bridge consisting of precast, prestressed concrete beams for the superstructure with a cast-in place concrete deck on a steel pile foundation, and
- The Bagan Road and Cherry Ridge Road Bridges would be replaced with aluminum box culverts utilizing county crews.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system are likely to occur in the near-term if the deficiencies are not corrected.

Rationale: The MDOC technical review team noted that the three bridges had sufficiency ratings ranging from 26% to 46%. The structure ratings ranged from three to four, and the lowest element conditions ratings ranged from three to six. TSEP scoring levels had all three bridges at a level four score for this priority.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- **The applicant's Median Household Income (MHI) is the 8th lowest of the 57 applicants.**
- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 53.7%. **The applicant's relative concentration of persons living at or below the LMI level is the 11th highest of the 57 applications.**
- The percent of persons living at or below the *Poverty* level is 28.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 3rd highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	0
The number of bridges over 20 feet that the County is responsible for maintaining.	68
Total available funds per county maintained bridge.	$37,460

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted some minor issues that were not adequately addressed, including the geometry of the Battle Creek Bridge being determined by using one foot of freeboard over the 25-year design flood. This did not meet the County's current requirements of 26 inches over the 25-year design flood.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of inadequate documentation.

Rationale: The applicant stated that it has replaced 40 bridges with culverts over the past 20 years. Four bridges have been replaced through the Department of Transportation's off-system bridge program, and two more bridges are scheduled for replacement utilizing this program within the next five years. The County submitted five more bridges for replacement by this program in 2006. In the past year, county crews have completed major repairs on 13 bridges and minor repairs on four bridges. The County has four full-time employees dedicated solely to bridges, culverts and cattle guards.

The County has a five-year capital improvements plan (CIP) that was updated in 2005. Although brief, the comprehensive CIP addresses all of the County's infrastructure. The applicant did not discuss when the CIP was first created, and the MDOC review team could not determine if it has been adopted. While the Battle Creek Bridge project was listed in the CIP, neither of the other two bridges were listed. The applicant also has a detailed bridge inventory report that the County uses to assist it in prioritizing bridge improvements. The applicant also has bridge design standards; however, it could not be determined when it was created or if adopted. The County has established a bridge improvement fund as its CIP fund for bridges. The current balance is $165,462. An additional $70,000 is budgeted for bridges from the County's PILT funds.

The applicant stated that the County is a member of the Bear Paw Development Corporation. Bear Paw prepares an annual comprehensive economic development strategy (CEDS), and the proposed projects are included in Bear Paw's work plan. The applicant did not include any documentation related to the CEDS or work plan.

The applicant stated that the problems with the bridges are due to their age. The MDOC review team concluded that the County's operation and maintenance practices related to their bridges appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with local funds. The applicant evaluated several other funding options before selecting its funding package. The applicant stated that another county bridge is being replaced with the help of a private entity; however, the cost and complexity of replacing the proposed bridges is beyond the financial interest of the private sector. The County currently levies the highest mills in the region.

The applicant stated that the replacement of the Battle Creek Bridge is beyond the capability of the county crews and the financial resources of the County.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs, but commented that several oil and gas companies anticipate increased activity in the area.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that the County held two public hearings. The first hearing was held at 2:30 p.m. on January 27, 2006. A news article dated January 25, from the *Blaine County Journal,* discussed the project and announced the January 27 hearing. The second hearing was held at 2:00 p.m. on April 19, 2006. In addition to local officials and consultants, six people attended both the first and second hearings; both hearings were held in the county courthouse. The proposed project and how it would be funded was discussed at both hearings. Copies of the hearing notices (published in the *Blaine County Journal*), minutes, sign-in sheets, and the news article were included in the application.

The applicant included 17 letters of support, including seven from oil and gas companies, three from local landowners, a construction company, a trucking company, the local irrigation district, the public school superintendent, the local ambulance service, State Senator Ken Hanson, and Richard Cronk, candidate for senate district 17.

The County has a bridge CIP; however, while the Battle Creek Bridge project is consistent with the CIP, neither of the other two bridges were listed in the plan. The bridge inventory report in the PER lists all three bridges as top scorers (three of the top nine, with some already done or to be completed).

Project No. 16
Loma County Water & Sewer District – Water System Improvements

This application received 3,696 points out of a possible 4,900 points and ranked 16th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$1,200,000	Application submitted to Congressional staff in January 2006
SRF	Loan	$ 144,700	96th on the SRF priority list
Project Total		**$2,194,700**	

Median Household Income:	$32,115	Total Population:	258
Percent Non-TSEP Matching Funds:	66%	Number of Households:	105

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$40/community $95.00/rural	116% 275%	Target Rate:	$34.47	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$90.12	261%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$145.18	421%

Note: The rate with proposed TSEP assistance was derived by multiplying the percentage of users within the community times their rate and multiplying the percentage of users in the rural area times their rate and adding the two together. The new rate increase will result in community users paying $45.30 and rural users paying $107.55.

Project Summary

History –The Loma water system was constructed in 1980, and serves 32 users in the Town of Loma and 80 rural users north of town. Water is obtained from an infiltration gallery along the banks of Marias River. The water treatment plant utilizes a solid contact clarifier and filter in conjunction with gas chlorination. Treated water is pumped from a clearwell into the distribution system and a 150,000-gallon storage tank in the Town of Loma. The rural water distribution system is pressurized by a pump station, which is located adjacent to the storage tank. The rural distribution system consists of approximately 120 miles of one to six-inch PVC mains. The rural system delivers water to each rural user's cistern; flow is limited to two gallons per minute at each cistern through the use of a pressure reducer and an orifice.

Problem – The District's water system has the following deficiencies:

- the small diameter, glued-joint PVC piping in the system is failing at the rate of 50 to 100 leaks per year,
- the storage tank is over 25 years old and has never been recoated,
- the District does not have water meters,
- lack of a pre-sedimentation basin at the treatment plant to reduce turbidity levels in the raw water,
- the clarifier and filter and the filter at the treatment plant are in poor condition, the plant does not provide adequate backwashing velocities to the filter, and there are numerous deficiencies with plant valve, piping and control components, and
- the plant's finished water marginally meets the requirements of the stage one disinfection byproducts rule, the plant will need to comply with the stage two microbial/disinfection byproducts rule by 2014,

and will eventually need to comply with the long term two enhanced surface water treatment rule.

Proposed Solution – The proposed project would:

- install about 240,000 feet of plowed-in high density polyethylene piping,
- re-coat the storage tank, and
- install service connection meters.

Note: The proposed solution does not propose to resolve the problems related to the treatment plant, such as a pre-sedimentation pond and improvements in the treatment plant itself, because the District needs to decide whether or not to connect to the Rocky Boy's/North Central Montana Regional Water System. The District has until July of 2006 to decide whether to connect. If the District elects to connect to the regional water system, then the treatment plant improvements are not necessary. There are also some distribution system improvements that are scheduled for a later phase. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including leakage and loss of water supply due to the poor condition of the small diameter rural water distribution system piping. Potential violations of treated water quality standards due to inadequate treatment is also a deficiency, but was not considered in the scoring as treatment improvements are not part of this project.

The District has been plagued with 50 to 100 leaks per year over the last ten years in the distribution system. The leaks are associated with poorly glued small diameter polyvinyl chloride piping. There are over 67 miles of this type of pipe in the system. This represents nearly 18,000 glued joints in the system of which the District has repaired possibly 1,000. The leakage issue represents a serious long-term public health issue from the standpoint of backflow contamination potential and the probability of introducing contamination during the large number of repairs that are needed.

Statutory Priority #2: Reflects greater financial need.
The applicant received 756 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

□ The applicant's Median Household Income (MHI) is the 36th lowest of the 57 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 42nd highest of the 57 applications.**
- The percent of persons living at or below the *Poverty* level is 21.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 8th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that significant upgrades to the treatment system were made in 2002, as a result of boil orders that were issued by the Department of Environmental Quality (DEQ). Those upgrades were paid with cash reserves, and the District has spent $37,982 on repairs since 2001. The District also assessed joining the Rocky Boy's/North Central MT Regional Water System, which was paid with cash reserves.

The applicant stated that Chouteau County updated its comprehensive plan in 2001, which discussed the need for water improvements at Loma. The project was added to Bear Paw Development Corporation's comprehensive economic development strategy in 2005. The applicant did not provide documentation for either document, but instead stated that they were available upon request.

The applicant stated that the deficiencies are not the result of inadequate operation and maintenance (O&M) practices, but rather the failure of the glued joints in the distribution lines occurred almost immediately after construction. The District tried to hold the contractor responsible, but was unsuccessful, as the contractor filed for bankruptcy after the completion of the project. The District believes that once the glued joints are eliminated, their leakage should be substantially reduced as the District has had very little problems with the gasket lines. The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and STAG grants in combination with an SRF loan. Although not described in the applicant's response to this priority, the applicant evaluated all applicable grant and loan programs elsewhere in the application. In particular, the applicant discussed the fact that they are not eligible for CDBG funds because of the low LMI percentage represented by the residents in the rural part of the District. The Town's discussions with Heather Stefanik, U.S. Senator Burns' representative in Washington D.C., indicated that the Senator is interested in supporting the State and Tribal Assistance Grant (STAG) funding for this project. The application for the STAG grant was included in the application. Based on conversations with Paul Wilkins from U.S. Senator Baucus' Office, there may be a possibility of receiving a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grants grant, if the District is not successful in obtaining STAG funds. The District discussed with the SRF staff the possibility of refinancing the District's RD debt. Based on preliminary cost estimates, it is possible that if the District refinanced in 2008 with an SRF, 20-year loan, the District's current debt service amount would be sufficient to service the refinancing and the new debt. However, at this time, the District is not eligible to refinance with SRF because the RD loan precedes the SRF program. The project is ranked 96th on the SRF priority list; therefore, the District is eligible to apply for a loan.

The applicant stated that the TSEP grant is critical to this project, as the STAG grant has a 45% match requirement. Although other funding programs could be utilized as match, such as RD or SRF, TSEP will ensure that the water rates are reasonably affordable to the users.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, with a reliable water source, the District would be better able to accommodate private sector development, such as value added agriculture products including the potential development of ethanol. Without good quality water, farmers must utilize additives, at a substantial increased cost. The utilization of chemical fallow has resulted in increased yields to the farmers, as this practice does not require farmers to till their fields. This no-till practice helps retain moisture in the ground. Also, six of the rural users operate a cattle operation. Without access to good water, those operations would probably not exist.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because of inadequate documentation.

Rationale: The applicant stated that the District has had numerous meetings on the project. The District held its annual meeting at 7:00 p.m. on March 28, 2005. With five board members and 21 members of the District in attendance, the engineer discussed the needed improvements to the treatment plant and compared it to joining the regional water system. Potential user costs were discussed based on the report provided by the engineer. The report and sign-in sheet were included in the application.

Another meeting was held at 7:30 p.m. on February 15, 2006 to discuss the proposed project. In addition to nine board members and consultants, 30 members of the District were in attendance. Articles were published in *The River Press* and *The Mountaineer* on February 8 discussing the project and informing them of the February hearing, and a newsletter was also sent to all users to update them on the status of the proposed project and inform them of the hearing. The hearing was also advertised in *The Mountaineer.* Copies of the meeting notice, minutes, sign-in sheet, powerpoint presentation, report provided by the engineer, newsletter, and articles were included in the application.

A subsequent hearing was held at 6:00 p.m. on March 27, 2006. In addition to being advertised in *The Mountaineer*, a direct mailing was sent to the users to inform them of the hearing. The proposed project was discussed in detail, including the proposed rate increase. The minutes did not state that users would be paying a particular rate; instead, it simply stated that a staff person from Bear Paw "went over the numbers and what this is going to cost." However, there was a page in the application following the minutes that shows funding information and the impact on user rates; residents in town would be paying $45.30 and rural users would be paying $107.55. In addition to the eight board members and consultants, 25 members of the District were in attendance. The applicant stated that everyone in attendance agreed that the lines need to be replaced; however, that statement could not be confirmed that by reading the minutes. All of the meetings and hearings took place at the Loma community center. Copies of the meeting notice, minutes, and sign-in sheet were included in the application.

The applicant included three letters from residents in support of the proposed project.

Project No. 17 (Tied)
Town of Ekalaka – Water and Wastewater Systems Improvements

This application received 3,688 points out of a possible 4,900 points and ranked 17th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $706,369.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 706,369	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Application submitted May 2006
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
RD or SRF	Loan	$ 156,369	Discussed with agencies
Project Total		**$1,412,738**	

Median Household Income:	$19,432	Total Population:	410
Percent Non-TSEP Matching Funds:	50%	Number of Households:	170

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$32.00	–	Target Rate:	$34.27	–
Existing Wastewater Rate:	$16.66	–	Rate with Proposed TSEP Assistance:	$70.00	204%
Existing Combined Rate:	$66.94	195%	Rate without TSEP Assistance:	$85.36	249%

Project Summary

History – Ekalaka's water system was constructed in the mid-1930s. Water is supplied by six wells that is then chlorinated and stored in two underground 100,000-gallon reservoirs. The wastewater system consists of a collection system, two lift stations, and a three-cell aerated lagoon system constructed in 1988 and updated in 2004. Within the last five years, the Town has drilled a new water well, replaced needed fire hydrants, provided aeration and disinfection to the lagoon site, and replaced a sewer line that had a history of freezing.

Problem – The Town's water and wastewater systems have the following deficiencies:
- the control panel of the main lift station has malfunctioned and caused sewage backups into some homes in the area,
- the single-pump lift station has had electrical and float system problems and has caused sewage to back up and flow into Russell Creek,
- the sewer along the Main Street corridor was installed at less than the minimum grade, requires an additional manhole, and the sewer pipe walls are peeling, and
- the water main along the Main Street corridor and out to the reservoirs has had a number of water breaks due to aging cast iron lines.

Proposed Solution – The proposed project would:
- replace approximately 3,650 feet of water main,
- replace approximately 1,800 feet of sewer line,
- replace the single pump lift station, and
- update the controls at the main lift station.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water and wastewater systems are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: old and failing water mains; insufficient fire flow capacity in certain locations; sewer lift station failures causing backups into homes, businesses, and a nearby watercourse; no backup pump in one of the lift stations; insufficient sewer line slopes and manhole spacing; and poor physical condition of sewer lines.

Pipeline breaks could introduce contaminants into the water system before or during repair. In addition, large portions of the system sometimes need to be shut down for main repairs. Both the contamination potential and the interruption in service could pose a public health threat in the long term. The pipeline replacement project will also provide additional fire protection capacity through upsized lines. Sewer backups into homes and businesses have resulted in 10 documented insurance claims since 2000. Several lift station overflows have resulted in direct discharge to Russell Creek. The health and safety issues associated with the lift stations have occurred or are imminent.

When considering the entire water and wastewater project as a whole, the MDOC review team determined that a level three aggregate score was appropriate for these types of deficiencies and the potentially resulting health and safety problems. The score for this priority was pro-rated, based on construction cost estimates with the deficiencies associated with the water pipeline representing the majority of the construction costs.

Statutory Priority #2: Reflects greater financial need.
The applicant received 828 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the lowest (1st) of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 57.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 8th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 12.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 31st highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is

ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted some issues that were not adequately addressed, including lack of supporting analysis or documentation regarding fire flow improvements and deficiencies in the alternative analysis process.

Water line sizes were increased from existing sizes, but no basis was given for the sizes selected. A hydraulic model was not provided. It is unknown whether the replacement sizes are adequate for fire protection, although capacity will be improved.

The alternatives considered were not very thorough. No comparative analysis was performed on the alternatives. With regard to pipeline replacements, discussions could have been included that covered sizing, routing, and/or materials. With regard to lift station upgrades, discussions could have been included that covered capacity, configuration, pump types, and/or the possibility of elimination.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the Town is a small community with a decreasing population, a remote location and declining economy. As a result, user rates have been raised three times since 1997 at a level to cover system costs.

The applicant stated that the Town metered all residences and businesses in the 1950s and all new connections are required to have a meter installed. Approximately 7,000 feet of water mains were either installed or replaced in 1986. In 1994, a new water well was drilled, chlorination and telemetry were added to all but one of six wells, and a 100,000-gallon water tank was constructed. In 2004, a seventh well was drilled and 13 fire hydrants were installed. The main sewer lift station was installed in 1988, and the Town televised and cleaned the collection system in 1989. In 2005, the entire sewer system was televised and cleaned, approximately 1,300 feet of sewer collection line was replaced, aeration was supplied to the three-cell lagoon, and a disinfection system was installed. The applicant stated that the Town has a wellhead protection plan; however, the application included a source water protection delineation and assessment report, but not a wellhead protection plan.

The applicant stated that a needs assessment survey and a comprehensive capital improvements plan (CIP) were completed in March 2001. The CIP, which addresses all of the Town's infrastructure, was updated and adopted in March 2006. The proposed activities are consistent with the plan and are the town's top priorities now.

The applicant stated that the systems' deficiencies have developed in recent years due to the age of the systems. The MDOC review team concluded that the Town's operation and maintenance practices related to the water and wastewater systems appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the water related component of the project was not on the DWSRF priority list.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, and RRGL grants in combination with an RD or SRF loan. The applicant did not specifically indicate which loan source it was planning to use, although most of the discussion was based on a loan from RD. The project is ranked 98th on the WPCSRF priority list; therefore, the Town is eligible to apply for the loan from the WPCSRF. However, the water improvement project is not currently on the DWSRF priority list; therefore, the Town cannot yet apply for a DWSRF loan. According to the applicant, a water revenue bond matures in August 2006, freeing up approximately $20,000 per year; however, these additional funds will be used to purchase a backhoe and build up the reserves for future projects.

The applicant stated that the TSEP award is pivotal in the financing strategy and would serve as the basis to secure the balance of funding required.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water/wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that an adequate municipal water and wastewater system is essential for business stability and growth. The applicant also stated that a local funeral home plans to build a new place of business on Main Street in the spring; however, the MDOC review team could not determine if any new jobs would be created and could not find any other documentation related to the business' intention.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that the Town held a public hearing on March 1, 2006 and another on April 5, 2006; both were held at 5:00 p.m. at the local high school. The public was informed that with the funding proposed for this project the rates would increase a minimum of $2.88. However, since the final public hearing, it was determined that costs for bond counsel were not included in the budget, and that the minimum increase would be $3.06.

The applicant stated that the Town has a population that is predominately elderly on fixed incomes; however, the majority understands the importance of improving the aged water and sewer system and is in support of the proposed project. The application contained 37 letters of support, and three project support petitions that had been placed in different locations throughout town, and signed by over 140 individuals. Five property owners have also signed statements allowing the size of existing easements to be increased if necessary.

The applicant stated that a needs assessment survey was completed in 2001. Ninety-seven percent of the respondents answered that they would be in favor of the Town seeking state or federal funds to make improvements or expand the public facilities or services. The Town has a CIP, and the proposed project is consistent with the plan.

Project No. 17 (Tied)
Stillwater County – Bridge System Improvements

This application received 3,688 points out of a possible 4,900 points and ranked 17th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $407,500.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$407,500	Awaiting decision of Legislature
County	Cash	$392,500	Funds committed by resolution
County	Cash	$ 15,000	Funds expended on PER
Project Total		**$815,000**	

Median Household Income:	$39,205	Total Population:	8,195
Percent Non-TSEP Matching Funds:	50%	Number of Households:	3,234

Project Summary

History – Stillwater County has identified two bridges in critical condition and in need of replacement.

- The Red Bridge is located about 10 miles southwest of Absarokee. This single-lane structure crosses the Stillwater River on Stillwater River Road. The 115-foot long, two-span structure includes a 90-foot long steel pony truss bridge and a short steel girder approach span. The pony truss was constructed in 1935 and moved to its present location in 1960. The bridge serves over 200 permanent and part-time residents, recreational users, and is on school bus and mail routes. The bridge is posted at 20 tons. Closure of the bridge would result in a 30-mile detour.
- The Phelps Bridge is located about 60 feet east of the Red Bridge. This 12-foot long, single-lane bridge was probably built in the 1960s and is a concrete and timber structure. The bridge does not have a posted load limit, but is listed as having an inventory load rating of 17.8 tons. The population served and detour would be the same as for the Red Bridge.

Problem – The County's two bridges have the following deficiencies:

- The Red Bridge deficiencies include:
  - mild steel truss is limited in load carrying capacity and needs paint,
  - timber stringers are cracked, checked, and showing signs of decay,
  - spalling and abrasion of the concrete substructure,
  - substandard bridge rail, and
  - poor sight distance.
- The Phelps Bridge deficiencies include:
  - several broken timber deck planks,
  - abrasion on concrete substructure, and
  - poor sight distance.

Proposed Solution – The proposed project would replace both existing bridges with the following types of structures:

- the Red Bridge with a single span precast, prestressed concrete bulb-tee superstructure founded on piles, and
- the Phelps Bridge with a reinforced concrete box culvert.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system are likely to occur in the long-term if the deficiencies are not corrected.

Rationale: The MDOC technical review team noted that the Red Bridge had a sufficiency rating of 47.6% and the nearby Phelps Bridge had a sufficiency rating of 53.7%. Both bridges had structure ratings of four. The lowest element condition rating for the bridges was five for the superstructure of the Red Bridge and five for the deck and substructure of the Phelps Bridge. TSEP scoring criteria had both bridges at a level three score.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 51st lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 42nd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 9.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 41st highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	16
The number of bridges over 20 feet that the County is responsible for maintaining.	27
Total available funds per county maintained bridge.	$25,669

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that it has levied the maximum number of taxes allowable by law for at least 11 years. However, budget restrictions imposed by law make it difficult to build sufficient reserves to finance major infrastructure replacement and rehabilitation projects. The County enacted a local vehicle option tax in 1997, which brings in approximately $150,000 annually to the road and bridge department. From 1999 to 2002, the County used this revenue to haul millings, acquired at no cost, from major MDT highway projects to surface many miles of roadway in the County. Beginning in 2002, the County was able to move forward with larger bridge projects, including 12 that have been funded with TSEP grants from the last two application cycles.

The applicant listed 55 bridges that the County has replaced or rehabilitated since 1984; since 1995, 42 of these have been replaced with a new bridge or culvert at a total cost of $2,215,800 using county and TSEP funds. The applicant stated that it has addressed most of the structures within the capabilities of its own crews; the remaining structures are larger and more complicated and need outside financial assistance.

The applicant stated that it adopted a bridge inventory, evaluation and bridge capital improvements plan (CIP) in 2002, which was updated in 2004 and again in February 2006. The proposed project is consistent with the 2006 CIP; the two bridges that are included in the proposed project are the second and third priorities, with the first priority to be funded with the Department of Transportation's (MDT) off-system program. The applicant adopted bridge standards in 2002, which ensure that all future bridges are designed and constructed according to AASHTO and MDT guidelines and standards. The applicant stated that it is in the process of completing a road evaluation as part of its CIP. The County was part of a pilot MDT program, administered through Montana Association of Counties (MACO), which provided mapping of all its roadways using GPS equipment. The County now has a listing and location of all its roads. The inventory and road evaluation will enable the County to establish values for its roads and bridges as required by GASB 34 accounting requirements.

The applicant stated that the County adopted a master plan in 1997, and the County began the process of updating the plan and turning it into a growth policy in 2002. The growth policy was recommended for adoption by the planning staff in late 2005. Once the document is approved by the MACO attorney the County will make a final decision on its adoption. The applicant prepares a road/bridge department operation plan on an annual basis. As an active member of the Beartooth RC&D, the County participated with five other counties and associated cities and towns in preparation of the comprehensive economic development strategy in 2001. The proposed project is consistent with each of the documents discussed.

The applicant stated that it has been active in dealing with serious deficiencies in the wastewater system of Park City and the water system in Absarokee. In addition, the County has moved forward with

numerous Community Transportation Enhancement Program (CTEP) projects around the County. The County also has been involved with improvements to the airport facilities in Columbus.

The applicant stated that the deterioration of the two bridges identified in the proposed project is primarily due to the advanced age of the structures and could not have been prevented by operation and maintenance (O&M) activities. The County bridge crew has performed routine maintenance on each of these bridges over the past several years in order to maintain their current status or at least at a minimum, retard deterioration. The MDOC review team concluded that the County's O&M practices related to the bridges appears to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with local funds. The applicant discussed 19 potential funding sources and determined that with the exception of TSEP, there are no other viable sources of funding available for the replacement of the two bridges identified in the application, outside of the County bridge budget. The applicant stated that the County has attempted to procure funding from various agencies and private entities for these two bridges with little success. Funding from the U.S. Forest Service is not considered to be a legitimate alternative for these projects due to timing.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, the Stillwater River Road provides a key access point to the Stillwater River and to the heart of the Custer National Forest, allowing for mining, logging, livestock grazing, hunting and recreational activities to occur in the area. The road provides the primary access to three river access sites that are used by several outfitters for guided float trips. The Stillwater Mining Company also uses this road as an alternate access to its main mine at Nye. The replacement of this structure will also retain local ranch jobs by allowing continued access to their properties and Forest Service grazing permits, allowing heavy farm implements, loads of hay, livestock, etc. to cross the structures. The applicant included six letters from various types of business interests indicating the importance of the bridges to their operations.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because there was only one public hearing.

Rationale: The applicant held a public hearing at 1:30 p.m. on April 19, 2006 at the county courthouse, to solicit input regarding the submission of the application, sources of funding and to affirm that no impacts would be reflected in property taxes as a result of this project. In addition to local officials and consultants, two residents attended the hearing. A copy of the notice, minutes, sign-in sheet, and a handout were included in the application. The applicant included minutes from numerous commission meetings, going back as early as 2002, relative to bridge improvement topics. The applicant also included several newspaper articles related to bridges, but none of them were newer than 2004.

The applicant stated that the County solicited input from many citizens, agencies and businesses that it thought might have an interest in one or more of the bridge projects. The applicant sent out sample letters of support to individuals. Most of the individuals simply made notes on the sample letters, signed them and sent them back. The applicant included 47 letters of support in the application, including letters from State Senator Robert Story; State Representative Jack Ross; Nye's postal carrier; the county's weed control coordinator, solid waste coordinator, planning office, environmental health department, and sheriff; eight businesses; and 31 residents.

The applicant stated that the two bridges are listed as the second and third priorities in the County's bridge CIP, and are also a high priority in the 1997 master plan.

Project No. 19
Town of Sheridan – Wastewater System Improvements

This application received 3,644 points out of a possible 4,900 points and ranked 19th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
RD	Grant	$ 560,000	Application submitted May 2006
RD	Loan	$1,140,000	Application submitted May 2006
Project Total		**$2,550,000**	

Median Household Income:	$21,118	Total Population:	659
Percent Non-TSEP Matching Funds:	71%	Number of Households:	385

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$33.00	-	Target Rate:	$37.24	-
Existing Wastewater Rate:	$ 6.00	-	Rate with Proposed TSEP Assistance:	$55.66	149%
Existing Combined Rate:	$39.00	105%	Rate without TSEP Assistance:	$64.58	173%

Project Summary

History – The Town of Sheridan is served by a central wastewater collection, treatment and disposal system that was originally constructed in 1959. The collection system now has approximately 27,000 feet of clay tile and PVC gravity sewer lines. The collection system discharges to a six-acre, single-cell facultative treatment lagoon located northwest of town which discharges to Indian Creek. The discharge permit from the Department of Environmental Quality (DEQ) expired in 2001, and they will not renew the discharge permit until the wastewater preliminary engineering report (PER) is completed and a preferred alternative selected.

Problem – The Town's wastewater system has the following deficiencies:
- the wastewater discharge exceeds the permitted biochemical oxygen demand (BOD) concentrations,
- solids are forming in the discharge channel,
- wastewater leaks through the north embankment of the lagoon,
- wastewater appears to leak through the pond bottom in excess of DEQ standards,
- the lagoon is severely biologically and hydraulically overloaded,
- the outlet weir structure is deteriorated resulting in inaccurate flow measurements,
- the existing lagoon is severely undersized for the Town's population,
- the existing lagoon property lacks room for replacement or expansion, and
- the collection system experiences a significant increase in groundwater infiltration during the summer months, which exacerbates the treatment overloading problem.

Proposed Solution – The proposed project would:
- rehabilitate about 7,000 feet of sewer main by relining the pipe, and
- acquire additional land and construct a new three-cell, aerated lagoon.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including seepage occurring in the lagoon dike that will eventually cause the dike to fail. Failure of the dike would result in a discharge of untreated wastewater into the receiving stream from the lagoon. Additionally, permit violations for biochemical oxygen demand have occurred at a rate of two to six times per year.

Environmental pollution is occurring due to improperly treated wastewater being discharged from the Town's lagoon and due to the wastewater that is seeping through the lagoon dike. There is a potential risk of disease or illness if humans come into contact with the inadequately treated wastewater. There is a potential safety risk associated with the dike seepage. If the seepage is allowed to continue, a dike failure could result causing a significant volume of untreated sewage to be discharged to the receiving stream posing a potential health risk to humans. There are drinking water wells nearby that may be impacted if a large volume of wastewater is discharged because of a dike failure.

Statutory Priority #2: Reflects greater financial need.
The applicant received 684 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 5th level and received 360 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 2nd lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 60.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 5th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 25.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 4th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The PER is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought costs were potentially underestimated for reclaiming and removing the sludge from the existing facultative lagoon. Possible future regulatory requirements for nutrient and ammonia limits in the discharge permit were also not adequately discussed. These limits may result in additions to the proposed treatment alternative including additional storage capacity and irrigation area so that all of the effluent can be land applied, eliminating the need for a discharge permit.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of concerns about the adequacy of the Town's operation and maintenance (O&M) practices related to the wastewater system.

Rationale: The applicant stated that the water rates were raised in December 2002, and both the water and sewer rates were raised in September 2005 in preparation for further system improvements and to build reserve accounts for the future. There were no details or documentation related to user rate increases.

The applicant stated that the Town first prepared a master plan in 1981, and updated that plan in 2003 by creating a growth policy. A needs assessment was also conducted at the same time. In April 2005, the Town adopted a five-year capital improvements plan (CIP) for its water, wastewater, and street systems. The Town is a member of the Headwaters Economic Development District and is part of a comprehensive economic development strategy prepared in 2002. Other planning efforts that impact the Sheridan area include a county comprehensive plan updated in 1999, and a five-year county CIP prepared in 2001. The needs assessment was not included in application. The applicant stated that one of the objectives outlined in the growth policy is to "encourage the timely upgrade and/or expansion of municipal facilities (water, sewer, streets, etc.) to continue to provide quality service and to accommodate growth as desired". While the excerpts from the growth policy showed that it addressed the wastewater system, the objective stated in the previous sentence was not included in the excerpts.

The applicant stated that the deficiencies of the wastewater system are not related to inadequate O&M efforts or budgets, but rather to lack of system capacity and age of the infrastructure. The MDOC review team thought that the Town's O&M practices related to the wastewater system appear to be questionable, even though the MDOC technical reviewer reported that the O&M practices appear to be adequate. The Town is currently under a compliance order to address problems with its wastewater system suggesting the Town has not been proactive in resolving issues with the system. Several operations and maintenance problems have been ongoing for a long time including leakage from the lagoon dike, violation of the wastewater discharge permit, and infiltration of groundwater into the collection system.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and RD grants in combination with an RD loan. The applicant discussed the fact that it currently has a CDBG grant, and it is unlikely that the project would be far enough along for the community to qualify for another CDBG grant in the 2007 grant cycle. The applicant discussed removing the collection system improvements from the proposed project if RD cannot supply the total amount of grant requested. If RD is able to only offer loan funds, the Town would likely utilize an SRF loan instead given the lower interest rate.

The applicant stated that it would be very difficult, if not impossible, to proceed with the needed improvements without grant funds, since the residents do not have the resources to pay even higher rates that would be necessary to finance a large loan.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the Town has basically set a moratorium on sewer hookups, and recently denied requests of developers to connect new homes to the wastewater facilities because of inadequate capacity in the system. Several small subdivisions on the outskirts of Sheridan are proposed for future development, but these plans have not proceeded because the Town cannot hook up additional homes if it does not even have the treatment capacity for existing homes. The applicant discussed how new growth would provide local businesses with jobs in various sectors of the economy; however, the applicant did not discuss any specific businesses wanting to expand or specific jobs that would be created.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 2 and received 160 points out of a possible 400 points.

Conclusion: The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting, but did not inform the community about the cost of the project and the impact on user rates. The MDOC review team did not score this priority higher primarily because of lack of documentation that would verify that residents were adequately informed of rate increases.

Rationale: The applicant stated that ever since DEQ issued a violation letter to the Town in June 2004, the wastewater system has been an agenda item nearly every month for the town council. The wastewater project has also been an agenda item for the Ruby Valley Conservation District and

watershed groups, and residents often attend these meetings, which are typically held in Sheridan. A public hearing was held at 6:00 p.m. on March 27, 2006 at the town hall to accept comments on the draft PER and the project. In addition to local officials and consultants, nine residents attended the meeting that was advertised in the *Madisonian*. The applicant also stated that one of the engineering firms involved in the proposed project maintains a main street office in Sheridan and people have been encouraged to stop by the office, review plans, and ask questions. The hearing notice, minutes, sign-in sheet were included in the application. There was no documentation in the application that verified that residents were informed of the user rates that would result from the proposed project.

The applicant stated that as part of the development of the PER, a telephone survey was conducted indicated that there is strong public support for the project. There was no documentation or details about the survey. The applicant included letters of support from one resident, three realtors, two other businesses, three local officials, the county planning board and county grant office, the Ruby Watershed Council, and the local high school. However, there were also three letters from county residents whose homes would be adjacent to the proposed lagoon site that expressed concerns about the location of the lagoon. One of the three residents concerned about the project mentioned potential litigation if the proposed project site remains unchanged. Another letter included in the application is from a resident, which stated that while they understand the need for the improvements, they were upset about not being provided with better access to the wastewater system.

The applicant stated that the Town conducted a needs assessment in 2003, but that was not included in the application. The Town adopted a CIP for its wastewater, water and street systems in 2005.

Project No. 20
Carter Chouteau County Water and Sewer District – Water System Improvements

This application received 3,636 points out of a possible 4,900 points and ranked 20th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
STAG	Grant	$ 750,000	Request to Congressional staff submitted in January 2006
Project Total		**$1,500,000**	

Median Household Income:	$31,563	Total Population:	200
Percent Non-TSEP Matching Funds:	50%	Number of Households:	76

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$59/community $86/rural (base rates)	174% 254%	Target Rate:	$33.88 (water only)	-
Existing Wastewater Rate:	$12.00 community only	NA	Rate with Proposed TSEP Assistance:	$78.98	233%
Existing Combined Rate:	$71.00 community only	NA	Rate without TSEP Assistance:	$154.26	455%

Note: The base rates include up to 10,000 gallons of water usage. The rate with proposed TSEP assistance was derived by multiplying the percentage of users within the community times their rate and multiplying the percentage of users in the rural area times their rate and adding the two together. Since there will be no rate increase, the proposed monthly rates for community users and rural users will be the same as the existing rates. Rural users could actually pay a much higher average monthly user rate if they are using water for agricultural purposes. The applicant estimates that some rural users could see user rates averaging $150 per month.

Project Summary

History – The Carter-Chouteau County Water and Sewer District was created in 1975 and the water system was constructed in 1977. The water supply source for the system is an infiltration gallery along the banks of the Missouri River, approximately three miles southeast of the community of Carter. Water is pumped from the infiltration gallery through a series of three booster pump stations to pressurize the system and distribute water to users of the District. The distribution system currently consists of approximately 48 miles of PVC mains, ranging in size from one to six inches in diameter. Pumping stations are used to supply water to individual service connections within the District. The system has four pressure zones. Each zone is supplied with water from a pump house. Pump house #1 is equipped with a gas chlorinator. The District is currently implementing the first phase of improvements, which addresses the District's highest priorities, including the treatment of arsenic, minor improvements to address the ground water under the direct influence of surface water (GWUDISW) regulations, moving pump house #2, replacing approximately 64,000 feet of various sizes of mains and installing water meters on all service lines.

Problem – The District's water system has the following deficiencies:

- leaks have had to be repaired at an increasing rate in areas in Carter and Floweree along with areas in the north portion of the system,
- each time a leak repair is made, the entire distribution system has been shut down for several days to

facilitate the repairs and pipeline replacement,
- leakage results in unnecessarily high energy and operation and maintenance cost, and
- The continual repair of the leaks in the system increases the possibility of contamination being introduced into the system.

Proposed Solution – The proposed project would:
- replace an additional 95,000 feet of pipe ranging from one to three inches in diameter, and
- install new booster pump control valves to address pressure surges within the distribution lines.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including frequent water main breaks and leaking lines, pressure surges in pump station discharge lines, areas of extremely high and potentially low system pressures, insufficient system storage, and lack of backup power at pump stations.

One of the most significant deficiencies is frequently breaking water mains, which are occurring at a rapidly increasing rate in recent years. Pipeline leaks and breaks that result in increased energy costs through pumping excess water, are a burden on maintenance personnel, and could introduce contaminants before or during repair. The possibility of introducing contaminants into the distribution system represents a pubic health and safety problem likely to occur in the long term. Due to lack of significant storage in the system, most or all of the distribution system must be shut down to repair main breaks. This down time without water has lasted up to two weeks in the past, during which time the users are dependent on limited cistern volumes or hauled water.

The proposed project will not correct the deficiency of no backup power at the pump stations. Adding storage to the system was also deemed to be not financially feasible considering the other existing deficiencies. Other deficiencies that are not addressed in the project include high manganese levels, high pressure in portions of the distribution system, and isolated locations of low pressure during peak hour demands.

Statutory Priority #2: Reflects greater financial need.
The applicant received 756 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

□ The applicant's Median Household Income (MHI) is the 34th lowest of the 57 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 31st highest of the 57 applications.**
- The percent of persons living at or below the *Poverty* level is 14.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 22nd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted some minor issues that were not adequately addressed, including unresolved high pressures throughout the system and the lack of a 'do nothing' alternative for the proposed project.

Extremely high and potentially low pressures were revealed by the hydraulic model. Even though this is a pipeline replacement project, and the model was developed specifically for this project, it appears that minimal consideration was given to the results. The abnormally high pressures throughout much of the system appear to be unnecessary in several of the pressure zones. These pressures are often over 150 psi and as high as 250 psi.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that the District has been working with the Department of Environmental Quality (DEQ) since 1997 on the GWUDISW classification. In 1999, the District obtained a loan for $32,000 to install a supervisory control and data acquisition system. In 2002, the District borrowed $39,000 for replacement of a 3,500-foot section of distribution line. An additional $20,000 was borrowed in 2004 to cover the additional repairs and engineering costs. The District committed its current cash reserves to prepare a PER.

In 2004, the District prepared a five-year capital improvements plan (CIP) that addresses the water and wastewater systems. In 2001, Chouteau County updated its comprehensive plan, and mentioned the need for water improvements at Carter. The proposed project was added to Bear Paw Development Corporation's area wide comprehensive economic development strategy (CEDS) in 2002. The applicant did not provide documentation of the comprehensive plan or the CEDS, but instead stated that they were available upon request.

The applicant stated that the problems with the distribution system are believed to be the result of substandard materials used when it was originally constructed in 1976. The MDOC review team concluded that the District's operation and maintenance practices related to the water system appear to be mostly adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the team thought that the use of a RRGL grant should have been considered more seriously.

Rationale: The applicant has proposed a funding package consisting of TSEP and STAG grants. Although not described in the applicant's response to this priority, the applicant evaluated all applicable grant and loan programs elsewhere in the application. The applicant provided practical reasons for not applying to other grant programs, and believes that users would not support additional debt. The applicant stated that Heather Stefanik, from Senator Burns' Washington DC office, thought that the Senator is very interested in supporting this project. The proposed project's priority ranking with the SRF loan program is used to some degree in determining the need for State and Tribal Assistance Grant (STAG) funding. With the proposed project ranking first on the SRF priority list, the MDOC review team believes the STAG funds become a more viable funding solution. Through conversations with Paul Wilkins from Senator Baucus' Office, the applicant was told that there might be a possibility of receiving U.S. Army Corps Engineers Section 595 Water Resource Development Act (WRDA) grant, if the District is not successful in obtaining STAG funds.

The applicant stated that TSEP funds are critical to the proposed project, since the STAG grant has a 45% match requirement. Although a loan could be utilized as match, a TSEP grant would ensure that the rates are reasonably affordable, since rates would be over times the target rate without the TSEP grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs, but that it would be better able to accommodate private sector development, such as value added agriculture products including the potential development of ethanol.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated

cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that this second phase resulted from community input during the District's annual meeting, which was held at 7:00 p.m. on November 7, 2005, at the community hall in Carter. In addition to board members and their consultants, 15 residents attended the meeting. Progress on the current phase of the project was discussed, along with applying for funding for the second phase. Copies of the minutes and sign-in sheets were included in the application. A follow-up meeting was held at 7:00 p.m. on April 4, 2006, at the community hall in Carter. The applicant stated that the District also sent a newsletter to the users prior to the April 4 meeting. In addition to board members and their consultants, 39 residents attended the meeting. As currently proposed, there would not be a rate increase. Copies of the meeting notice, newsletter, minutes, a brief handout, and sign-in sheets for the April meeting were included in the application.

The applicant stated that everyone that attended the April meeting expressed support of the District's effort to maintain the water system. In addition, the residents of six households submitted letters of support for the proposed project. The county commissioners sent letters to Montana's Congressional offices in support of the proposed project. All letters were included in the application.

As discussed above, the District has approved a CIP for its water and wastewater systems. The replacement of distribution lines proposed in this project was not included in the CIP, but was identified as a need during the annual meeting of the users.

Project No. 21
Bigfork County Water/Sewer District – Wastewater System Improvements

This application received 3,628 points out of a possible 4,900 points and ranked 21st out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
SRF	Loan	$1,199,000	11th on the SRF priority list
Project Total		**$1,949,000**	

Median Household Income:	$36,116	Total Population:	2,225
Percent Non-TSEP Matching Funds:	62%	Number of Households:	907

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$35.25	-	Target Rate:	$63.68	-
Existing Wastewater Rate:	$32.59	-	Rate with Proposed TSEP Assistance:	$74.81	117%
Existing Combined Rate:	$67.84	107%	Rate without TSEP Assistance:	$79.41	125%

Project Summary

History – The District was created in 1984 to serve a portion of Bigfork, which is an unincorporated community located on the northeastern shore of Flathead Lake at the mouth of the Swan River. The wastewater facilities include both gravity and force main collection system, eleven sewage lift stations, and a tertiary wastewater treatment facility, constructed in 1987, that discharges to the Swan River. An off-site sludge storage facility was constructed in 1998. The original collection system was constructed in 1965, and currently consists of approximately 47,000 feet of collection pipe. In the near future, two new lift stations will be added to the system in order to provide service to Mayport Harbor and North Bigfork.

Problem – The District's wastewater system has the following deficiencies:
- the lift station components have exceeded their design life at three of the lift stations,
- infiltration of sewer lines,
- some of the lift stations and collection system interceptors have limited capacity for growth,
- the control system at the treatment plant, the headworks facility equipment and many mechanical components including blowers, pumps and motors are approaching the end of their typical 20-year design life,
- the cleaning mechanism motor for the bar screen at the treatment plant has burned out and the bar screen spacing is too large,
- corrosion is appearing on framing members of the headworks building at the treatment plant and the roof mounted exhaust fan is not operational,
- the lift station at the treatment plant has inadequate capacity to meet future wastewater flows,
- the existing trickling filters were not designed for nitrification, which raises concerns regarding compliance with a new discharge permit with strict ammonia, total nitrogen and phosphorus limits, and
- there are capacity and expansion concerns with the treatment plant.

Proposed Solution – The proposed project would:
- replace the headworks facility,

- upgrade the treatment plant lift station,
- upgrade treatment plant controls, and
- upgrade miscellaneous equipment in order to keep the existing treatment plant operational including pumps, blowers, motors and sludge collection mechanisms,

Note: The proposed solution does not propose to resolve the problems related to future permit limits for ammonia, nitrogen and phosphorous, or with capacity and expansion concerns at the treatment plant, which would be resolved in a second phase. Problems with the collection system, particularly those problems associated with infiltration and inflow, and continued District expansion, will continue to be addressed through on-going maintenance, rehabilitation, replacement and system expansion, as needed. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: inoperable mechanical headworks cleaning equipment, outdated equipment and instrumentation and controls at the wastewater treatment facility, and inadvertent sewage releases.

Manual cleaning of the headworks results in health and safety hazards to the operator due to exposure to the raw wastewater. This hazard is attributable to the failure of the mechanical screening equipment and the inability to replace the equipment in kind. The potential exists for a catastrophic breakdown resulting in process upsets and subsequent environmental pollution and public exposure because the manually cleaned screens could become plugged and cause an overflow of raw sewage.

A significant potential public health and safety problem could also result from a catastrophic failure of the wastewater treatment facility instrumentation and controls. Manual control could be very difficult and result in loss of treatment efficiency, inadvertent overflows and eventual exposure of the public to inadequately treated wastewater.

The main lift station at the wastewater treatment facility is also of insufficient capacity to accommodate projected flows. This lift station is also of the wet well/dry well design and requires confined space entry to access pump controls.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 48th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 33.7%. **The applicant's relative concentration of persons living at or below the LMI level is the 52nd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 9.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 43rd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of incomplete documentation.

Rationale: The applicant stated that reasonable operation and maintenance (O&M) budgets and practices have been maintained, including adequate reserves for repair and replacement; annual sewer revenues have exceeded O&M costs for the past three years by roughly $54,000 per year. The applicant plans to use the reserves for future projects, including collection system expansion, slated for construction in the summer of 2006. The applicant discussed the proposed rate increase, but provided no discussion of past increases. The present treatment facility was constructed in 1987 and an off-site sludge storage tank was constructed in 1998. The District recently purchased equipment to televise sewer mains and locate problem areas. Since 1995, four facility plans/PERs have been completed looking at various aspects of the wastewater collection and treatment system.

The applicant stated that although the proposed project does not involve drinking water, a wellhead protection plan has been adopted. The wellhead protection plan was not included in the application; however, an excerpt from a nutrient management plan, prepared by the Department of Environmental Quality (DEQ) was provided. The MDOC review team noted that a source water delineation and assessment report has been prepared by the DEQ, but could not confirm that a wellhead protection plan has been prepared or adopted. Because sewer charges are based on water usage, water meters are required for all users on the District's system, which also encourages conservation and assesses user costs equitably.

Bigfork created a community master plan to prepare for growth in the early 1990s, and in August 1993, Flathead County adopted the land use plan for the Bigfork area as an addendum to its master plan. Only the copy of the addendum was included in the application, which contains policies towards general,

cultural, environmental, residential, parks and recreation, and public services and utilities goals. In March 2005, a land use advisory committee in Bigfork conducted a community survey, focusing on a variety of community issues, to help revise the County's master plan. The results of the survey and a copy of the questionnaire were provided in the application. The MDOC review team noted that although the survey dealt with many issues, only three questions included in the questionnaire involved public utilities, two of which revolved around new subdivisions and hooking up to public sewer and water, and the other about adequate fire protection. The survey results did not prioritize needs.

In lieu of a capital improvements plan, the PER serves as the District's wastewater system planning document. The applicant stated that effective long-term planning and management of public facilities continues to be a priority for the Bigfork community. The only prioritized list noted in the application was a preliminary list prepared by the District's operator, dated August 5, 2004, listing the proposed improvements as five, six, eight and ten out of the operator's perceived top 10 priorities.

The MDOC review team concluded that the District's O&M practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a financing package consisting of a TSEP grant in combination with an SRF loan. The proposed project is ranked 11th on SRF priority list; therefore, the District is eligible to apply for the loan. The applicant determined that it is ineligible for CDBG funding because the District does not meet the minimum 51% low to moderate income (LMI) threshold. The District concluded that the proposed project would not be competitive in the RRGL program, and therefore did not apply for a grant. The applicant also discussed the RD program, but concluded that RD funding was not appropriate for the proposed project.

The applicant stated that the District has contributed as much as it can, given its current indebtedness. Therefore, if the District is unsuccessful in receiving TSEP funds this funding cycle, they intend to pursue a TSEP grant again in 2008.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that although no specific firms have plans for expansion at this time, the proposed project would result in improved services for the Bigfork community. Tourism is an essential part of the local economy, and the proposed improvements will increase the District's capacity for growth, and hence, encourage expansion of the tax base.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the prioritization of needs was considered inadequate.

Rationale: The applicant stated that a special meeting to discuss the PER was held on December 14, 2005 at 7:00 p.m. in the District's office. The minutes provided in the application show that ten people were in attendance (the board members and staff, their consulting engineers, and three other individuals). The District held another special meeting to discuss the PER at 7:00 p.m. on March 21, 2006 at the District's office. The meeting, which was advertised in the *Daily Inter Lake*, was attended by the District's board members, its consultants, and three residents. A copy of the meeting notice, minutes, and a handout were included in the application.

The District held a final public meeting on April 20, 2006 at 7:00 p.m. in a local church, to discuss the wastewater system deficiencies and the alternatives to make the needed improvements. The meeting, which was advertised in the *Bigfork Eagle*, was attended by 13 residents. The applicant stated that the budget, estimated cost per household, project schedule, the grant application submittal, and the prioritized improvements were discussed. A handout showed that attendees were informed that the increase in monthly user rates would be $6.09 per connection. The applicant also stated that one landowner objected to the wastewater treatment plant location, and wanted it relocated so that it would no longer be adjacent to his property; however, it was determined that the alternative would be cost-prohibitive. A copy of the meeting notice, the sign-in sheet, and a handout of the slide presentation were included in the application.

The applicant stated that the District's wastewater improvement needs were also discussed at the land use advisory committee meetings. Copies from seven weekly meetings, March 9th through April 20, 2006, were provided in the application. Between 25 and 40 people attended each meeting, at which various planning and growth issues were discussed. The applicant also included two news articles related to the proposed project.

The application contained 19 letters of support from residents, 18 of which were form letters. The applicant stated that the board has discussed the priorities of the wastewater system. The MDOC review team noted that the only priority list provided in the application was prepared by the District's operator on August 5, 2004. The proposed improvements were listed as five, six, eight and ten out of his perceived top 10 priorities.

Project No. 22
Dayton/Lake County Water and Sewer District – New Wastewater System

This application received 3,612 points out of a possible 4,900 points and ranked 22nd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
WRDA	Grant	$2,066,100	Application submitted to Congressional staff in January 2006
STAG	Grant	$1,879,500	Application submitted to Congressional staff in January 2006
RD	Loan	$ 533,400	Discussed with RD
District	In-kind	$ 5,000	Committed by resolution
Project Total		**$5,334,000**	

Median Household Income:	$33,125	Total Population:	174
Percent Non-TSEP Matching Funds:	86%	Number of Households:	86

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA	-	Target Rate:	$22.86	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$70.98	310%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$113.91	498%

Project Summary

History – The unincorporated community of Dayton sits on the west shore of Flathead Lake near the northern end of both Lake County and the Flathead Indian Reservation. A town site was platted in the early part of the last century and is home to 86 families, a church, restaurant, school and a large marina. A water and sewer district was formed in 2001 to find a way to confront the ongoing problem of periodic local flooding that causes septic discharges to surface. The community has no public facilities and depends on shallow wells and direct pipes into the Lake for domestic water, and individual septic systems for sewage treatment. The platted lots are too small to allow the development of both a well and a septic system on the same lot, so residents own multiple lots to get the required space.

Problem – The lack of a centralized wastewater system in Dayton has resulted in the following problems:
- local flooding, which often occurs over existing septic drain fields, causes sewage to mix with flood waters and spread throughout the community, before draining into the Lake,
- subsurface septic tanks are often not working properly due to site conditions,
- groundwater used for drinking water supply has been contaminated, or will become contaminated in the future, and
- the potential exists for contaminating Flathead Lake.

Proposed Solution – The proposed project would:
- construct a collection system consisting of about 15,000 feet of pipe and two lift stations, and
- construct a facultative lagoon system with disinfection and disposal by spray irrigation.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 5 and received 1,000 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public health and safety problems associated with the deficiencies in the *waste*water system have occurred or are imminent.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: the mixing of flood waters with septic tank effluent providing opportunity for human contact; contamination of runoff entering Flathead Lake; contamination of a drinking water well with fecal coliform and nitrates; and improperly functioning septic tanks and drainfields.

Health and safety problems have already occurred or are considered to be imminent if the deficiencies are not corrected. Especially important to this determination was the contamination of the drinking water well. The local drinking water supply has been contaminated with coliform and nitrates. Further contamination is expected. At least one case of waterborne illness has occurred with a local resident drinking water directly from Flathead Lake. Although the illness is thought to result from the leakage of contaminated runoff into the lake, it could not be conclusively proven.

The community lacks a centralized wastewater system and is currently, or has a high potential of, acutely contaminating water supply sources for the community; the documented contamination has a high potential to cause immediate illness or disease; and there are no appropriate locations for replacement drainfields.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 1st level and received 72 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 40th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 28.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 54th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 0.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 56th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted some minor issues that were not adequately addressed, including: detail on irrigation systems; force main lengths in the cost estimate; and consideration of phased improvements to reduce costs.

Because of the potential impact on the cost estimates, more discussion of how the irrigation acreages were determined was needed. The PER should have considered the range of possible irrigation sites.

The estimated force main quantity appears overly optimistic at 750 feet. At this stage of the project, a larger number should have been used. As much as 13,000 feet of force main may be required, based on maps in the PER, especially if a spray irrigation location is selected that is not adjacent to the lagoon.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the District was just recently created.

Rationale: The applicant stated that extensive planning efforts have taken place along the Highway 93 corridor. Both Lake County and the Confederated Salish and Kootenai Tribes have developed comprehensive growth plans; however, no documentation for these plans could be found in the application. The applicant stated that the growth policy for Lake County was updated in August 2003, and although it does not identify Dayton, it mentions other small lakeside communities such as nearby Big Arm and Woods Bay across the lake as concentrations of population that warrant sewage treatment systems. The applicant stated that Big Arm and Woods Bay had completed PERs at the time of the policy being updated, while Dayton was just getting started. The County developed a capital improvements plan (CIP) in 2002 that addressed solid waste, water, and wastewater facilities. The CIP, which has no stated timeframe, identified Dayton as a community that will require a solution to its wastewater treatment problems. The applicant stated that the County has completed a comprehensive economic development strategy (CEDS), which identifies water and wastewater facilities as essential to the public good and is committed to providing assistance as it can to enhance the development of these facilities; however, there was no documentation of the CEDS in the application.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 2 and received 240 points out of a possible 600 points.

Conclusion: The applicant inadequately demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project appears to have problems and may not be viable. There are potentially major obstacles that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC

review team did not score this priority higher primarily because both the STAG and WRDA grant amounts were thought to be unrealistic and unlikely to be obtained.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, WRDA and STAG grants, in combination with a RD loan. The District submitted an application for a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grants grant to Senator Baucus' office and to Congressman Rehberg. Senator Baucus expressed support for the request of funds. The application for a State and Tribal Assistance Grant (STAG) grant was submitted to Senator Burns' office. The applicant stated that the District is not eligible for a RD grant because their median household income is too high. The CDBG program was also considered, but their low and moderate-income percentage is too low to generally qualify. While these funds could be used to help the 20 or so low and moderate-income residents pay their assessment, these funds would not help the overall community fund this project. They decided not to pursue a CDBG grant due to the high administrative costs and low return.

The applicant stated that because of the high costs and limited number of households in Dayton, all of the sources are required for a successful project. Some of the special appropriation funding may be offset by increasing the RD loan, but the District is already looking at high monthly charges.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 3 and received 300 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities, and cited various businesses that would benefit by the proposed improvements. However, the applicant did not reasonably demonstrate that the proposed project would directly result in the expansion of a specific business, or the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly add to the tax base if any business expansion occurs.

Rationale: The applicant stated that the proposed project would improve economic development possibilities in the area. Lake and Flathead Counties are under very high growth pressure, and are rated the ninth and fourth fastest growing counties in the State. Dayton Yacht Harbor is home to one of the largest sailboat facilities on the lake; therefore, there are a lot of potential recreational opportunities. A recreational vehicle park, with 101 units, was proposed for Dayton several years ago, but the 18-acre subdivision was denied mostly because of sewer issues. A pre-application has been submitted for a 27 home development proposed to be located in the middle of the community; it is still under consideration by the county planning department. The applicant believes that this development will proceed if a reasonable sewage disposal plan can be developed. A realtor in Dayton expressed a desire to expand her business, which is now limited by lack of sewer. Documentation was provided except for the recreational vehicle park.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that there were nine newsletters from the District inviting and encouraging the community to attend the monthly meetings, and three newsletters from the engineer informing residents of progress of the preliminary engineering for the proposed project. However, only one newsletter, in April 2006, provided any information about what was being proposed; the remainder of the newsletters informed them of actions leading up to getting the PER completed. The first public hearing held was in November 2004 to describe the PER process (public notice was included in the

application). The applicant stated that Dayton was discussed at a county wide public hearing in the county courthouse in January 2006, but no documentation was found in the application. However, the County held a public hearing in February 2006 to discuss needs within the county. The application included a public notice and minutes, and the minutes reflect that the proposed project in Dayton was briefly mentioned.

Another public hearing was held on May 2, 2006 to present the final PER. Local citizens and property owners were informed at the hearing that the estimated cost per household could be as much as $71.22 per month. Copies of the notice (published in the *Lake Times* and the *Lake County Leader*), sign-in sheet, and presentation were included in the application. The hearing was also advertised in the April newsletter. In addition to board members and consultants, 14 residents attended the hearing. The application also included four news articles from 2004 discussing the early development of the proposed project.

There were 14 letters of support for this project from local residents included in the application. The County's planning director and the Flathead Basin Commission also provided letters of support. The applicant also included a list of donations from 47 people, the money raised at a potluck dinner, and a list of the voluntary annual sewer fees the District is using for funding. The applicant stated that the establishment of a sewage system in Dayton has been a community process, and that the District has been funded by donations, auctions and fund-raisers that have so far raised over $5,500.

The County's CIP refers to the Dayton efforts in planning for a sewage system.

Project No. 23 (Tied)
Judith Basin County – Bridge System Improvements

This application received 3,560 points out of a possible 4,900 points and ranked 23rd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $192,215.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 192,215	Awaiting decision of Legislature
County	Cash	$ 91,232	Committed
County	In-kind	$ 100,983	Committed
Project Total		**$ 384,430**	

Median Household Income:	$29,241	Total Population:	2,329
Percent Non-TSEP Matching Funds:	50%	Number of Households:	951

Project Summary

History – Judith Basin County has identified one bridge in critical condition and in need of replacement. The Judith River Bridge is located one mile east of Utica. This 78-foot long steel pony truss was constructed in 1925 and crosses over the Judith River. The single-lane bridge serves residents in the rural farming and ranching areas east of Utica, and is an access road to Ackley Lake. The alternate route is an 11-mile detour to the east. The bridge is posted with a 10-mph speed limit and a posted load limit of 10 tons.

Problem – The Judith River Bridge deficiencies include:
- a large crack at the truss support bearing of one of the abutments,
- severe erosion of a pier at the east end,
- worn and bent truss members, and
- inadequate sight lines.

Proposed Solution – The proposed project would replace the bridge with a new bridge consisting of a pre-cast superstructure founded on spread footings.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the bridge are likely to occur in the near-term if the deficiencies are not corrected, even though they have not been documented to have occurred yet.

Rationale: The MDOC technical review team noted that the Judith River Bridge had an NBI sufficiency rating of 31.7%. The structure rating was a three; the lowest condition rating was a five for the superstructure and substructure.

Statutory Priority #2: Reflects greater financial need.
The applicant received 720 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 24th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 44.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 26th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 21.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 8th highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	27
The number of bridges over 20 feet that the County is responsible for maintaining.	17
Total available funds per county maintained bridge.	$12,666

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought there was minimal information regarding the alternate screening process and alternate analysis. The PER combined the alternate screening process, the alternate analysis, and the description of the preferred alternate into one section. The section was more condensed than the suggested format. More commentary in the alternative analysis would have been helpful, specifically regarding the decision between selecting a spread footing over a pile foundation and selecting the girder with cast-in-place deck system over the bulb-tee option. Additionally, no matrix or spreadsheet was provided summarizing the logic of the selection process and the overall cost estimate for the proposed solution appeared low.

Correspondence with review agencies was lacking regarding potential environmental issues. The MDOC technical review team thought that despite the lack of environmental correspondence,

environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of a lack of documentation and little discussion of other planning efforts.

Rationale: The applicant stated they have not set up a long-term infrastructure replacement policy, but have begun the process of formalizing a long-term master plan incorporating plans similar to other counties in the state. The County has prioritized this bridge replacement as their number one bridge replacement priority. The existing bridge is 81 years old, is now obsolete, and needs replacement. The problems are not associated with lack of maintenance. Old age and the effects of moving water over time have caused serious deficiencies in the existing bridge. The MDOC review team concluded that the County's operation and maintenance practices related to the bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant proposed a funding package consisting of a TSEP grant in combination with local cash and in-kind services. The applicant stated they explored other funding options for their infrastructure upgrades, including: county capital improvement funds, rural improvement districts, general obligation bonds, Department of Transportation (MDT) secondary road program, MDT off-bridge program, Montana Board of Investments' Intercap program, Federal Emergency Management Administration funds, and a local option motor fuel excise tax. The applicant stated most of these funding options were not feasible to pursue.

The applicant stated they currently have a local property assessment that funds their road and bridge work. That budget is insufficient to fund this project. The 50% matching share of the costs of this project will be from two sources. For in-kind services, the County has the crews, equipment and materials to perform roadwork, approach rail, backfIll, rip rap, and sub drainage. Cash will come from the bridge assessment funds, which has been committed through the budget process.

The applicant stated without TSEP funding, this bridge replacement would not occur.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term,

full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant did not reference any particular jobs or businesses that are dependent upon the proposed project. The applicant stated that there is no specific business development planned at this time as a result of this project.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because of lack of some documentation.

Rationale: The applicant stated the County had two public hearings for the proposed bridge replacement. Both public hearings were held on April 7, 2006. The first was at 2:00 p.m. at the courthouse in Stanford. The second was near the bridge site at the community center in Utica at 4:30 p.m. The applicant stated that the hearings were advertised in the local paper and posted throughout the County prior to the hearing dates; however, the notices were not included in the application. The sign-in sheet for each hearing was included in the application; 14 people attended the hearing in Stanford and 17 people attended in Utica. All of the attendees at the Stanford meeting appeared to be government officials or employees. All of the attendees at the Utica meeting appeared to be local residents.
The meeting agenda was not included in the application; however, the applicant described the meeting as a formal presentation explaining the bridge layout and safety, construction, and funding issues. The proposed project was discussed, as well as, the funding for the project. The commissioners anticipate no increase in the current tax assessments at this time. The applicant stated that the formal presentation was followed by a question and answer session, which the applicant re-stated in the response to this statutory priority; however, no minutes were included in the application.

One letter supporting the project was received, and included in the application, from a resident close to the bridge site. The applicant stated, but did not otherwise document, that there was overwhelming majority support at the two public meetings.

The applicant stated the commissioners have established this bridge replacement project as their top priority for capital improvement on their road and bridge program. The commissioners have adopted this priority in a commission meeting; however, there was no documentation found regarding that action.

Project No. 23 (Tie)
Town of Pinesdale – Water System Improvements

This application received 3,560 points out of a possible 4,900 points and ranked 23rd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Application submitted May, 2006
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
RD	Grant	$ 115,000	Plan to submit application in September 2006
RD	Loan	$ 344,817	Plan to submit application in September 2006
Project Total		**$1,759,816**	

Median Household Income:	$26,528	Total Population:	829
Percent Non-TSEP Matching Funds:	57%	Number of Households:	265

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$60.00	211%	Target Rate:	$28.47	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$60.00	211%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$73.51	258%

Project Summary

History – Pinesdale's water system was built in 1966. A water storage tank was built in the mouth of Cow Creek Canyon, with another built below the first in 1973. A treatment plant consisting of a filtration and chlorination system was constructed in the late 1990s. The Town has water rights from Sheafman Creek, and also has three wells: two that supply irrigation water and one for household use. During the 2000 wild fire season, the Blodgett fire burned to the edge of town, destroyed four structures and required evacuations. During the fires, the treatment plant was shut down so that raw water could be diverted to an irrigation system to help meet fire fighting needs. The Town has recently drilled 40 different sites in an attempt to secure another well, but has been unsuccessful in finding water.

Problem – The Town's water system has the following deficiencies:
- inadequate fire protection,
- inadequate water storage,
- lack of fire hydrants,
- undersized mains to supply water to fire hydrants,
- lack of water meters leading to high usage,
- dead-end water mains, and
- the distribution system experiences pressure extremes.

Proposed Solution – The proposed project would:
- remove the existing southwest tank,
- install a new tank adjacent to the existing water treatment plant,
- install pressure-reducing valves throughout the distribution system,
- install a water line from the new tank to the location of the existing southwest tank,
- install meters, and

- add three new hydrants to the system.

Note: The proposed solution does not propose to resolve the problems related to replacing undersized mains, adding blow offs to dead-end mains, or providing sufficient mains/fire protection to the school, which are planned to be completed in a second phase. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: damage to residences and the school from fires, potential contamination of the system from bacteria growth in dead-end mains, potential contamination of the system from inadequate protection of the existing storage tank, and potential contamination of the system from filtration not meeting the requirements of the Enhanced Surface Water Treatment Rule.

The safety concern and potential loss of property stemming from lack of fire flow is well established. It is conceivable that another fire such as the one in 2000 could essentially wipe out the Town. The Town has several fire hydrants but storage is limited and the entire distribution system consists of four-inch pipe. Dead ends are a concern as bacteria can build up in these locations.

The tank would be removed by the proposed project and replaced with a much better sealed welded steel tank. Although coliform hits were not discussed, the potential for entrance of rodents does exist, based on photos provided by the Department of Environmental Quality (DEQ), and there is a reasonable likelihood that eventually bacteria could enter the system through this vector.

The first phase of construction will resolve potential from contamination at the existing storage tank which would be removed and replaced, and remove at least one dead end main. Residential fire flows would be achievable for a limited portion of the Town. Treatment improvements are not part of the proposed project.

Statutory Priority #2: Reflects greater financial need.
The applicant received 900 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 5th level and received 360 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 16th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 76.2%. **The applicant's relative concentration of persons living at or below the LMI level is the highest (1st) of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 35.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 2nd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought there were a few issues not adequately addressed, including: pending regulatory issues with treatment; capital, operations and maintenance costs; and the analysis of the existing system, including storage quantity, wells in usage, and water quality data of the groundwater sources.

There are serious concerns about the lack of discussion of surface water treatment procedure and problems. Problems noted by the DEQ, including violations of the Enhanced Surface Water Treatment Rule and future regulations were not discussed in the PER.

The operations and maintenance (O&M) discussion could have been expanded as the DEQ has noted very serious concerns about lack of reporting, poor condition of the well houses, and use of non-approved bleach for chlorination. In addition it appears that the Town did not have a paid operator, at least in 2005. Present and future needed O&M costs, including operator salary, would have warranted more detailed discussion per the uniform outline.

There was a discrepancy between the PER and the DEQ regarding the amount of storage available. There was an apparent discrepancy within the PER regarding the existence of a new 50-gpm well. No water quality data was found regarding this well or an existing well.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the Town's O&M practices related to the water system have in the past appeared to have been inadequate, and the applicant did not adequately demonstrate how it will ensure that those practices will not continue.

Rationale: The applicant stated that the Town implemented a flat rate of $60 per month on December 1, 2005. The increase of $26 will cover the operation and debt service generated by the proposed project. The Town was willing to increase the rate almost two years ahead of the proposed project to build reserves for the upcoming project. The operating budget is approximately $52,000 per year, while the projected revenue is $100,080. The system is operated by volunteers. The applicant has a wellhead protection plan, which the applicant stated has been adopted and implemented by the Town.

The applicant stated that Pinesdale is a small town experiencing steady, significant growth. Water facilities were added as the community expanded; however, the threat from the Blodgett fire made it obvious that they were no longer able to provide fire protection for the community and prompted them to develop a growth plan. A community needs assessment (community opinion survey) that was completed in March 2005 was included in the application. The proposed project appeared to be consistent with the survey, which rated the need for improvements to the water system a high priority. The applicant stated that this, along with various public meetings, have provided the information necessary for the development of a capital improvements plan and a growth policy plan, both of which are in progress.

The applicant stated that the Town has various organizations that contribute to the Town's beautification. One such group, called Citizens Acting Together Creating Harmony (C.A.T.C.H.), has paved a five-foot walkway from the south entrance to the north entrance of Pinesdale, in addition to a walkway from Main Street to the school. They planted trees (with a drip watering system), landscaped a hillside, and built two welcoming signs – all in the last five years – and have received approval for a park near Sheafman Creek with a pedestrian bridge.

The applicant stated that the problem is not of recent origin and is due to inadequate system layout and planning, rather than poor O&M practices. The Town does not have water meters, but recognizes the need to have data pertaining to their water usage and plans to install water meters in a second phase. The MDOC review team concluded that the Town's O&M practices related to the water system appear to be inadequate. In particular, the team was concerned about the Town not submitting water turbidity readings to the DEQ when required.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL and RD grants in combination with a RD loan. The applicant stated that in anticipation of the loan needed to complete the project, the Town nearly doubled its water rates in December 2005.

The applicant stated that the TSEP grant is essential in meeting the match requirements for the CDBG program.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. The Town has not allowed any additional new hookups due to negative pressure zones and inability to deliver water. As a result of the proposed project, the Town would be in a position to allow homes or businesses to be added to the system to encourage community growth. The MDOC review team concluded that there are no businesses in Pinesdale, since the only commercial connection appeared to be the one for the school.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant included documentation for a special meeting held at 7:00 p.m. on November 14, 2005 when the proposed project was discussed and the increase in rates was approved. With 74 residents in attendance, the cost of the project, including the impact on user rates, was discussed. A copy of the notice, agenda, minutes, and a sign-in sheet were included. The MDOC review team noted that the notice is in the form of a "warrant," which people are asked to bring it with them to the meeting or hearing; the team assumed it is mailed to them. A public hearing was held at 7:00 p.m. on January 30, 2006 at the local school, with 45 residents in attendance. The purpose of the meeting was to discuss the proposed project and vote on whether to upgrade the water system. A copy of a poster type notice, minutes, and a sign-in sheet were included. On February 24, 2006, the Town held a special meeting at the town chapel and a public hearing at the local school; based on minutes included, the project was discussed at both gatherings. The applicant included minutes and a sign-in sheet a special planning board meeting that the Town held on April 24, 2006 to discuss implementation of a growth policy and to make plans for future capital improvements for the Town. The meeting was attended by 26 people, and the brief minutes show that the proposed project was discussed. The applicant also held a needs assessment hearing at 7:30 p.m. on April 24, 2006 at city hall. A notice was posted at the post office and city hall. The minutes briefly mention the proposed project. A copy of the notice, minutes, and sign-in sheet were included in the application.

Included in the application were letters in support of the proposed project from the local school, the police and fire departments, the town's auditor, the planning board, C.A.T.C.H., and 15 residents. The applicant stated that the proposed project is a high priority as demonstrated by the significant increase in user fees from $34 to $60 that was implemented on December 1, 2005, almost two years ahead of the construction of the proposed project. The applicant stated that the Town has a "New England" style of government where everyone has a vote and the opportunity to voice their opinion; therefore, citizen participation is very high. The vote for the proposed project was overwhelmingly in favor, 50 to 7. There was a greater than 70% response return on the community needs assessment, which ranked the proposed project a high priority. It appears that as a result of the Town's close call with the Blodgett fire in August 2000, there is strong community support for the proposed project.

Project No. 25
Power-Teton County Water & Sewer District – Water System Improvements

This application received 3,556 points out of a possible 4,900 points and ranked 25th out of 57 applications in the recommendations to the 2007 Legislature. The applicant is requesting a hardship grant, whereby it would provide only a 25% match. Since the applicant met all three criteria required for a hardship grant, **MDOC recommends the requested TSEP grant of $604,286**. See Statutory Priority #5 for more information related to the recommendation.

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$604,286	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
WRDA	Grant	$101,428	Application submitted in December, 2005
Project Total		**$805,714**	

Median Household Income:	$29,483	Total Population:	170
Percent Non-TSEP Matching Funds:	25%	Number of Households:	65

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$81.00	-	Target Rate:	$ 51.99	-
Existing Wastewater Rate:	$13.00	-	Rate with Proposed TSEP Assistance:	$ 94.00	181%
Existing Combined Rate:	$94.00	181%	Rate without TSEP Assistance:	$148.67	286%

Project Summary

History – The Power-Teton County Water and Sewer District's original water treatment facility, distribution system, a 40,000-gallon on grade storage reservoir, and a booster station were constructed in 1970. In 2004, the District constructed a new conventional package water treatment plant and a 30,000-gallon clearwell storage tank for treated water. A new pre-sedimentation basin and 150,000-gallon on grade storage tank with a 14-inch transmission main was constructed a year later, along with installation of distribution pipe mains, and fire hydrants.

Problem – The District's water system has the following deficiencies:
- dead end distribution lines that cannot be adequately flushed and cleaned,
- large areas of the distribution system have to be shutdown during repair operations,
- deteriorated pavement due to construction of the first two phases of the project,
- undersized mains that are at the end of their service life and do not provide adequate fire flows, and
- elevated total organic carbon in raw water with taste and odor problems and the potential for the formation of trihalomethanes and haloacetic acids.

Proposed Solution – The proposed project would:
- install approximately 2,500 feet of six-inch water main and approximately seven new fire hydrants to complete system looping,
- install approximately 5,300 feet of pipe in the Hill Avenue Area and eliminate all dead end lines along Central Avenue and 1st Street,
- install fencing at the pre-sedimentation basin,
- rehabilitate pavement from earlier distribution improvements,
- install approximately 9,200 feet of transmission main, and
- add a granular activated carbon filter.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including lack of fire protection for over half of the community due to the presence of undersized and dead-end mains, and lack of fire hydrants. One of the grain elevators in Town was recently destroyed by fire due to lack of water to fight the fire. There is still a significant risk to the members of the community should another fire occur due to the presence of grain elevators, a Burlington Northern-Santa Fe mainline track, and fuel storage facilities in the community. Other deficiencies in the system include the potential for bacterial growth in dead-end mains and the potential for disinfection by-products formation in the drinking water because of elevated total organic carbon levels in the raw water. The transmission main between the water treatment plant and the distribution system is leaking and at the end of its useful life. If the line were to fail the Town's water supply would be cut off until repairs can be made.

Statutory Priority #2: Reflects greater financial need.
The applicant received 576 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 27th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 48th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 9.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 44th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought there were some minor issues that were not adequately addressed, including: a lack of a detailed alternative discussion for addressing the elevated total organic carbon problem which was a minor component of the overall project, lack of discussion on required permitting, and an environmental checklist that was six years old and had not been updated or signed by the preparer.

The applicant did not adequately assess the potential environmental impacts. However, environmental concerns that were previously identified by the applicant were addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because there was little discussion of planning related issues.

Rationale: The applicant stated that residences are assessed a flat rate of $81.00 per month for 20,000 gallons and $0.10 per 100 gallons over 20,000 gallons. This rate includes a debt service fee of $61 per month that was required to construct the first two phases of the overall project. To conserve water, the District implemented an irrigation rationing protocol, following an odd-even schedule. In 1995, the District faced the possibility of water shortages and elected to install water meters throughout the community, which were paid for with District reserves.

The applicant stated that the District constructed a treatment plant, transmission main, and distribution system in 1970, followed by the construction of a concrete tank and booster pump station in 1977. The applicant stated that the District completed a comprehensive study of both the water and sewer system in 1981, and completed a sewer project in 1985.

The applicant included a community needs survey completed by the District in 2000. There was a 100% response rate, and approximately 66% of the respondents noted lack of water pressures for domestic use as a problem with the existing system.

The MDOC review team concluded that the District's operation and maintenance practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL and WRDA grants. The applicant adequately discussed why the District is not eligible for RD or CDBG grants. The applicant also discussed utilizing an SRF loan, but stated that any loan would create severe economic impact due to existing water rates that are high. The applicant has submitted an application for a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant.

The applicant is requesting a hardship grant, whereby it would provide only a 25% match as compared to the standard 50%. In cases of demonstrated hardship, MDOC may allow a lower match; however, all three of the following tests must be met:

- a very serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur in the near term (scores at a level four or five on Statutory Priority #1); and it has been determined by MDOC that the proposed project would correct the deficiencies; and
- upon completion of the proposed project, user rates would be at least 1.5 times the community's "target rate" (based upon the projected monthly rates with TSEP assistance); and
- other sources of funding are not reasonably available.

The applicant appears to meet all three of the tests: the score for Statutory Priority #1 was a level 4; the applicant is 181% of the target rate; and finally, other sources of grants are not reasonably available.

The applicant stated that without the TSEP grant the project will likely not proceed.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not result in the creation of any long-term, full-time jobs, but the deficiencies with the water system limit development and business growth.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because much of the efforts to inform the public were in 2000 and 2002.

Rationale: The applicant discussed meetings that took place in January, February and April of 2000. The infrastructure needs of the county and the overall water project in Power was discussed at these meetings. The application includes copies of meeting notices, minutes, and sign-in sheets for these meetings. The applicant stated that the legal notices for all public meetings were published in both the Fairfield and Choteau newspapers or were hand delivered to every property owner. Meeting notices were also included in the Power school's monthly publication, which is mailed to all residents. Additionally, posters containing meeting times and locations were displayed throughout the community.

The applicant stated that a public meeting was held at 7:00 p.m. in April 2002 at the Power school library. The meeting, which was attended by 19 residents, gave them a final opportunity to comment on the second phase improvements. The handout and minutes reflect that the proposed project was

discussed in detail, including the cost per household. The meeting was advertised in *The Choteau Acantha*. A copy of the meeting notice, minutes, sign-in sheet, and handout was included in application.

The applicant stated that a public hearing was held at 7:00 p.m. on April 26, 2006 at the Power school library. A notice was hand delivered to every post office box in the District and posted at four locations around Power. The minutes reflect that the proposed project was briefly discussed, and also shows that 12 residents attended the hearing. A copy of the notice and minutes was included in application.

The applicant indicated that the proposed project is a high priority by stating that approximately 66% of the residents that responded to a community needs survey in 2000 noted the lack of water pressures for domestic use as a problem. As part of the first phase of improvements, the District passed a debt election allowing the District to incur indebtedness for completion of that phase of the project. The election passed by a vote of 69 to 22.

Project No. 26
Town of Superior – Water System Improvements

This application received 3,552 points out of a possible 4,900 points and ranked 26th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $600,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 600,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Loan	$ 297,532	85th on the SRF priority list
Local	Cash	$ 238,500	Committed by resolution
Project Total		**$1,236,032**	

Median Household Income:	$25,333	Total Population:	976
Percent Non-TSEP Matching Funds:	51%	Number of Households:	369

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$35.00	-	Target Rate:	$44.67	-
Existing Wastewater Rate:	$23.16	-	Rate with Proposed TSEP Assistance:	$62.66	140%
Existing Combined Rate:	$58.16	130%	Rate without TSEP Assistance:	$73.29	164%

Project Summary

History – The water system in Superior was purchased from the Mountain Water Company, headquartered in Missoula, in 2000. The primary water supply for the Town is derived from three wells located in town. Each well is chlorinated with sodium hypochlorite, injected at the wellhead. The original water supply was obtained from a collection gallery located in groundwater found adjacent to Flat Creek, but is available only on an emergency basis due to unacceptable levels of pollutants. A 400,000-gallon reservoir and chlorination facilities are located near the Flat Creek source.

Problem – The Town's water system has the following deficiencies:
- widespread use of old and undersized water mains, not capable of carrying adequate flows for fire protection and limited service for domestic needs,
- a portion of the Town has no fire protection,
- inadequate storage for fighting large fires, and
- unaccounted water losses in the system with much of the leakage suspected to originate from the old mains and services.

Proposed Solution – The proposed project would:
- replace approximately 6,000 feet of older undersized mains in five locations throughout the community, and
- install new hydrants, valves and other appurtenances.

Note: The proposed solution does not propose to resolve the problems related to inadequate storage, since the improvements to the distribution system are needed before additional water supplies for fire protection will be of benefit. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: undersized and leaky water mains that cannot provide the needed fire flows for institutional and commercial facilities located throughout the community.

Safety problems occurred in the community in the mid 1990s including the loss of a hotel due to fire on the north side of the river, in part because of an inadequate water supply. Also, in 1996, a fire occurred in an extended care facility east of the hospital. While water was available for this fire, the supply was marginal. The primary safety objectives for the proposed project are to extend and upsize the distribution system piping in areas of the town without adequate fire protection and to replace old undersized steel mains known to be leaking significantly. In addition to inadequate fire protection, the leaky mains also increase the potential for contaminants to enter the distribution system. In general, the public health and safety problems are occasional, with a potential to occur at some point in the future.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 10th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 49.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 17th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 17.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 17th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not rank this priority higher primarily because of a lack of documentation, and the management of the system has just recently been taken over by the town.

Rationale: The applicant stated that the Town purchased the water system from the Mountain Water Company in 2000. The applicant stated that they have been diligent in the operation and maintenance (O&M) of their water system since obtaining ownership, and the O&M budgets have been very sufficient to properly operate the water system; however, no further details related to budgets to verify the applicant's statement was found in the application. Shortly after purchasing the water system, the Town installed meters on all services. The Town has imposed irrigation restrictions and created a leak detection program to address water loss.

The applicant stated that the Town made improvements to the wastewater lagoons in 2000. In 2005, the Town upgraded the three lift stations and added an ultraviolet disinfection facility.

The applicant stated that a comprehensive capital improvement plans (CIP) that addresses all of the Town's infrastructure was prepared and the proposed project is consistent with the plan. The MDOC review team noted that the CIP that was included in the application has a handwritten notation on the cover that indicates that it was updated in 2005, but the team could not determine when the CIP was originally created or whether it was adopted. The team also noted that the schedule referred to in the plan was not included in the application. The applicant stated that the Town completed a community needs assessment in 2003, and that water and sewer improvements were identified as one of the most important community needs. The 230 residents that responded indicated that improving the drinking water system was the most important need, whereas improving fire protection was the second most important need. However, the needs assessment was not included in the application; therefore, these statements could not be verified. The applicant also has a source water delineation assessment report prepared by the Department of Environmental Quality in 2003, which addresses potential contamination threats to the wellheads; however, it does not appear that the Town has taken the next step to create a source water protection plan.

The applicant stated that the problems with the distribution system are related to its age and use of inadequate or poor quality materials when constructed. The applicant also stated that system's components have reached the end of their service life, and some components, such as two distribution lines, are simply undersized for current needs. The MDOC review team concluded that the Town's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants, in combination with an SRF loan, and local funds. The project is ranked 85th on the SRF priority list; therefore, the Town is eligible to apply for the loan. The applicant briefly discussed CDBG and RD funding, and stated that those sources would be considered if TSEP funds are not received. The Town has received very limited grant assistance from RD in the past.

The applicant stated that project components may be deleted if the Town does not receive either the TSEP or the RRGL grants. A CDBG grant may be considered if the TSEP or DNRC grant is not obtained, but is not considered a primary source of funding because of past and future potential cuts in CDBG funding.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that this project would directly impact the City's growth potential, but did not provide any specific examples of jobs created or businesses that would be affected.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not rank this priority higher primarily because there was one public meeting and little public attendance.

Rationale: The applicant stated that the proposed improvements were discussed in detail when the Town purchased the water system in 2000. The minutes for two meetings related to the purchase were included in the application. More recently, the Town held a public hearing on April 10, 2006, at 6:30 p.m. at the town hall, specifically to discuss the proposed project. The minutes and powerpoint presentation reflect that the project budget and increase in user rates was presented. The meeting, which was advertised in the *Mineral Independent,* was attended by four residents. Copies of the notice, minutes, and the powerpoint presentation were included in the application.

The applicant included letters of support from the local hospital and volunteer fire department, Mineral County's community development specialist, and one local resident.

Project No. 27
RAE Subdivision County Water and Sewer District No. 313 – Water System Improvements

This application received 3,548 points out of a possible 4,900 points and ranked 27th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Applied May 2006
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Grant	$ 140,301	Not yet on the SRF priority list
District	Cash	$ 167,750	Committed by resolution
Project Total		**$1,608,051**	

Median Household Income:	$39,637	Total Population:	772
Percent Non-TSEP Matching Funds:	53%	Number of Households:	314

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$33.21	-	Target Rate:	$69.89	-
Existing Wastewater Rate:	$43.56	-	Rate with Proposed TSEP Assistance:	$81.32	116%
Existing Combined Rate:	$76.77	110%	Rate without TSEP Assistance:	$100.30	144%

Project Summary

History –The RAE Subdivision Water and Sewer District No.313 is located one mile west of Bozeman. In 1977, two wells and a distribution system were built; additional wells were added in 1980 and 2004. The effective tank storage is negligible and all peak hourly demands are supplied solely by the wells. The District does not provide chlorination or other water treatment. The District does have some fire hydrants.

Problem – The District's water system has the following deficiencies:
- lack of water storage,
- lack of a centralized control system for the individual wells,
- inability to provide flows sufficient for fire protection,
- the distribution system within a portion of the system is undersized and leaks,
- insufficient supply to meet peak hour demand when the largest well is out of service.

Proposed Solution – The proposed project would:
- construct a new 380,000-gallon water storage tank,
- add a supervisory control and data acquisition system,
- install a new eight-inch water main throughout the undersized portion of the system, and
- install new water lines from the two main wells to the storage tank.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the *waste*water system are likely to occur in the near-term if the

deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including low system pressures with potential for reverse flow and resulting contamination and inability to provide sufficient fire flows.

The lack of fire flow capacity is a serious public safety concern. Given the close spacing of existing structures within some parts of the water district, a large number of structures could be affected by a single fire. There are also some mains that are undersized within the project boundaries that will be enlarged to accommodate fire flows.

The leakage and potential contamination that might occur would likely be a system wide contamination that could potentially affect all water users. Approximately 25% of the water produced by the existing system appears to be lost before it reaches consumers. This large quantity of leakage indicates that there are probably many leaks in the existing system and further indicates a potential for contamination of the system when pressure in the system drops and contaminants may then enter the distribution system. This is clearly a public health problem.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 52nd lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 44th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 10.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 40th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs

were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the District increased rates in 2000 to fund the construction of a new wastewater facility; the amount of the increase was not provided. The District maintains a reasonable operation and maintenance (O&M) budget and reasonable practices. The District charges developers impact fees to ensure existing residents do not bear the cost of new development. In addition, the District has developed a "service standards ordinance" that sets forth the requirement for connecting to the District.

The District completed over $8,800 in repairs in the past year, and in 2006, plans to spend approximately $56,000 from reserves for upgrading water meters to a radio read system. The District completed one additional well and a new well is expected to be completed by the end of 2006. Although not discussed in the application, the applicant included a source water delineation and assessment that was prepared in 2001.

The applicant stated that a five-year capital improvements plan (CIP) was completed in 1998 and has been updated five times; most recently in 2006. The CIP includes the wastewater and water systems. The top priority in the 1998 CIP was the wastewater system and those improvements were completed in 2002. The 1998 CIP also included two major water system items; first was a new well that has been completed and the second was construction of the proposed storage tank.

The applicant stated that the proposed project helps to develop and improve the District and also promotes compact development and expansion of an existing community, which is consistent with the county's growth policy adopted in 2003.

The applicant stated that the lack of storage is not of recent origin and is not the result of inadequate operation and maintenance practices. Leakage in the distribution system has also been a top priority. In 2001, repairs to the water system eliminated a significant amount of leakage; reducing it from 50% down to 25%. By upgrading water meters to a radio read system, the District will reduce O&M costs. The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 3 and received 360 points out of a possible 600 points.

Conclusion: The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the applicant had not yet submitted a request to be placed on the SRF priority list and the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, and RRGL grants in combination with an SRF loan and local reserves. The applicant has not requested that the project be placed on the SRF priority list; therefore, the District is not yet eligible to apply for the loan.

The applicant discussed using other major grant and loan sources, but stated that the District did not pursue them because of eligibility requirements and interest rates.

The applicant stated that the District completed an income survey to determine eligibility for CDBG grant funds. The survey results showed the LMI to be 57.5%, which makes the proposed project eligible for CDBG funds.

The applicant stated that the TSEP and CDBG grants are essential to the feasibility of the project. The two grants make up nearly 50% of the overall project funds and without them, the District would likely have to re-apply to the programs before being able to proceed with the proposed project.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that, due to population growth and anticipated growth, the proposed project would likely result in the creation or retention of a substantial number of long-term, full-time jobs. Without an adequate water supply, the District cannot provide a suitable living environment for existing residents or support further expansion. The applicant stated that expansion plans include new commercial units; however, the applicant did not discuss any specific business expansions or jobs created, and at this time, the District is residential only as evidenced by the projected user rate worksheet, which only shows residential users.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to adequately demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that, in November 2005, a letter was mailed to the District's water system users informing them of the water study and an income survey. Copies of the letter and income survey were included in the application. Since Gallatin County is applying to CDBG on behalf of the District, the County held three public hearings in Bozeman to discuss the proposed project. In addition to local government officials, only the District's manager and consultant attended these three hearings. The first hearing was held at 9:00 a.m. on February 28, 2006 to meet CDBGs needs assessment requirement. The second hearing was held at 9:00 a.m. on March 14, 2006 to describe the project. The third hearing was held at 9:00 a.m. on April 25, 2006 to endorse the CDBG application. Copies of all hearing notices, agendas, minutes (except April 25th), sign-in sheets, and handouts were included in the application. All notices advertising the hearings were published in the *Bozeman Daily Chronicle*.

The applicant stated that on April 9, 2006, the District sent a letter with the monthly bill informing users of the proposed project and a hearing on April 19, 2006. A copy of the letter and an attached consumer confidence report were included in the application. The April 19 hearing was also published in the *Bozeman Daily Chronicle*. In addition to board members and consultants, two residents attended the April 19th hearing. The hearing notice, minutes, and sign-in sheet were included in the application. Both the meeting and the hearing were held in the clubhouse at 7:00 p.m. Information about the cost per household was presented at the District's hearing on April 19, and at the county commission hearing on

March 14. The engineer's presentations, from both of the hearings, verify that residents were informed of the cost.

Letters in support of the project from the county commissioners and the RAE fire department were included in the application. The district has a five-year CIP for its water and wastewater systems.

Project No. 28
Jefferson County – Bridge System Improvements

This application received 3,520 points out of a possible 4,900 points and ranked 28th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $295,800.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$295,800	Awaiting decision of Legislature
County	Reserves	$ 15,000	Expended for PER
County	Reserves	$280,800	Committed by resolution
Project Total		**$591,600**	

Median Household Income:	$41,506	Total Population:	10,400
Percent Non-TSEP Matching Funds:	50%	Number of Households:	4,200

Project Summary

History – Jefferson County has identified six bridges that are in critical condition and in need of replacement.

- The Lump Gulch Bridge is located about one mile north of Clancy. This structure crosses Prickly Pear Creek on Lump Gulch Road. The 25-foot long concrete and steel structure was estimated to have been constructed in the 1960s. The bridge serves over 100 residences and two commercial businesses, provides national forest access, and is on school bus and mail routes. Although the bridge is not posted, its operating rating is only 3.5 tons. Closure of the bridge would result in a three-mile detour.
- The Sloan's Lane Bridge is located about three miles north of Boulder. This single-lane structure crosses Muskrat Creek. The 14-foot long timber and concrete structure was estimated to have been constructed in the 1960s. The bridge serves over 30 residences and five ranching properties, provides national forest access, and is on school bus and mail routes. Closure of the bridge would result in a six-mile detour.
- The High Valley Road Bridge is located about 15 miles north of Butte. This single-lane structure crosses Bison Creek. The 17-foot long timber bridge was estimated to have been constructed in the 1960s. The bridge provides sole access to three full time and several part time residences, serves several ranch properties and provides access to national forest lands.
- The Forcella Road Bridge is located about five miles south of Whitehall. This single-lane structure crosses the Jefferson Canal. The 14-foot long timber bridge was estimated to have been constructed in the 1960s. The bridge serves numerous residences, ranch properties, and one commercial business, and is on school bus and mail routes. Closure of the bridge would result in a five-mile detour.
- The Parrot Castle Road Bridge is located about seven miles south of Whitehall. This structure crosses the Jefferson Canal. The 12-foot long timber bridge was estimated to have been constructed in the 1970s. The bridge serves numerous residences, ranch properties, and recreational traffic accessing the Jefferson River. Closure of the bridge would result in a seven-mile detour.
- The KG Ranch Road Bridge is located about seven miles south of Three Forks. This structure crosses an irrigation canal. The 13-foot long timber bridge was estimated to have been constructed in the 1970s. The bridge serves numerous residences, ranch properties, and recreational traffic accessing the Jefferson River. Closure of the bridge would result in a five-mile detour.

Problem – The County's six bridges have the following deficiencies.

- The Lump Gulch Bridge deficiencies include:
  - stone substructure shows advanced signs of failure due to loose stone and mortar,
  - differential settlement of the deck,

- calculated load capacity well below county standards, and
- bridge rail and approach rail are missing.

- The Sloan's Lane Bridge deficiencies include:
  - rot and section loss in timber decking,
  - rot and checking of timber stringers, including two broken stringers,
  - cracked and spalled abutments,
  - stream scour under substructure, and
  - missing bridge and approach rail.
- The High Valley Road Bridge deficiencies include:
  - substructure shows advanced signs of failure with rotting, crushing, and settling of timbers,
  - timber substructure bearing on exposed rock,
  - scour has occurred below both abutment walls,
  - cracked and rotted timber deck stringers, and
  - bridge and approach rail are missing.
- The Forcella Road Bridge deficiencies include:
  - substructure shows advanced signs of failure with rotting, crushing, and settling of timbers,
  - backwall is bulging and separating,
  - scour has occurred below both abutment walls,
  - rot and checking of timber stringers, and
  - bridge and approach rail are missing.
- The Parrot Castle Road Bridge deficiencies include:
  - excessive wear and cracking of timber planks,
  - foundation backwalls bulging and separating,
  - scour has occurred below both abutment walls, and
  - bridge and approach rail are missing.
- The KG Ranch Road Bridge deficiencies include:
  - substructure shows advanced signs of failure with rotting, crushing, and settling of timbers,
  - scour has occurred below both abutment walls,
  - severe decay in timber stringers, and
  - bridge and approach rail are missing.

Proposed Solution – The proposed project would replace the six existing bridges with the following types of structures:

- the Lump Gulch Bridge with a precast concrete superstructure founded on steel piles,
- the Sloan's Lane Road and High Valley Road Bridges with aluminum box culverts, and
- the Forcella Road, Parrot Castle Road, and KG Road Bridges with structural plate steel arch culverts.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.

The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system are likely to occur in the near-term if the deficiencies are not corrected.

Rationale: The MDOC technical review team noted that the six bridges had NBI sufficiency ratings ranging from 29% to 68%. The structure ratings ranged from three to four and the lowest condition ratings ranged from three to four. TSEP scoring levels had four of the bridges at a level four score and two of the bridges at a level three score. A weighted score, based on construction costs, resulted in a level four score for the entire project.

Statutory Priority #2: Reflects greater financial need.
The applicant received 360 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 53rd lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 44th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 9.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 44th highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	21
The number of bridges over 20 feet that the County is responsible for maintaining.	26
Total available funds per county maintained bridge.	$30,144

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because planning efforts are of a relatively recent nature.

Rationale: The applicant stated that the County has not historically set aside a bridge reserve fund; rather, they carry over savings from the previous year to be used for emergencies or large projects. In the last three years, the County has replaced seven bridges and redecked one bridge utilizing outside funding sources for some. Last year, the County was able to replace two bridges on Cataract Creek near Basin at a cost of $145,000, split between County funds and U.S. Forest Service monies. County crews have been replacing smaller span bridges. The County has now reached the point where they have addressed most of the structures within their own crew's capabilities.

The applicant stated that with financial assistance from the Department of Transportation's (MDT) community transportation enhancement program, the County recently completed two projects addressing handicap access and sidewalk upgrades to streets in Basin and a pedestrian trail through Montana City. The County is currently working on a $50,000 sidewalk project to upgrade and replace the sidewalks around the Boulder courthouse.

The applicant stated that the a land development guide was prepared for the County in 1994. The County is in the process of updating the subdivision regulations that were adopted in 1996, and anticipates that the new regulations will be in place by the summer of 2006. The County is also evaluating the zoning in the Montana City area in response to recent surges in population and development, and expects to implement a new zoning ordinance over the next several years. The County completed a growth policy in June 2003, which served as an update to the 1993 comprehensive plan. In February 2006, the County adopted a capital improvement plan (CIP) and bridge standards for its bridge system, which will be reviewed and updated during each annual budget cycle and used in the overall CIP of the County. The proposed bridge replacements represent improvements to six of the top eight critically listed structures in the bridge CIP. County road standards were adopted in August 2005, and a transportation study was prepared in April 2006 that addresses maintenance of the roads in the northern portion of the County. A CIP for the County's roadways is expected to be completed in 2007.

The applicant stated that deterioration of the six bridges is primarily due to the advanced age of the structures and could not have been prevented by operation and maintenance (O&M) activities. The structures have simply exceeded their useful life. The MDOC review team concluded that the County's O&M practices related to the bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because TSEP funds were not considered to be critical to the project, since some of the bridges could be replaced with the County's own funds.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with local reserves. The County passed a resolution that commits $280,000 from the bridge budget to fund the proposed project. The applicant evaluated 19 different funding sources; some potential sources were contacted directly. However, the sources were either unable or unwilling to commit to any funding assistance.

The applicant stated that if the TSEP grant is not received, the proposed project would not move forward as planned; at best two of the six bridges would be replaced.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that a specific business has not been identified for expansion or creation as a result of the proposed project. However, it would help maintain the present businesses.

The Lump Gulch Road bridge serves as the primary access for two local lumber businesses in the area. The applicant stated that the bridge's closure could result in the decline of sales and potential layoffs. The bridge also serves as primary access to national forest land. The applicant stated that a large logging contract utilizing that land is currently being reviewed; and private mining claims are being explored that could develop into full mining operations. No evidence was in the application to verify these statements.

The Sloans Lane bridge provides a key link between farming and ranching communities in the upper Boulder valley. In addition to livestock grazing, hunting and recreational activities, this structure provides access to residential development.

The High Valley Road bridge serves as the sole access to three full-time residents, and many ranching and logging operations. Closure of the bridge would impact the logging businesses as there is no other viable route to access the timbered lands. The applicant stated that closure of the bridge would have an adverse affect on the local economy, since lumber is shipped to a local mill within Jefferson County; and without this lumber, the local mills could potentially lay off employees.

The Forcella Road and Parrot Castle Road bridges are utilized by a local meat packaging plant, whose business depends on a reliable bridge that can support the heavy livestock truck traffic. The Parrot Castle bridge also serves as a primary dairy route for local ranchers.

The KG Ranch bridge provides a vital link between the Jefferson Valley and Three Forks, and provides access to an area cattle company. The bridge also provides access to the Jefferson River for recreationists. The applicant stated that a 200-lot subdivision along the KG Ranch Road, which would utilize the bridge, has preliminary plat approval. A copy of the preliminary plat was not included in the application, but approval of two smaller subdivision plats were noted in a copy of the commission's March 28, 2006 public hearing minutes.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant conducted only one hearing.

Rationale: The applicant stated that eight land owners were in attendance at a public hearing held at 2:15 p.m. in the county commission chambers on March 28, 2006, for the purpose of discussing the six bridge PERs, the proposed project and TSEP application, sources of funding, and to notify taxpayers that an increase in taxes would not result from the project. The hearing was advertised in the *Whitehall Ledger* and the *Jefferson County Courier*. The applicant stated that the residents spoke out in support of

the TSEP application and no objections were expressed at the hearing, nor have any been received since the newspaper articles were printed. A representative from the *Courier* was in attendance and reported on the bridge improvements project. Two newspaper articles reporting on the progress of the bridge inventory and the proposed project, as well as the progress on other recent County bridge improvement projects were included in the application. The applicant also included the hearing notice, minutes, a hand out, and the sign-in sheet.

The County sent out sample letters of support to individuals with the idea that educating them on the project, and giving them the ideas for a response, would help the return. Copies of 29 letters of support (representing 12 public and emergency service providers, four area business owners, and 13 property owners) were included in the application. Seven of the 13 residents simply signed and returned the sample letter.

The six bridges represent six of the top eight priorities in the bridge CIP. Priorities number three and five will be nominated for replacement under the MDT's off-system bridge program. Although detailed bridge priorities were not listed in the growth policy, overall bridge maintenance and improvement of the bridges was listed.

Project No. 29
City of Fort Benton – Storm Water System Improvements

This application received 3,500 points out of a possible 4,900 points and ranked 29th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
SRF	Loan	$ 777,500	74th on the SRF priority list
City	Reserves	$ 15,000	Expended on the PER
Project Total		**$1,542,500**	

Median Household Income:	$29,406	Total Population:	1,594
Percent Non-TSEP Matching Funds:	51%	Number of Households:	614

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA	-	Target Rate:	$51.85	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$62.50	121%
Existing Combined Rate:	$55.00	106%	Rate without TSEP Assistance:	$71.70	138%

Project Summary

History – There currently exists an underground storm drain system in several locations throughout Fort Benton. Most of the system was constructed in 1949 and consists of inlets, and primarily vitrified clay pipe, with some reinforced concrete pipe. The drainage area is generally located from 19th Street to 9th Street. The storm drain lines discharge into the Missouri River. Surface drainage ditches are used in other areas of the City for storm water management.

Problem – The City's storm water system has the following deficiencies:

- drainage grates at several intersections are too low causing potential safety and nuisance problems,
- surface runoff is ponding in the streets resulting in failure of adjacent street sections,
- there are ten locations with sixteen inlets where storm water is diverted directly into the sanitary sewer system, which is a violation of the Department of Environmental Quality (DEQ) standards,
- the added flow into the sanitary sewer system reduces the capacity of the existing lagoon and increases lift station pumping costs,
- the storm water inflow has overloaded the sanitary sewer system in the past and caused flooding of basements,
- the storm water inflow reduces the capacity of the sanitary sewer collection and treatment facilities and may prevent future development,
- flooding conditions exist at surface drainage ditches during spring runoff,
- inadequate drainage facilities can result in standing water or icy streets, which creates the possibility of drowning, breeding grounds for mosquitoes, or slips and falls.

Proposed Solution – The proposed project would:

- install new storm drain piping in the 10 areas that currently have storm drain inlets connected to the sanitary sewer system,
- install new storm drains on 21st Street to eliminate the open ditch currently being utilized, and correct other associated runoff problems in this area.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the storm water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including connection of storm water inlets to the wastewater collection system and localized flooding and standing water associated with an inadequate drainage ditch.

The most important deficiency is the existing connection of 16 storm drain inlets directly to the wastewater system. This is an obvious violation of DEQ standards and creates many problems for the town including overloading a sewage lift station, causing raw sewage to back up into homes and reducing the capacity of the existing wastewater lagoon.

Another issue is the insufficient capacity of a surface drainage ditch, which could lead to standing water. Additionally, most of the storm drain inlets are too low, creating safety and nuisance problems. An analysis of the existing capacity of the system shows the system to be generally under capacity. The public health and safety problems tied to standing water include drowning and exposure to West Nile Virus; these problems could potentially occur at some point in the future.

A flood event caused by an ice jam backed water into Fort Benton in 1996. This event flooded 16 inlets connected to the wastewater system, resulting in approximately 40% of the residences experiencing problems with their sewer hookup. Contact between people and raw sewage is a serious health threat likely to occur in the long term.

Statutory Priority #2: Reflects greater financial need.
The applicant received 540 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 26th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 36th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 13.4%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 28th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the CIP is no longer current and does not appear to be actively used.

Rationale: The applicant stated that storm water upgrades and maintenance have been paid for through their street fund. The City expends approximately $3,000 annually, excluding labor costs, for inlets, pipe, curb boxes and asphalt for storm drain issues. Each year, the City also reviews its water and sewer rates. For the past four years, the City has raised its water and sewer rates an average of 5% each year. There was no documentation in the application to support these claims.

The applicant stated, for this project, they implemented a new storm water enterprise fund. A copy of the ordinance creating the fund was included in the application. The applicant stated they are proposing to assess an annual charge of $30.00 per parcel plus a $0.03 per square foot charge of impervious area. The proposed rates should generate sufficient funds to cover operation and maintenance (O&M) expense, plus debt service and its associated coverage requirements.

The applicant stated they had an engineering firm complete a storm drainage system evaluation report in 1980. Due to cost considerations, the City has been implementing small components of the report with its own crew, which involved installing two inlets per year for the past several years. In 1989, an infiltration and inflow analysis of the sanitary sewer system was completed as part of a sewer upgrade project. In 1996, the City replaced several blocks of water main, installed water meters, and upgraded its disinfection system.

The applicant stated that the City prepared a street inventory, which was included in the application. The cost to make needed street improvements exceeds $2.4 million. One of the long-term goals of the City is to do a comprehensive street improvement project. The initial cost estimate for a total reconstruction of all paved streets is $11.5 million. However, before the streets can be upgraded, the City needs to address its drainage issues.

The applicant stated that in 1999, the City adopted a five-year capital improvements plan (CIP) that covers water, wastewater and streets. The applicant stated the storm drainage system was listed as the number four priority in the CIP and that the top three priorities have been completed over the past several years. However, it does not appear that the CIP has been updated since its adoption. The applicant stated that in 2003, they adopted a growth policy plan. Several issues were identified that were associated with storm water management.

The applicant indicated that on May 1, 2006, the City adopted a storm water drainage ordinance. The ordinance makes it unlawful to cross connect a sanitary sewer service with the storm drain, requires the development of a drainage plan for subdivision plats and building permits, and addresses open flow channels and natural drainage ways.

The applicant indicated they submitted a request to Bear Paw Development Corporation for assistance on this project. The project was added to Bear Paw's comprehensive economic development strategy.

The MDOC review team concluded that the City's O&M practices related to the storm sewer system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds are not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with an SRF loan. The applicant stated that they evaluated all funding programs before selecting its funding package. In addition to SRF, the applicant discussed using RD, CDBG, Coal Board, RRGL, STAG and WRDA grants.

The applicant stated that the City evaluated various options for funding its share of the proposed project costs, including a general obligation bond, special improvement district, or enterprise fund to repay the revenue bond provided by SRF. The City chose to create an enterprise fund so that it can truly assess users based on their impact to the system. The City will be assessing by the impervious surface on the property. Hence, those property owners who contribute to the drainage issue would pay for the improvements. The general obligation bond was eliminated because the City currently has a general obligation bond of approximately $250,000 for the swimming pool and could only secure another $500,000 in general obligations bonds. A special improvement district was eliminated because the fairest way to assess the property for storm water impacts would be by the square feet of the property. The problem would be that property owners with a large amount of property within the district, even if the property is undeveloped, would be paying a large amount.

The applicant stated the City finalized the ordinance that established the storm water drainage utility system on May 1. The associated charge with the ordinance becomes effective October 1, 2006. Hence, the funding mechanism for the debt service is in place.

The applicant ranked 74th on the SRF priority list; therefore, the City is eligible to apply for the loan. The applicant stated that they could submit a request to RD for a grant and loan package. However, based on conversations they had with RD staff, there would be very little grant funds for the project. The applicant discussed that they were not eligible for a CDBG or Coal Board grant, they did not have quantifiable data on conservation of resources to be competitive for an RRGL grant, and that they did not complete the preliminary engineering report in time to apply for a State and Tribal Assistance Grant (STAG) or a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant.

The applicant stated TSEP funds are critical to this project and without the TSEP funds, the City would proceed with the proposed SRF loan and utilize a phased approach. The City would then target only the critical improvements to the system, such as the connections to the sewer system. However, the City will eventually need to make all the recommended improvements. Thus, the City would have to borrow additional funds or complete smaller sections of the system as funds become available, resulting in a substantial delay in the project and continued deterioration of the streets.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater/storm water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated the proposed project would not directly result in the creation of any long-term, full-time jobs, or business expansion.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to conclusively demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that on March 20, 2006, the City held a public meeting at 8:00 p.m. in the council's chambers to discuss the results of the PER. The sign-in sheet for the March 20 meeting included 12 names, at least 10 of which were public officials or employees. On April 17, 2006, at 7:30 p.m., the City held a reading of the storm water ordinance, with the second reading held on May 1. On May 1, 2006, the City held another 8:00 p.m. public meeting in the council chambers to discuss the TSEP application. The sign-in sheet for the May 1 meeting contained 24 names, at least nine of which were public officials or employees. The agendas and legal notices for the March 20 and May 1 meetings were also contained in the application.

Starting with the November 23, 2005 issue of the *River Press*, the public was informed of the potential rate increases for the storm drainage project. The amount has varied as the City evaluated the different funding mechanisms. The amounts reported in the *River Press* in March and May of 2006 accurately reflect what was presented in the application. Copies of the news articles, sign-in sheets, meeting minutes, and agendas for the meetings were included in the application. There were about 16 newspaper articles since January of 2005 included in the application, which contained some discussion on the storm drainage project. There were about four additional articles included in the application documenting flooding from February of 1996.

The applicant stated the storm drainage system was listed as the number four priority in the 1999 CIP and that the top three priorities have been completed over the past several years. This improvement project was also a top priority in the 1980 storm drainage study. The City completed a needs assessment survey during the development of the growth policy; of those surveyed, 38% rated the drainage as "below average". A copy of the survey was not included to verify this statement. The applicant stated the public seemed to understand the need for the improvements.

Project No. 30
City of Laurel – Wastewater System Improvements

This application received 3,480 points out of a possible 4,900 points and ranked 30th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
SRF	Loan	$3,882,500	83rd on the SRF priority list
Project Total		**$4,632,500**	

Median Household Income:	$32,679	Total Population:	6,255
Percent Non-TSEP Matching Funds:	84%	Number of Households:	2,377

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$27.33	-	Target Rate:	$57.62	-
Existing Wastewater Rate:	$42.40	-	Rate with Proposed TSEP Assistance:	$81.66	142%
Existing Combined Rate:	$69.73	121%	Rate without TSEP Assistance:	$83.64	145%

Project Summary

History – Laurel's wastewater facilities are comprised of a collection system, two lift stations, and treatment facility. The original plant was built in 1941, was upgraded in 1961 and was expanded with secondary treatment in 1985. All portions of the plant are now in excess of 20 years old, with the exception of the plant drain pump, which was replaced in 2004. The collection system was originally constructed in 1910, and the majority of it is comprised of vitrified clay pipe and has been in service for 50 to 100 years. Both pump stations are over 20 years old. In 2004, a new major interceptor was added to the collection system on the west side of town to alleviate an on-going overcapacity issue, and a portion of trunk sewer was replaced on Railroad Street to reduce infiltration induced by local flood irrigation. The City is pursuing replacement of all major trunk mains into the treatment plant with a project in the fall of 2006. These lines currently collect an excess amount of infiltration due to flood irrigation in the fields adjacent to the trunk mains.

Problem – The City's wastewater system has the following deficiencies:
- the Main/Elm Street lift station is about 40 years old and in need of some updating and repair,
- the Village Sub lift station is about 20 years old and in need of some updating and repair,
- the treatment plant grit removal and headworks are aging, have some safety issues, and better technology is currently available,
- primary clarifier piping is inadequate during hydraulic surges and causes some operational problems,
- plant water supply system is inadequate for plant use and building fire protection,
- the secondary rotating biological contactor treatment system does not have adequate redundancy to allow for year round maintenance and may not have adequate treatment capacity to meet future flows, and
- the disinfection system at the treatment plant is not adequate to meet anticipated future discharge permit requirements.

Proposed Solution – The proposed project would:
- replace the Main/Elm Street lift station,

- rehabilitate the Village Sub lift station,
- rehabilitate the grit removal and headworks facilities,
- improve the hydraulics of the primary clarifiers,
- improve the plant water systems to allow for process water and fire protection, and
- expand the existing rotating biological contactor system.

Note: Improvements to the disinfection system will be postponed to a later phase. Therefore, those deficiencies were not taken into consideration in the scoring of statutory priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety in the long-term, including aging lift stations in need of repair, operational deficiencies with the headworks and clarifier piping, and lack of redundancy in the rotating biological contactors. Deficiencies at the existing lift stations, specifically equipment age and condition and the lack of a secondary power source, make failure of the sewage lift stations increasingly probably over time. Failure could cause sewage to back up into residences, resulting in serious consequences such as illness and substantial property loss. Without improvements to correct hydraulic deficiencies and adding secondary treatment equipment redundancy at the treatment plant, eventual process failure will place downstream users at risk of exposure to partially treated or untreated wastewater, which is a clear health risk.

Statutory Priority #2: Reflects greater financial need.
The applicant received 540 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 38th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 48.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 21st highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 10.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 38th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the City is budgeting monies specifically for the purpose of completing capital improvements plan (CIP) tasks, and has had to raise water and sewer rates to meet the demands of the plan. The operating and maintenance (O&M) budgets for the wastewater system have been adequate as evidenced by the nearly $270,000 of reserve used to help fund replacement of sewer main and the treatment plant drain pump in 2004. A sewer rate increase was approved in 2004 to rebuild the reserves; the City has added more than $100,000 to the sewer replacement fund. The City has also raised the cost of impact fees for new hook-ups.

The applicant stated that a new interceptor was added to the collection system on the west side of town in 2004 to alleviate an on-going overcapacity issue, and a portion of trunk sewer was replaced on Railroad Street to reduce infiltration induced by local flood irrigation. The City is planning to award a bid in the fall of 2006 to replace all major trunk mains into the treatment plant, with funding already in place.

The applicant stated that since 2003, the City has been planning for water system improvements by implementing yearly water rate increases. An emergency situation in 2003 at the intake precluded the possibility of waiting for grants and the City took out another loan of $2.54 million to add to existing loans already exceeding $6 million for its water system. All individual service connections are metered. The City has begun a preliminary engineering study on the water system.

The applicant stated that since the end of 2000 the City has completed a needs assessment survey, a separate survey specific to recreation, a flood hazard mitigation plan, a comprehensive five-year CIP that was updated in 2003 (including a structural evaluation of city buildings, and a road inventory and evaluation, 2002), and drafts of a transportation plan and a growth policy. Due to length, the flood hazard mitigation plan was not included in the applicationi; however, the resolution to adopt the plan was included.

The applicant stated that the City has addressed the highest priorities of the CIP: the intake and the affordable housing shortage. The lighting issue was dropped after the public hearing demonstrated lack of support. The second highest priority, a PER for the water system, is expected to be completed this summer along with several street repairs. The proposed project is consistent with the adopted CIP.

The applicant stated that the problems to be resolved by the proposed project are not of recent origin and are not due to poor maintenance; but, rather due to aging of the system. The treatment plant has exceeded permit limits for a period of time, largely due to infiltration, capacity limitations, and increased

permit limitations. The major trunk lines currently collect an excess amount of infiltration due to flood irrigation in the fields adjacent to the trunk mains. The MDOC review team concluded that the City's O&M practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because TSEP funding was not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant is proposing a funding package consisting of a TSEP grant in combination with an SRF loan. The applicant ranked 83rd on the SRF priority list, and therefore, is eligible to apply for the SRF loan. The applicant discussed the CDBG program, but stated that it did not meet the LMI eligibility requirement of at least 51% benefited households. The applicant also discussed the RRGL program, but did not think the proposed project would be competitive in that program.

The applicant stated that without the TSEP grant it would be very difficult to fund the project, since the City already carries a large amount of debt and the user rate would increase to 142% of the target rate with the proposed project.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation or retention of long-term, full-time jobs. However, the proposed project increases the capacity of the treatment plant for future growth.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 2 and received 160 points out of a possible 400 points.

Conclusion: The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting, but did not inform the community about the cost of the project and the impact on user rates. The MDOC review team did not score this priority higher primarily because there was a lack of documentation indicating the community has been adequately informed of the rate increase in a timely manner.

Rationale: The applicant discussed several public hearings and meetings related to the proposed project. The wastewater facility plan was discussed at meetings in July, August and September of 2002. According to the minutes from a hearing in February 2003, a resolution to raise water rates was presented for public comment; seven attendees spoke in opposition and none in favor of the increase. Two additional public hearings were held regarding a CDBG grant application for wastewater

improvements in April and May of 2003. Twenty-three people attended a hearing regarding the TSEP application held in March of 2004, to present the overall project and discuss the various funding sources. Copies of the minutes for each public hearing were included in the application, along with a notice for the hearing in 2004 that was advertised twice in the *Laurel Outlook*. In addition, the applicant included copies of newspaper articles and mailings that have been used to inform the public of the proposed project.

The applicant stated that a more recent public hearing regarding the proposed project was held at 6:30 p.m. on May 1, 2006 in the council chambers at City Hall. The notice of the hearing was advertised once in the *Billings Gazette* (a copy of which was included). The applicant stated that no comments were made in opposition to the project during the hearing; however, only three people were in attendance (two local officials and the consultant) according to a sign-in sheet. A handout of the presentation was available and included in the application, which noted that an increase of up to $11.75 per household may result from the proposed project. However, since only local officials and the consultant appeared to be at the meeting and no minutes were provided, it could not be determined if any residents were informed of the increase.

The applicant stated that the application included letters of support for the project; however, none could be found in the application.

Although the 2000 needs assessment results showed that some respondents to the survey believed that wastewater improvements were a high priority, it was not ranked as one of the top priorities of the City. However, the 2003 CIP identified that sewer replacement on 1st Avenue was the highest ranked wastewater improvement need.

Project No. 31
Yellowstone County – Bridge System Improvements

This application received 3,476 points out of a possible 4,900 points and ranked 31st out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $97,079.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 97,079	Awaiting decision of Legislature
County	Cash	$ 97,079	Committed
Project Total		**$194,158**	

Median Household Income:	$36,727	Total Population:	129,352
Percent Non-TSEP Matching Funds:	50%	Number of Households:	55,228

Project Summary

History – Yellowstone County has identified one bridge in critical condition and in need of replacement. The 11th Street Bridge is located between Poly Drive and O'Malley Drive in Billings. This 46-foot long steel and wood structure was constructed in 1955 and crosses over an irrigation canal. The bridge serves city traffic and is on a heavily used school-walking route. About 100 children per day cross the bridge in the morning and afternoon on their way to and from Highlands Elementary School. The posted load limit of the bridge is six tons.

Problem – The 11th Street Bridge deficiencies include:
- abutment caps are rotting,
- asphalt surfacing is deteriorating,
- guardrails are substandard,
- sight lines are inadequate, and
- mandatory City provisions to provide safe passage for children are not being met.

Proposed Solution – The proposed project would replace the 11th Street Bridge with a new bridge consisting of a pre-cast superstructure founded on steel piles with raised sidewalks on each side.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system are likely to occur in the near-term if the deficiencies are not corrected.

Rationale: The MDOC technical review team noted that the 11th Street Bridge had an NBI sufficiency rating of 42%. The structure rating was a three; the lowest condition rating was a five for the substructure.

Statutory Priority #2: Reflects greater financial need.
The applicant received 576 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 49th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 37.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 44th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 11.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 35th highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	104
The number of bridges over 20 feet that the County is responsible for maintaining.	150
Total available funds per county maintained bridge.	$9,887

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought the cost estimate appeared to be low. Additionally, there was inadequate consideration of how the sidewalk would tie-in to the bridge.

The proposed sidewalk over the bridge will need to be tied into the existing sidewalk on both sides of the bridge. Although current slopes approaching the bridge are not compliant with the Americans with Disabilities Act, grades cannot be made worse. Since the sidewalk over the bridge is raised, tie-ins should have been calculated and additional sidewalk replacement accounted for, even though the City of Billings will be responsible for the work off of the bridge.

The PER mentions conduits on the bridge will be relocated onto the new bridge, but does not provide detail. Since the new bridge will be located in the same place, it should have been addressed what happens to the conduits and their contents during construction. At the very least, coordination with the

utility companies should have been mentioned. The geotechnical report also states that at the northwest corner of the bridge there are underground utilities and overhead power lines, making a boring not feasible at this location.

In order to select the preferred alternative, the design criteria should have included the proposed lane, shoulder and sidewalk widths. Shoulder widths were not discussed in the PER. Bicycle traffic over the bridge was discussed in the report as a safety issue, but no discussion on a solution was addressed. Also, the dimensions of the existing channel width and side slopes to be matched should have been shown. Also, the design speed of the road should have been provided to justify the traffic railing provided over the bridge.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because there was little discussion of other planning efforts.

Rationale: The applicant stated they have generally adhered to their three year and twenty year bridge replacement plans. The replacement plans were developed using sufficiency ratings, traffic volume, and public safety considerations. The County currently has an engineer under contract to inspect all bridges less than 20 feet in length and provide an NBI rating for each bridge. The engineer compiles these inspections along with the inspections performed by the Department of Transportation (MDT) into a final report, which the County uses to revise the replacement plans.

The applicant stated that they have been replacing bridges at the average rate of three per year for the last ten years and have replaced 24 bridges since 1996. The County is currently under contract for the replacement of two bridges and is preparing plans for two others in 2006.

The applicant stated that they perform ongoing maintenance in-house for all the bridges and budget for the replacement of deficient bridges. Bridge replacements are provided for by a dedicated bridge replacement fund, which is funded primarily by gas and road tax money received from the State.

The applicant stated that this bridge has been in the replacement plan and that they have been progressing toward the replacement of this bridge since 1995. The applicant stated the bridge is incorporated in the urban area transportation plan for Billings; however, no specific references to this bridge in the 2005 plan could be found in the application.

The applicant stated the health and safety problems of this bridge are due to its location and its construction being of a type that would not be expected to greatly exceed the 50 years that it has been in place. The MDOC review team concluded that the County's operation and maintenance practices related to the bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with county bridge funds. The applicant stated that they currently use all of the funding

sources available. The applicant stated that sixteen of the nineteen bridges that have been replaced since 1996 have been funded solely from the bridge budget. The MDOC review team noted that this number of bridges conflicts with the number that the applicant stated in their response to statutory priority #4. The applicant stated the MDT off-system bridge replacement program funded the replacement of additional bridges and that a grant from the U.S. Forest Service funded the replacement of three timber bridges. The applicant stated that there are a number of funding sources of potential dollars such as the urban pilot program, gas tax funds, and private developer related dollars for other urban roadway projects that will address existing congestion, traffic mobility issues, and some safety issues, but not bridges. The applicant stated that they believe the only funding available for this bridge is through TSEP.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant did not reference any particular jobs or businesses that are dependent upon the proposed project; the project simply provides the infrastructure necessary for safe passage and continued growth.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that a letter notifying both the City and school-based organizations was sent out January 13, 2006 for a meeting held January 26 at 2:00 p.m. at the public works office. The letter was included in the application. This was an informational meeting to bring awareness to all entities affected by the 11th Street Bridge. Eleven persons, all of whom were public officials or consultants, attended this meeting.

The applicant stated meetings were held with a neighborhood steering committee on February 1, 2006 at 6:30 p.m. at the city library, and with the parent teacher student association (PTSA) on February 14, 2006 (time and place unknown). Fifteen persons attended the meeting on the February 1 and ten persons attended the meeting on the February 14. At least three of the attendees on February 1 and one of the attendees on February 14 were public officials or engineering consultants. These meetings were to bring public awareness of the intent to replace the bridge and to encourage and gain public support. Agendas for these two meetings were included in the application.

The applicant stated they held a public hearing on April 18, 2006 at 9:30 a.m. at the county courthouse to discuss the proposed project. The local television station broadcast the public hearing. Twenty-two persons attended that meeting, including at least four public officials or engineering consultants. The hearing notices from the *Billings Gazette* and the agenda were included in the application.

Thirty-one letters of support were received encouraging the replacement of the bridge. Twenty-five of the letters were from residents or parents of school children that use the bridge. Other letters of support came from the MDT, the public works department, the city fire chief, the Highland PTSA, the Montana Parent Teacher Association, and the Highland School principal.

Project No. 32
Town of Neihart – Water System Improvements

This application received 3,392 points out of a possible 4,900 points and ranked 32nd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $223,000 contingent upon TSEP funds becoming available.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$223,000	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
CDBG	Grant	$100,000	Applied in May 2006
Town	Cash	$ 25,000	Committed
Project Total		**$448,000**	

Median Household Income:	$21,458	Total Population:	91
Percent Non-TSEP Matching Funds:	50%	Number of Households:	95

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$40.00	174%	Target Rate:	$23.03	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$40.00	174%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$57.10	248%

Project Summary

History –Neihart obtains its drinking water from O'Brien Creek and Shorty Creek, which are diverted near their confluence into a one million-gallon exposed raw water reservoir. The O'Brien Creek main conveys water from the treatment plant to U.S. Highway 89 and the distribution system, which consists of about 13,000 feet of pipe. Recent improvements project include: a 100,000-gallon water tank in 1980, reservoir dam reconstruction in 1981, various water main replacements projects in 1987, a surface water treatment facility in 1996, U.S. Highway 89 water main replacement in 1997, and installation of water meters in 2004. The Town has been under a boil water order or a health advisory since the surface water treatment plant was installed in 1996 due to numerous violations of the treated water turbidity standard.

Problem – The Town's water system has the following deficiencies:
- the O'Brien Creek main, which consists of 113 year-old cast iron pipe with caulked lead joints and is buried on two to four feet deep, has had frequent breaks,
- the O'Brien Creek main is fully exposed where it crosses Belt Creek and is susceptible to freezing and flood damage, and
- the treatment plant has often been in violation of turbidity limits because of sudden changes in raw water quality.

Proposed Solution – The proposed project would:
- replace 4,200 feet of the O'Brien Creek main, and
- modify the controls and chemical feed at the treatment plant by purchasing and installing an ion sensor and paced chemical metering pump.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including violations of treated water quality standards due to inadequate treatment. The Town has been under a boil water order or a health advisory almost continuously since the surface water treatment plant was installed in 1996. The treatment plant has an extensive history of water quality violations especially in regards to finished water turbidity. Many of these violations have occurred in conjunction with periods of rapidly changing raw water quality.

Leakage and loss of water supply due to the poor condition of the O'Brien Creek treated water pipeline presents potential health and safety problems in that the water supply is in jeopardy of being severed from the Town. The exposed pipe where the O'Brien Creek treated water pipeline crosses Belt Creek appears to be susceptible to being washed out in a flood, which would leave the Town with no water until repairs were completed. The system violates numerous state health and safety standards including bury depths, high water pressures, lead pipe joint materials, inoperable valving, and the unrestrained exposed creek crossing.

Statutory Priority #2: Reflects greater financial need.
The applicant received 792 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 5th level and received 360 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 3rd lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 60.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 6th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 21.7%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 7th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that a complete description of the water treatment facility was not provided. In addition, there was only a cursory analysis of some of the potential treatment alternatives.

A more complete description of the water treatment facility would have been useful in evaluating the potential improvements analyzed. Also, additional documentation of the reported water quality violations including copies of the health advisory or boil water orders would have been useful.

The alternatives analysis in the PER dismisses additional treatment processes that could provide better and more reliable treatment with only minimal analysis citing higher costs and additional operation and maintenance (O&M) requirements as the primary reason for not considering them further.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that the Town raised their water rates when it became clear that the old rate was inadequate to fund the necessary water system operations. The applicant included a resolution that increased user rates effective March 1, 2006, but no information on past increases. A new operator was hired a few years ago for the water treatment plant, and an annual fire hydrant and valve exercising program has been implemented. Several projects have been completed over the years including: a 100,000-gallon water tank was added in 1980; reconstruction of O'Brien Creek Reservoir Dam in 1981; replacement of various water mains on the north end of U.S. Highway 89 and Madison Street in 1987; construction of the water treatment plant in 1996; replacement of the water main on U.S. Highway 89 in 1997; and installation of water meters in 2004.

The applicant stated that the Town has utilized capital improvements planning for many years, and referred to a CDBG application submitted in 1984 that incorporated a capital improvements plan. A new fire station was constructed six years ago. A public hearing was conducted in March 2006 to review the current public facility needs for Neihart. Documentation of the hearing or the CIP in the application was not found in the application; therefore, the MDOC review team could not confirm what information was contained in the CIP.

The MDOC review team concluded that the Town's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all

appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, and RRGL grants, in combination with local funds. The Town passed a resolution committing $25,000 to the proposed project. Although not described in the applicant's response to this priority, the applicant evaluated all applicable grant and loan programs elsewhere in the application. The applicant stated that if grants are not awarded, the Town would reduce the scope of the project rather than borrow additional funds.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the Town has the potential to attract other businesses, given the outstanding recreational opportunities available in this area, and the proposed project would encourage business expansion and revitalization. However, the applicant did not discuss any specific business expansion or job creation that would result directly from the proposed project.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 3 and received 240 points out of a possible 400 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that a public meeting was held on March 7, 2006 to gather input on the Town's overall needs and options to fund those needs. The applicant reviewed the current public facility needs for Neihart including roads, fire protection, the individual sewer systems, and the water system. Neihart chose to focus their efforts and very limited capital funds on improvements to the water system. There was no documentation for the March 7 meeting. A second meeting was held at 7:00 p.m. on April 4, 2006 in the senior center. Fourteen residents attended this meeting, which focused on the proposed project. A presentation was provided addressing problems, alternatives, recommendations, and funding plans. Since no loan is involved to fund the proposed project, no increase in user fees was discussed. The minutes and a sign-in sheet from the April 4 meeting were included in the application. There was no discussion or documentation showing that the April 4 meeting had been properly advertised.

The applicant stated that nearly 50% of full-time residents wrote letters of support. Letters of support included in the application were from the system operator, city-county health department, U.S. Forest Service, and 17 residents.

Project No. 33
City of Three Forks – Wastewater System Improvements

This application received 3,380 points out of a possible 4,900 points and ranked 33rd out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000 contingent upon TSEP funds becoming available.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$1,350,000	Application submitted, January 2006
SRF	Loan	$1,338,738	55th on the SRF priority list
Project Total		**$3,538,738**	

Median Household Income:	$34,212	Total Population:	1,779
Percent Non-TSEP Matching Funds:	79%	Number of Households:	729

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$25.00	-	Target Rate:	$60.33	-
Existing Wastewater Rate:	$20.66	-	Rate with Proposed TSEP Assistance:	$60.65	101%
Existing Combined Rate:	$45.66	76%	Rate without TSEP Assistance:	$66.53	110%

Project Summary

History – Three Fork's original gravity collection system was constructed in 1916. The treatment lagoons were built in 1960. The main lift station pumps sewage to the treatment lagoons via a 12-inch diameter force main. In 1982, the City upgraded the main lift station and constructed two new facultative lagoons with continuous discharge, and the existing lagoon was converted into a storage lagoon and two infiltration/percolation cells. Discharge from the facility is primarily to groundwater, but an under drain system located below the infiltration/percolation cells collects some of the wastewater, which results in a discharge to the Madison River, approximately one mile northeast of the lagoons, via an outfall line.

Problem – The City's wastewater system has the following deficiencies:
- the treatment facility does not meet minimum detention times required by the Department of Environmental Quality (DEQ) standards,
- the storage cell leaks about 15 times the current DEQ standard,
- marginally treated wastewater is most likely reaching the groundwater, which may impact the swimming/fishing ponds that are located only 500 feet down gradient of the lagoons.
- the effluent discharge lift station at the treatment facility, which was designed to pump the treated water to the Madison River located one mile away, is no longer operational,
- the level control structure at the treatment facility is no longer operational,
- disinfection will be required to meet the fecal coliform limit in the next discharge permit,
- the lagoon discharge outfall at the river is poorly configured and results in odors,
- the collection system experiences excessive flow due to infiltration and inflow, and
- pumps in the main lift station are nearing the end of their useful life.

Proposed Solution – The proposed project would:
- construct a three-cell aerated lagoon system and a two-cell constructed wetland with continuous discharge to the Madison River,

- install an ultraviolet disinfection system,
- install new pumps at the effluent discharge station and reconfigure the discharge outfall, and
- replace pumps in the main lift station.

Note: The proposed solution does not propose to resolve the problems related to the infiltration and inflow of the collection system, which are planned to be addressed in the next phase. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted there are various deficiencies that could affect the public's health and safety, including: minimum detention times in the lagoon are not met, leaky storage cells, transport of partially treated wastewater via groundwater to a swimming/fishing pond 500-feet downgradient, an inoperable lift station for transport of treated water, inadequate disinfection to meet anticipated discharge limits, discharge to Madison River results in potential for human contact with wastewater, and pumps in the main lift station are approaching end of useful life.

Partially treated wastewater is discharged onto the river bank about 50 feet from the end of a hiking trail. Partially treated wastewater is in all likelihood reaching the swimming/fishing ponds. With the exception of algal blooms in the recreational ponds, the PER does not identify any illness, disease outbreaks, or other resulting problems. Because these conditions have been ongoing for many years, the situation is static and the public health and safety problems would be considered likely to occur in the long term. However, as the community grows and if public use of the recreational facilities increases, the likelihood that problems will occur increases.

Statutory Priority #2: Reflects greater financial need.
The applicant received 360 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 43rd lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 48.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 20th highest of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 7.7%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 49th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought there was insufficient documentation of the viability of the wetland component of the treatment process. The projected wetland treatment system performance is based upon a performance model contained in draft design guidelines prepared by the DEQ in 2001. These design guidelines were never formally adopted because of general reliability and cold weather performance concerns. Due to the experimental nature of constructed wetlands proposed in this application, the design engineer should have obtained full scale data from similar installations operating in similar climates to help justify the model outputs. This level of effort is more than typically required in a PER; however, the experimental nature of this technology warrants it.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the City has an existing operation and maintenance (O&M) budget that includes adequate funds to allow the City to operate the existing system and clean and inspect collection mains annually. However, while the O&M budget is adequate to maintain the existing facilities and generate reserve accounts, funds are not available for major system upgrades; the MDOC review team could not determine how much was added to the reserve accounts each year. In addition to the various improvements to the wastewater system, as noted in the history section of the project summary, the City also installed aerated windmills to the lagoon system. Altogether, the City has spent over $1.5 million since 1982 on improvements to the wastewater system.

The applicant stated that efforts to maintain and update the City's water system have included upgrading several transmission lines, constructing new wells and adding new controls, installing new fire hydrants, constructing a one million-gallon reservoir, adding chlorination, and removing arsenic and iron sulfate. These improvements, which have been added since 1983, cost approximately $3 million. The City also flushes the distribution system yearly, and has the storage tank inspected by divers every two years.

The applicant stated that the City is in the process of completing a growth policy plan to replace the current master plan dated 1981; however, the growth policy states that it was revised in 2002. Although not discussed in the application, the applicant included documentation of a housing and public facility

needs survey from 2004. Housing and public facility needs were discussed again in 2005 as evidenced by an advertisement included in the application. The applicant also has a comprehensive capital improvements plan (CIP) dated April 2006, which encompasses all the City's infrastructure; the applicant did not discuss whether the CIP has been adopted. Wastewater improvements were listed as a high priority in the CIP. The applicant stated that the CIP is updated on an annual basis and is incorporated in the City's annual budgeting process; however, that statement could not be confirmed based on the information and documentation provided. The applicant also discussed a street maintenance master plan and a street capital improvements plan that the City has been utilizing for the past 20 years; however, these documents were not included in the application.

The applicant stated that the current deficiencies with the City's wastewater facilities are largely due to the age of the system components and the era of construction. The MDOC review team concluded that the City's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because TSEP funds were not considered to be critical to the project.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and STAG grants, in combination with an SRF loan. The project is ranked 55th on the SRF priority list therefore, the Town is eligible to apply for the loan. The applicant has submitted an application for a State and Tribal Assistance Grant (STAG). Applicant stated that while the City is eligible for an RD loan, their loan rates are higher than the SRF loan rates. They are also not eligible for CDBG grant funds as their percentage of LMI is too low. The applicant stated that EDA was not considered for the proposed project because the project would not meet the EDA requirements of job creation.

The applicant stated that the project will likely not proceed without the TSEP and STAG grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would directly impact the City's growth potential; however, the applicant did not have any specific examples of jobs created or businesses that would be affected.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or

meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that five meetings were held from 2002 to 2005 specifically to discuss the growth policy plan and community needs. The applicant discussed two PER work sessions on January 19 and February 6, 2006. Two residents along with local officials and consultants attended a public hearing to discuss the proposed project, which was held on March 13, 2006 at 7:00 p.m. at the city hall. The hearing was advertised in the *Three Forks Herald.* The applicant included the hearing notice, minutes, sign-in sheet, and a handout that explains the project in detail. The recommended funding strategy and the resultant user rate were specifically discussed and are also stated in the handout. In addition to the hearing, a community open house was held in the morning on Saturday, March 25, 2006 from 9:00 to 11:00 to give citizens an additional opportunity to offer final comments; however, the applicant did not state how many people attended the open house. The open house was also advertised in the *Three Forks Herald*, which was included in the application. Finally, a public meeting was held on March 28, 2006 to adopt the PER and authorize the submittal of the TSEP application. Minutes for this meeting were also included in the application; the applicant also stated that the notice and sign-in sheet were included, but they could not be found. Once again, it could not be determined how many people attended the meeting. The applicant stated that the meetings and hearings in 2006 were publicly broadcasted on a local public TV station.

Letters in support of the project were received from 12 residents, four local businesses, four council members, and the public school superintendent. Housing and public facility needs were discussed in 2005, but the applicant did not provide any further information or the results. The proposed project is a high local priority as shown in the CIP.

Project No. 34
Town of Manhattan – Water System Improvements

This application received 3,348 points out of a possible 4,900 points and ranked 34th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC recommends the requested TSEP grant of $750,000 contingent upon TSEP funds becoming available.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Loan	$1,802,000	Not yet on the SRF priority list
Project Total		**$2,652,000**	

Median Household Income:	$38,242	Total Population:	1,396
Percent Non-TSEP Matching Funds:	72%	Number of Households:	621

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$24.95	-	Target Rate:	$67.43	-
Existing Wastewater Rate:	$45.20	-	Rate with Proposed TSEP Assistance:	$86.90	129%
Existing Combined Rate:	$70.15	104%	Rate without TSEP Assistance:	$93.78	139%

Project Summary

History – Manhattan's water system was built in 1912. The system's original source of water is from an infiltration gallery on a spring located 3.5 miles south of Town. A gas chlorination system is used to treat the spring water. Wells were drilled in 1956 and 1965, and two more wells were drilled in 2001. A major renovation of the distribution system was completed in 1966, and a wood stave pipe used as a transmission line from the spring was replaced in 1985. The system has no storage facilities; pressure is maintained by continuous pumping. A booster station is used to maintain pressure during low flow conditions. Wells are started as needed if the pressure drops too low. A second 250,000-gallon storage tank and its associated water mains will be constructed by several developers that are building subdivisions adjacent to the Town.

Problem – The Town's water system has the following deficiencies:
- undersized distribution lines,
- no storage facilities,
- potential for backflow,
- insufficient fire flow,
- insufficient security at the chlorination house,
- no automated backup power at three of the wells, and
- no water meters at individual services.

Proposed Solution – The proposed project would:
- install a 250,000-gallon storage tank and 5,100 feet of associated water mains,
- install telemetry and backup power at each source,
- fence the chlorination house, and
- install approximately 700 service meters with backflow prevention devices for all users.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including complete lack of storage, no backflow prevention, and lack of generators with automated activation for the wells and booster station during a power outage.

The Town has no water storage other than water in the gravity line from the existing infiltration gallery. There are generators for wells, but these need to be started by hand. There is no automated backup power at any of the Town's supplies. There is a substantial risk for backflow conditions to develop if power is lost during a high-demand period such as a fire event. Lack of any storage leaves the entire town vulnerable to escalation of fires since there is very little protection available under normal operations and extremely little flow if all power is out and the wells generators are not activated.

The very high rate of population growth, nearly 26% for the decade of 1990-2000, and much, much higher projections for the next 20 years makes improvements to the water system all the more essential.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 50th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 31st highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 7.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 50th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that there was no equivalent comparison of costs to achieve 500,000 gallons of storage or a comparison of tank construction materials. Some alternatives included significant contributions by developers to achieve the needed storage, while others did not. This did not appear to provide an even basis for comparison of alternatives.

The PER stated that the DEQ completed a source water protection program and found that there was a high potential for contamination at the infiltration gallery. Means of mitigating this vulnerability were not addressed, though there were apparently no significant contamination sources found.

The water supply at the spring/gallery was not examined in any detail in the PER, and the issue of potential contamination was not addressed. Though this source is chlorinated, potential contamination from animal wastes would warrant discussion.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of inadequate documentation.

Rationale: The applicant stated that the Town's water utility is financially self-sufficient from user rates, fees, reserves, and miscellaneous sources; a financial report confirmed this statement. The applicant also stated that the Town is moving forward with rate increases and impact fee increases, but did not elaborate; however, documentation was provided for several meetings and hearings dating from May 2001 to the present that dealt with user fee increases and impact fees. The proposed project includes the installation of water meters in order to charge users based on water consumption. The applicant stated that a source water protection plan was prepared by the Department of Environmental Quality (DEQ) in 2005; however, the applicant did not provide any documentation and the MDOC review team verified with DEQ that they only completed a source water delineation and assessment and not a source water protection plan.

The applicant stated that the Town adopted a five-year capital improvements plan (CIP) in 2003 and updated it in 2004. The CIP is reviewed and updated every year during the budget process. Very little of the plan was included in the application, and therefore, it could not be determined what is included in the plan or how projects are prioritized. The CIP also alluded to a community needs assessment being completed, but it also was not specifically mentioned by the applicant or included in the application. The applicant stated that a resource team assessment has been completed, but provided no other information or documentation related to the assessment.

The applicant stated that the problems are not a result of inadequate operations and maintenance (O&M), but originate from lack of funding for necessary upgrades as the system has aged and regulations have become stricter. The MDOC review team concluded that the Town's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 3 and received 360 points out of a possible 600 points.

Conclusion: The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the Town has not yet requested to have the project placed on the SRF priority list.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The applicant discussed several other grant and loan programs, and why they are not eligible for grants from the programs. The Town has not yet requested that the proposed project be included on the SRF priority list; therefore, the Town cannot apply for the loan.

The applicant stated that the TSEP grant is not essential to obtaining the other funds, but the project would not be completed without the grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. The Town has had discussions about large-scale retail centers locating in Manhattan, but without adequate storage and fire protection, such job-creating development could not be considered.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because of inadequate documentation.

Rationale: The applicant stated that the Town asked held a public meeting at 7:00 p.m. on April 11, 2006 at the town's meeting room. In addition to local officials and consultants, five residents attended the meeting. The PER, the financial strategies for funding the preferred alternative, and the projected increase in user fees was discussed. Copies of the meeting notice, minutes, and sign-in sheet were included in the application. An overview of the proposed project was presented to the Rotary Club on April 20, 2006. Documentation was provided for several other meetings and hearings from May 2001 to January 2006, which dealt with user fee increases and water meters.

The applicant included letters of support from six residents, one business, the local school superintendent, and the local volunteer fire department.

The applicant stated that the proposed project is a high priority the CIP; however, the applicant did not provide enough of the CIP to verify that the proposed project is a high priority.

Project No. 35
City of Cut Bank – Water System Improvements

This application received 3,340 points out of a possible 4,900 points and ranked 35th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 550,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$ 450,000	Applied January 2006
SRF	Loan	$ 229,000	Not yet on the SRF priority list
Project Total		**$1,329,200**	

Median Household Income:	$33,885	Total Population:	3,105
Percent Non-TSEP Matching Funds:	59%	Number of Households:	1,404

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$38.00	-	Target Rate:	$59.75	-
Existing Wastewater Rate:	$23.00	-	Rate with Proposed TSEP Assistance:	$61.00	102%
Existing Combined Rate:	$61.00	102%	Rate without TSEP Assistance:	$63.66	107%

Project Summary

History – Cut Bank's water system was built around 1914. At that time, the water distribution system primarily consisted of galvanized and cast iron pipe. In 1935, a one-million gallon buried concrete tank with a wood frame roof was constructed, which has since been rehabilitated. The original treatment plant was built in 1950, and then converted to a conventional flocculation, sedimentation, and rapid sand filtration treatment system in 1975. A one-million gallon steel water storage tank was constructed in 1975, along with some intake improvements. The City recently upgraded its water intake on Cut Bank Creek to improve the ability to collect water during low flows, made some improvements to the water treatment plant, and constructed a new off-stream reservoir to deal with rapid turbidity increases in Cut Bank Creek and provide additional storage.

Problem – The City's water system has the following deficiencies:

- Cut Bank Creek experiences rapid changes in turbidity and color and very low stream flows,
- during low flows of the Creek the City is forced to place restrictions on water use,
- existing off stream storage may not have sufficient capacity to meet demands during low flow events of long duration and there is a serious risk of running out of water,
- the treatment plant has no redundant backwash pump, no redundant flocculator, and the sedimentation basin is undersized,
- the distribution system has pipes that are undersized and corroded,
- much of the system has deficient fire flow capabilities,
- leakage in the distribution system and the frequency of repairs are very high,
- heavily corroded pipelines encourage the growth of biofilms, which harbor bacteria and makes it difficult to maintain a good chlorine residual,
- heavily corroded pipelines also inhibit flushing velocities, and
- low pressures could result in backflow and associated contamination.

Proposed Solution – The proposed project would:

- ❑ expand existing off stream raw water storage by adding a new pond adjacent to the existing pond to double the pond volume, and
- ❑ add a backwash pump.

Note: The proposed solution does not propose to resolve the problems related to the distribution system, or the flocculator and sedimentation basins at the treatment plant as these are scheduled for later phases. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there is one major deficiency to be resolved by the project that could affect the public's health and safety. This deficiency is the potential loss of water, which in turn would lead to loss of system pressure and subsequent infiltration. In addition there would be a complete loss of water for all services.

To aid in providing water, the City recently constructed a new intake and off-stream storage reservoir with a capacity of 95 acre-feet. The reservoir is sufficient to meet City demands during low flow events of short duration. However, there is not sufficient capacity in the reservoir to meet demands during long durations of low flow events. The proposed project would double the existing 95 acre-feet of raw storage recently added in the previous phase.

The loss of water supply is probable at some point in the future if no changes are made. Based on stream flow data, there were several years in which the existing storage would have been inadequate to meet the City's demands for the long duration low flow events. The City has been forced to place restrictions on water use and the restrictions have been severe in some years; however, those restrictions pre-dated the recently constructed raw storage reservoir..

Statutory Priority #2: Reflects greater financial need.
The applicant received 360 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

□ The applicant's Median Household Income (MHI) is the 42nd lowest of the 57 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 33.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 51st highest of the 57 applications.**
- The percent of persons living at or below the *Poverty* level is 12.4%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 30th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 5 and received 700 points out of a possible 700 points.

Conclusion: The applicant conclusively demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

Rationale: The applicant stated that the City formed a citizen advisory committee to help the City address water supply concerns, and one of the primary water system goals identified is to improve the reliability of its water supply. The City recently raised water rates to fund the proposed improvements, and to fund an annual program of upgrades. The City raised rates by 55% in the past to address water system needs and to assess additional fees to allow for an annual program of water system replacements; the applicant included an article from 1998 that discussed the City's plan to raise rates by 55%, but no other documentation was included to verify that it actually was raised. The City has budgeted approximately $103,000 (averaged) each year for improvements. The City routinely exercises water main valves and fire hydrants, and performs periodic flushing.

The applicant stated that the City increased sewer rates to fund improvements in 1997. The sewer budget includes approximately $30,000 annually for ongoing replacement of which $10,000 is dedicated to aerator replacement over the next five years. All collection system lines are flushed annually.

The applicant stated that the City's streets program sets aside $30,000 for annual street and drainage improvements. A detailed street inventory has been prepared that fully characterizes the condition of streets and makes specific recommendations for reconstruction, overlay and chip seal. The solid waste budget allows for a schedule of container replacement and truck replacement. In addition, the City plans to add trails, a new skate park is in the works, and the City recently approved a bond to build a new nursing home.

The applicant stated that it has had a capital improvements plan (CIP) since 1998, which was subsequently updated in 2003 and 2006, and is tied to the City's budgeting process. The five-year CIP addresses the City's water and wastewater systems and its streets. The City completed a growth policy in 2005. The proposed project is consistent with both the CIP and the growth policy. The City and

Glacier County prepared a comprehensive plan in 1971, and the City created zoning regulations in 1971; the application did not contain any documentation related to the comprehensive plan or regulations.

The applicant stated that the City has repeatedly solicited public comment regarding local issues over the past several years, including a needs assessment accomplished by the City and the County in 1998, a community housing and household survey in 2001, a business survey in 2002, and a rural resource team assessment in 2002. Approximately 300 people participated in the team assessment. The planning board and GAIN Development, Inc. also worked together to develop a listing of important issues. As a result of the resource team report, the City has put together several committees for community projects. The application included the results of the business survey and a blank survey form for the housing survey, but no documentation for the other surveys/reports mentioned. In particular, the applicant stated that both the 1998 needs assessment and the 2002 resource team report was included in the application, but they were not in the spaces indicated that they would be found; those spaces were empty.

The applicant stated that the City is a partner in an interlocal agreement with Shelby and Conrad that allows the group of cities to purchase equipment together and share in its use. Each community initially invested $100,000 and invests $20,000 annually. The agreement has purchased over 24 pieces of equipment needed for street, water and sewer maintenance. Examples include a sewer camera, bucket truck, sewer jet truck, mower and gravel screen.

The applicant stated that the proposed improvements to the water system are not due to inadequate operation and maintenance (O&M), but rather to natural conditions or age. The water supply problems are due to the depth of stream during low flow and the inability to direct water to the plant during these low flows. The distribution system improvements are needed to address design deficiencies for the small lines and the age of the pipe. Much of the pipe is over 90 years old and has reached the end of its service life. The MDOC review team concluded that the City's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 3 and received 360 points out of a possible 600 points.

Conclusion: The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the City has not yet taken the step to get the project placed on the SRF priority list, which could also negatively affect the applicant's ability to obtain a STAG grant.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL and STAG grants in combination with an SRF loan. The applicant discussed other funding programs including CDBG, RD grants and loans, and a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant. These programs would be utilized as a back-up to the proposed funding strategy. The City has not yet requested that the proposed project be included on the SRF priority list, and therefore, the City is not yet eligible to apply for the loan. The applicant has submitted an application for a State and Tribal Assistance Grant (STAG).

The applicant stated that if it is not successful getting either the TSEP grant or STAG grant, the City would pursue a CDBG grant. If it failed to get both grants, the City would reapply the next cycle.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed

improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, the City cannot attract new business or even keep existing business without a reliable water supply, and the proposed project would provide the opportunity for new entities to move into the community increasing the tax base.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because of lack of documentation and the applicant did not adequately demonstrate that is strong public support from local residents.

Rationale: The applicant held its first public meeting about the proposed project in December 2004, at which time the engineer discussed the problems with the water system and the potential of connecting to the North Central Montana Regional Water System. A copy of the presentation was included in the application. The next public meeting took place at 6:10 p.m. on December 14, 2005 at city hall. In addition to local officials and consultants, the hearing was attended by seven residents. A copy of the meeting notice, minutes, sign-in sheet, and presentation were included in the application. A public hearing was held at 7:00 p.m. on January 30, 2006 at city hall. In addition to local officials and consultants, the hearing was attended by two residents. A copy of the hearing notice, minutes, and presentation were included in the application. Each of these meetings and hearings were advertised in *The Cut Bank Pioneer Press.* The PER, including the alternatives, funding strategies, and user rates, was discussed at both the December 2005 and January 2006 meetings. The applicant included a news article from the *The Cut Bank Pioneer Press* dated February 9, 2006 that informed its readers that the city council decided to move forward with the proposed project and there should not be any additional rate increase from the project. News articles were also included that were published after both the December 2005 and January 2006 meetings.

Three letters of public support were provided in the application, including one from the *The Cut Bank Pioneer Press*, State Senator Glenn Roush, and State Representative Llew Jones.

The applicant stated that the resource team assessment report from 2002, showed that water and sewer were identified as the number one priority; however, no documentation was provided and that statement could not be verified from the documentation included in the application. The proposed project is consistent with both the CIP and the growth policy.

Project No. 36
Town of Whitehall – Wastewater System Improvements

This application received 3,324 points out of a possible 4,900 points and ranked 36th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Applied in May 2006
STAG	Grant	$ 820,500	Request to Congressional staff submitted in January 2006
SRF	Loan	$1,161,600	38th on the SRF priority list
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
Town	Cash	$ 180,000	Committed
Project Total		**$3,462,100**	

Median Household Income:	$27,155	Total Population:	1,111
Percent Non-TSEP Matching Funds:	78%	Number of Households:	420

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$25.18	-	Target Rate:	$47.88	-
Existing Wastewater Rate:	$ 6.90	-	Rate with Proposed TSEP Assistance:	$47.88	100%
Existing Combined Rate:	$32.08	67%	Rate without TSEP Assistance:	$58.08	121%

Project Summary

History – Whitehall's wastewater system was built in 1915. It currently consists of a gravity collection system and a lagoon that that discharges to a nearby creek. The majority of the original collection system is still in use. A transmission main and a two-cell facultative lagoon treatment system was added in 1960. The collection system was expanded in the 1960s and 1970s, and some mains were replaced in 1976. In 1987, the lagoon was improved and disinfection of effluent was added.

Problem – The Town's wastewater system has the following deficiencies:

- the existing facultative lagoon system is severely undersized and does not meet Department of Environmental Quality (DEQ) standards for discharging facultative lagoons,
- the lagoons leak approximately 10-12 times the DEQ standard resulting in a discharge of inadequately treated wastewater into the groundwater aquifer,
- the existing discharge does not meet existing water quality standards for ammonia, resulting in ammonia toxicity in the receiving water at low flow conditions,
- the existing discharge cannot meet the anticipated total maximum daily load (TMDL) allocation for Big Pipestone Creek,
- four storm water inlets connected to the sanitary sewer collection system have been identified resulting in inflow sources to the sewer system,
- the wastewater treatment system is under capacity for the existing flows, and therefore, cannot accommodate new residential development,
- excess sludge has accumulated in the lagoons, which reduces the treatment capacity of the lagoons and results in discharge of inadequately treated wastewater, and
- old clay tile mains and a transmission main are deteriorated allowing groundwater to enter the system.

Proposed Solution – The proposed project would:

- replace the existing treatment system with a facultative lagoon, storage lagoon, and slow rate land application system
- install liners in the new lagoons,
- install storm sewer improvements to move the four storm water inlets from the gravity sewer collection system to the storm sewer collection system,
- rehabilitate four sections of collection main, and
- video inspect and clean approximately 15,000 feet of the original clay tile main system and renovate the mains through a combination of lining and spot repairs.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including discharge and excessive leakage of inadequately treated wastewater from lagoons into surface water and groundwater. The lagoon detention time is inadequate and DEQ has stated that discharge limits will be lowered in the next permit cycle. The current system can not meet the new proposed standards.

The preliminary engineering report does not report any previous serious health or safety problems attributable to a deficiency. The leaking wastewater lagoon is contaminating the groundwater aquifer from which area residents obtain drinking water from groundwater wells. The receiving surface water is also infiltrating into the groundwater aquifer and causing contamination. The potential results include sickness and/or disease from water supply contamination in the long term. Sickness and/or disease may also arise from contact with inadequately treated wastewater. Big Pipestone Creek, the receiving water body, flows through ranch areas and is used for stock water, irrigation, and recreation. Environmental pollution is occurring through ammonia toxicity in the receiving water, the impaired status of the receiving water, and significant lagoon leakage to groundwater.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

□ **The applicant's Median Household Income (MHI) is the 18th lowest of the 57 applicants.**

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 67.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 2nd highest of the 57 applications.**
- The percent of persons living at or below the *Poverty* level is 14.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 22nd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the applicant only recently started to utilize some of the various types of planning tools available such as a capital improvements plan (CIP).

Rationale: The applicant stated that the annual operation and maintenance (O&M) budget adequately funds the operation of the existing system, the cleaning and inspecting of the collection system mains on a five year cycle, and builds a reserve fund. The applicant provided three years of financial information; the reserve fund had a beginning balance of $106,636 in 2003, and a total of $173,364 was added to the reserves in 2003 and 2004. The Town has completed several improvements over the years as noted in the history section of the project summary.

The applicant stated that the Town completed a major water system improvements project in the 1990s. In 2004, the Town completed a water main replacement project. Direct cost of the improvements was $89,000 and was paid out of the water system reserve and replacement fund. In 2004, the Town purchased an automated garbage collection system for $168,000, which was paid for with funds from the garbage collection system reserve and replacement fund. In 2006, the Town should finish the final phase of a street surfacing project. Previous phases included surfacing approximately 30 blocks of residential streets, which was paid for out of the Town's street and road fund. The final phase will include surfacing nine blocks at a cost of approximately $100,000.

The applicant stated that the Town completed its first capital improvements plan (CIP) as part of the community needs assessment process that was conducted in 2006. The CIP includes water and wastewater systems, and streets. The CIP and documentation of the needs assessment was included in the application. The proposed project is consistent with both the CIP and needs assessment.

The applicant stated that the problems with the wastewater system are the result of having an older system that was designed to less stringent standards than exist today. The MDOC review team concluded that the Town's O&M practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, and STAG grants in combination with an SRF loan and local reserves. The applicant discussed using other major grant and loan sources, but did not pursue them because of eligibility requirements and interest rates. The project is ranked 38th on the SRF priority list; therefore, the City is eligible to apply for the loan. The applicant has submitted an application for a State and Tribal Assistance Grant (STAG).

The applicant conducted an income survey to reduce its MHI and establish eligibility through the CDBG program. After being reviewed by the TSEP staff, several reported incomes were requested to be verified. This verification process resulted in some reported incomes changing, thereby causing the MHI to increase. This increase caused the target rate to also change, which resulted in the proposed funding package and projected user rates being slightly less than the target rate. In order to bring the projected user rates up to the target rate, the loan amount would have to be increased to approximately $1,185,600, rather than the $1,161,600 presented in the application.

The applicant stated that the TSEP grant is important and will help ensure that the project is affordable to the community.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that with a severely deficient wastewater treatment system, the Town does not have the treatment capacity to accommodate additional development. However, the applicant did not discuss any specific business expansion or job creation.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to

elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to adequately demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that a community needs assessment hearing was held in the town hall at 6:30 p.m. on January 9, 2006. In addition to public officials, 14 residents attended the hearing. The applicant included a copy of the hearing notice and minutes. The applicant stated that a special town council meeting was held in the council chambers at 7:00 p.m. on January 17, 2006 to present preliminary information on the PER and a summary of the projected user rates. The applicant stated that a copy of the minutes and presentation from the meeting were included in the application; however, no documentation was found. However, the applicant did include a news article about the proposed project from the *Whitehall Ledger* dated January 11, 2006, which mentioned the January 17th meeting. In addition, the *Whitehall Ledger* ran a three-part news article covering the information presented at the meeting. Although not discussed by the applicant, the applicant included a copy of a town newsletter dated March 2006, which discussed the proposed project and the income survey that was in progress. A public hearing about the proposed project was held at 7:30 p.m. on April 11, 2006 in the town hall. In addition to public officials, 12 residents attended the hearing. The applicant included a copy of the hearing notice and minutes. A final hearing was held in the town hall at 7:30 p.m. on May 1, 2006. In addition to public officials, nine residents attended the hearing. Information about the proposed project and the community needs assessment was presented at the hearing. The applicant included a copy of the hearing notice, minutes, and a handout. All meetings and hearings were advertised in the *Whitehall* Ledger. Through the various hearings and articles, residents were informed that rates would increase approximately $22, which is 70 cents less than the target rate.

The applicant included letters in support of the project from the Jefferson River Watershed Council, a county commissioner, State Representative Diane Rice, the county extension office, and two residents. Also included in the application were nine articles about the proposed project from the *Whitehall Ledger*, including two editorials, with one in support of the project.

The CIP lists the proposed improvements as a high priority. The needs assessment also showed that the proposed improvements were a priority to the residents that attended the hearings.

Project No. 37
Crow Tribe for the Crow Agency – Wastewater System Improvements

This application received 3,316 points out of a possible 4,900 points and ranked 37th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
STAG	Grant	$1,854,000	Application submitted February 2006
Project Total		**$2,604,000**	

Median Household Income:	$22,438	Total Population:	1,552
Percent Non-TSEP Matching Funds:	71%	Number of Households:	326

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$15.00	-	Target Rate:	$39.57	-
Existing Wastewater Rate:	$25.00	-	Rate with Proposed TSEP Assistance:	$43.10	109%
Existing Combined Rate:	$40.00	101%	Rate without TSEP Assistance:	$49.78	126%

Project Summary

History – The Crow Agency wastewater collection system was first built in 1911. The wastewater collection system consists of approximately nine miles of gravity sewer, one mile of force main, about 190 manholes, and five lift stations. A three-cell lagoon is located northwest of Crow Agency near the Little Bighorn River and is owned and operated by the Bureau of Indian Affairs (BIA). In 1973, a concrete equalizing basin with a chemical treatment system was constructed, but this system was never fully utilized and currently exists in a state of disrepair.

Problem – Crow Agency's wastewater system has the following deficiencies:
- the existing lagoon does not provide adequate detention time to be a facultative lagoon, nor does it provide adequate aeration (mixing) to be an aerated lagoon,
- the existing wastewater treatment system is undersized for the current population and not capable of meeting current or future needs of the community, and
- the existing embankments need repair and additional rip rap.

Proposed Solution – The proposed project would construct a new aerated lagoon at an 80-acre site north of the existing lagoon.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including an undersized, deteriorated and poorly maintained wastewater lagoon.

Lagoon effluent sampling reports for the last two years are included in the updated preliminary engineering report (PER). Lab results indicate that biochemical oxygen demand (BOD) levels exceeded the 30 milligrams per liter permit limit fifteen times since 2004 with a peak concentration of 100 milligrams per liter. Fecal coliform results exceeded the permit limit of 2,910 colony-forming units per milliliter (CFU/ml) seven times, with a peak reading of 92,000 CFU/ml. Poorly treated sewage is being discharge to the river and the presence of the high fecal concentrations pose a serious health and safety risk to downstream users. The lagoon embankments are in a deteriorated condition and the lagoon was recommended for replacement by the BIA.

Statutory Priority #2: Reflects greater financial need.
The applicant received 576 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 5th level and received 360 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 6th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 62.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 4th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 40.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the highest (1st) of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The PER is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that issues not adequately addressed included the lack of flow monitoring and an apparent error in wastewater flow estimating. The only wastewater flow monitoring data discussed in the PER was an effort in 2001 at the two main lift stations that pump all flow

to the lagoon. Average daily flows into the lagoon for that week were reported at 62 gallons per capita per day. This flow rate is on the low end of typical residential sewage flows for small Montana communities and would suggest that there is no infiltration and inflow in the system. This is unlikely given the knowledge that some sewer mains were installed in shallow groundwater. There was no discussion of late-night flows that would help determine the relative portion of infiltration. Few details were included in the PER on the lagoon condition other than a reference to a BIA report that said the lagoon was in a deteriorated condition and needed embankment repairs to protect from further damage.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the Tribe is in the process of taking over the system, which has been operated by the Bureau of Indian Affairs (BIA) and the BIA's operations and maintenance (O&M) practices have been inadequate.

Rationale: The applicant stated the Crow Tribe has not had the management responsibilities for the water system or wastewater facilities because the BIA has maintained these facilities. However, in October of 2004, the Apsaalooke Water and Wastewater Authority was formed. The tribal utility is prepared to take over operation of the facility. The current BIA budget for maintenance of the system is $100,000 and they also assess a combined rate of $40 to help pay for O&M of the water and sewer systems. Documentation of the BIA budget was not found.

The applicant stated that past planning efforts, included the following: three previous preliminary engineering reports (PERs); a rate structure analysis; a water and sewer system capital improvements plan (CIP); a community needs assessment; and two funding strategies. The PERs were completed in 2001, 2003, and 2004. The rate structure analysis was developed in 2002 for implementation upon the formation of a tribal owned utility. The water and sewer system CIP was developed in 2002 in order to prioritize and discuss implementation of needed improvements, and the proposed project is a top priority for Crow Agency. The community needs assessment was conducted in 2002, which included a detailed survey used to determine opinions regarding the needs in the community. Sewage disposal was rated as very important by 84.3% of the respondents, only water quality (taste, cleanliness) rated higher in the public facilities and services category.

The applicant stated the Tribe and the tribal utility authority are actively taking over ownership of the system to ensure its long-term viability. The community desired the construction to begin in 2005, but has been delayed due to lack of funding. The current design of the facility is consistent with the anticipated growth of the area.

The applicant stated the problems are due to the age and size of the system and not the lack of O&M of the system. The problem cannot be resolved through normal O&M; replacement of the wastewater treatment facility is the only viable long-term option. The MDOC review team concluded that the BIA's O&M practices related to the wastewater system appear to be inadequate; however, the Tribe has not been responsible for the wastewater system in Crow Agency.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 3 and received 360 points out of a possible 600 points.

Conclusion: The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this

time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the applicant's interpretation of CDBG eligibility was incorrect and because of the large amount of the STAG grant.

Rationale: The applicant has proposed a funding package consisting of TSEP and STAG grants. The applicant stated that a request for the State and Tribal Assistance Grant (STAG) grant was submitted to Montana's congressional delegation in February 2006.

The applicant stated other funding programs considered, but not utilized included the SRF, Indian Health Service (IHS), CDBG, Indian CDBG, RD, the Coal Board, and local banks. The SRF and RD programs would require loans, which is not an ideal option considering the combined residential rate would increase to well above the target rate and would become unaffordable. No funds are currently available from the IHS. CDBG was not considered because Crow Agency is not an incorporated community; therefore, the applicant stated a sewer district would have to be formed in order for Crow Agency to be eligible for CDBG funds. Since water and sewer districts are considered to be subsidiary to the county government in which they are located, the application would have to be submitted by Big Horn County on behalf of the sewer district. The MDOC review team noted that this interpretation was not correct; a CDBG application can be submitted by a county on behalf of a tribal utility authority. Crow Agency is not eligible for Indian CDBG money at this time due to ongoing projects. Coal Board was not considered because Indian tribes are only eligible for seven percent of the Coal Board appropriation, or about $182,280. As a result, the applicant stated this does not seem like a reasonable program for a nearly $2.6 million construction project.

The applicant stated without the funds from TSEP, this project might not be financially viable for Crow Agency.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated the proposed project would not provide long-term, full-time job opportunities. The completion of the improvements would provide opportunities for expansion of businesses in the area.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because there was only one public meeting in 2006 and little public attendance.

Rationale: The applicant stated that formal public hearings were held on April 14, 2004 and May 4, 2006. The April 14 hearing was held at 6:00 p.m. at the BIA office in Crow Agency. In addition to tribal officials and the consultant, 12 residents attended the hearing. Items discussed during the meeting included wastewater system problems, alternatives to address these problems, cost estimates and financing options, and project priorities. The hearing notice from an unidentified newspaper, presentation, and a sign-in sheet were included in the application.

The applicant stated that the May 4 hearing was held at 7:00 p.m. at the Tribe's administration building in Crow Agency. In addition to tribal officials and the consultant, only one resident attended the hearing. Items discussed during the meeting included wastewater system problems, alternatives to address these problems, cost estimates, and several possible funding strategies. The citizens were informed of the increase of user charges as a result of this project. The hearing notice from an unidentified newspaper, presentation, and a sign-in sheet were included in the application.

The applicant stated citizens are in favor of the construction of a new wastewater treatment facility and that attendance and comments at public hearings have been very positive. Except for letters of support, there was no documentation found to substantiate that the citizens are in favor of the project. The applicant included five letters of support from citizens and businesses around town including one from the Big Horn County Commissioners, one from the Little Big Horn College, one from the officer in charge of the post office, and two from businesses. The applicant stated that numerous water commission meetings have also been held that were open to the public; there was no documentation regarding public participation at these meetings.

According to the 2002 CIP, the proposed project is a top priority for Crow Agency.

Project No. 38
Town of Big Sandy – Wastewater System Improvements

This application received 3,292 points out of a possible 4,900 points and ranked 38th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Application submitted May 26, 2006
RD	Grant	$ 446,865	Application submitted April 26, 2006
RD	Loan	$ 384,473	Application submitted April 26, 2006
Town	Reserves	$ 17,980	Expended on PER
Project Total		**$2,049,318**	

Median Household Income:	$28,523	Total Population:	656
Percent Non-TSEP Matching Funds:	63%	Number of Households:	303

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$25.50	-	Target Rate:	$50.30	-
Existing Wastewater Rate:	$19.75	-	Rate with Proposed TSEP Assistance:	$50.50	100%
Existing Combined Rate:	$45.25	90%	Rate without TSEP Assistance:	$61.10	122%

Project Summary

History – Big Sandy's wastewater collection system consists of approximately 33,000 feet of sewer pipes, manholes and a lift station. The majority of the piping was installed in the 1920s. The lift station was installed in 1966 and rehabilitated in 1985. The treatment facility is located approximately 0.25 miles northeast of Town, and consists of four treatment lagoons, and a chlorination/office building. Three aerated cells were constructed with synthetic liners in 1985, and the effluent is discharged into Big Sandy Creek. The treatment facility also has a large fourth cell that is used during the summer for storage that was constructed as part of the original system in the 1960s.

Problem – The Town's wastewater system has the following deficiencies:

- infiltration of ground water into the system, resulting in extra pumping and treatment,
- the lift station is aging and unsafe,
- much of the collection system piping has inadequate slopes that do not meet current standards leading to accumulations of sludge, grit and dirt,
- there have been documented events of sewage backing up into basements,
- inadequate number of manholes that makes maintenance difficult,
- portions of the collection system piping are constructed of inadequate materials that do not meet current standards and are likely contributing to the infiltration problem,
- lift station backup generator must be turned on manually,
- several areas in Town are lacking access to sewer service,
- no provisions for addressing future nutrient permit limits such as nitrogen and phosphorous,
- the large storage cell does not contain a synthetic liner and may be leaking and contaminating groundwater,
- possible high ground water at the treatment site, which could complicate draining of cells for maintenance,

- pontoon aerators tend to freeze up during the winter,
- chlorine gas used for disinfection poses a safety risk to the operators,
- no provisions for measuring flow rate or for disinfecting effluent from the existing large storage cell,
- no provisions for influent flow measurement,
- the facility will not likely be able to meet total suspended solids (TSS) requirements in its new permit, and
- the facility has had four biological oxygen demand (BOD) permit violations since 1999.

Proposed Solution – The proposed project would:
- replace the lift station,
- replace the generator,
- replace or install approximately 17,000 feet of six, eight, 10 and 12-inch new sewer main, and
- replace or install approximately 48 manholes.

Note: The proposed solution does not resolve the problems related to the treatment facility, as these will be scheduled for a second phase. Sewer service to areas in Town lacking sewers and replacement of remaining inadequate portions of the collection system are scheduled to be corrected in a third phase. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies within the collection system that could affect the public's health and safety, including: insufficient pipe slopes, cracked pipes, and an unsafe and leaky lift station. The cracked pipes have resulted in serious root intrusion, infiltration and inflow, potential contamination to groundwater, and three documented sewage back-ups into basements. At the lift station, there is a dry-well that is a confined space which poses a serious safety threat to the operator and a wet well that is likely leaking into groundwater. A new generator should provide reliable operation of the new lift station in the event of a power outage.

A second phase of improvements is proposed to correct deficiencies with the treatment system. A third phase should complete additional collection system improvements. The first phase includes approximately two-thirds of the needed collection system improvements. The selected improvements for the first phase are a logical first step in the overall needed improvements.

Statutory Priority #2: Reflects greater financial need.
The applicant received 432 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added

together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 22nd lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 44.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 25th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 14.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 25th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought the PER was generally complete with reference to the collection system, however, there were some minor issues that were not adequately addressed, including calculations for upsizing some collection lines. It was noted that flows were examined in the PER for late January and early February only, and no correlation was made between rain events and observed flows. Although sizing calculations for upsizing some collection lines were not found, the selection of lines to be replaced and the scheduling of collection system improvements all appear to be logical and supported. The PER conducted a sound evaluation of the collection system and provides a sound long-term solution to the collection system problems. The need for new treatment in the next phase is established, but the technical preliminary engineering for the treatment phase is lacking in major areas including lagoon sizing, irrigation areas, and liner costs.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because planning efforts are fairly recent.

Rationale: The applicant stated that since July 1, 2002, the sewer rate has increased $2.40 per month to $19.25, and the water rate has increased $5.35 per month to $25.50, with the latest increase of $1.50 per month implemented in July of 2006. A copy of the rate increase resolution was included in the application.

The applicant stated that the Town has cleaned the collection lines annually since 1983. In 1985, the Town constructed the treatment facility and the lift station was rehabilitated. Since 1985, the Town has

replaced approximately 10,000 feet of collection lines with PVC. The Town also replaces at least one of the ten aerators' motors each year.

Because the Town has been involved in the development of the Rocky Boy's/North Central Montana Regional Water System, they have replaced their outdated water meters and constructed a new chlorination building, without requesting grant assistance. Although the Town has had repair and cleaning expenses of the sewer system of nearly $40,000 per year, the Town has been able to maintain a reserve of approximately $90,000.

The Town became a member of Bear Paw Development Corporation and completed a community resource assessment in May 2003. According to excerpts from the assessment that were included in the application, inadequate water supply presented a challenge. At the same time the assessment was completed, 158 people identified their local talents and assets in 17 different categories. No documentation of the mapping or the remainder of the report was found in the application. In 2005, the local chamber of commerce prepared a downtown vision plan. The plan identified ten possible design solutions, including upgrades on Johannes Avenue. However, before a median project on Johannes Avenue can be implemented, the sewer line under the avenue must be replaced, which would be accomplished during the proposed project. A comprehensive capital improvements plan (CIP) was completed in April 2006; however the document had limited information. The applicant stated that the project is consistent with the Town's CIP. The MDOC review team could not determine how the projects within the plan were prioritized, because the CIP did not specify how they were arranged. The project was added to Bear Paw's comprehensive economic development strategy (CEDS) and the project will remain in the CEDS until the completion of the improvements. Copies of the CEDS were not included in the application; but were offered as available upon request. Although the Town does not have a growth policy, the applicant submitted an application to CDBG in April 2006 for a planning grant in order to prepare one.

The MDOC review team concluded that the Town's operation and maintenance practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, and RD grants, in combination with an RD loan and local reserves. The applicant demonstrated eligibility for CDBG assistance through an income survey that resulted in a 63% LMI. The applicant chose RD over the SRF for the loan because RD can contribute the needed grant dollars. The applicant also stated that an RRGL grant was considered because it is an eligible project; however, if the RRGL grant was awarded, the RD grant amount would just be reduced. The applicant also evaluated the use of other grant funds to finance the proposed project and reasonable explanations were given as to why they were not being sought.

The applicant stated that the Town could increase their RD loan and grant request if TSEP funds were not awarded; but, according to RD staff, it is highly unlikely that they could contribute much more in grant funds and therefore, would be facing a substantial loan. The MDOC review team learned from RD that this applicant would qualify for a grant up to a 45% of project development costs; but, there is no guarantee that they would receive the full grant amount. Without TSEP funds, the applicant stated that the proposed project would be unaffordable to the users, especially given that the Town is facing two additional phases in the future.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, without the TSEP grant many users would not be able to afford the higher rates and may opt to leave the area; thus, creating a possibility of a decreased tax base.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant did not conclusively demonstrate that the proposed project is a high local priority and has strong support from local residents.

Rationale: The applicant stated that the Town officials informed the group of the poor condition of the collection line on Johannes Avenue when the downtown vision plan was prepared. The Town mailed two newsletters (dated March and April 2006), to all residents to inform the public about the PER process and the deficiencies with the wastewater facility. The Town held two public hearings on the evenings of March 7 and April 18, 2006 at the local high school. Local officials, consultants, and 20 other citizens attended the March 7 meeting. Local officials, consultants, and 16 additional citizens attended the April 18 meeting. The public was informed of the anticipated user charge increase through the newsletters and at the April 18, 2006 public hearing. According to the applicant, the public understands the need for the improvements and the increased utility costs.

In addition to the meetings and newsletters, news articles were published in the *Big Sandy Mountaineer* and *Havre Daily News*. Copies of the legal notices, news articles, newsletters, sign-in sheets, presentation, and meeting minutes were included in the application. The application also contained summaries of the comments made at both hearings.

The Town created a CIP in April 2006, which stated that phase one of the wastewater treatment improvements is the top priority in the wastewater system. However, the community's top infrastructure priority is water. Although the applicant stated that the wastewater system was a top priority and that the document had been officially adopted, the MDOC review team noted no minutes, resolution, or other evidence of adoption, and found it difficult to determine what the top priority was according to the CIP.

Project No. 39 (Tied)
Town of Fairfield – Wastewater System Improvements

This application received 3,272 points out of a possible 4,900 points and ranked 39th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
STAG	Grant	$1,000,000	Application submitted to Congressional staff in January 2006
SRF	Loan	$ 641,200	61st on the SRF priority list
Project Total		**$2,391,200**	

Median Household Income:	$29,018	Total Population:	659
Percent Non-TSEP Matching Funds:	69%	Number of Households:	308

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$22.00	-	Target Rate:	$51.17	-
Existing Wastewater Rate:	$20.00	-	Rate with Proposed TSEP Assistance:	$54.44	106%
Existing Combined Rate:	$42.00	82%	Rate without TSEP Assistance:	$70.36	138%

Project Summary

History – The wastewater treatment system in Fairfield consists of a single-cell, 11-acre, facultative discharging lagoon that is located northwest of town approximately 0.5 miles away. The wastewater collection system is a conventional gravity sewer. The first phase of rehabilitation to the sewer main outfall (33% of the outfall pipe) will be completed in the spring/summer of 2006.

Problem – The Town's wastewater system has the following deficiencies:
- sewer backups occur on a regular basis,
- infiltration and inflow into the collection system and outfall piping create hydraulic overloading of the sewer mains and treatment facility,
- partially treated wastewater is apparently entering the shallow aquifer,
- seepage is occurring into the lagoon,
- the existing treatment system does not satisfy current Department of Environmental Quality (DEQ) design standards for detention time, leakage limits and biological oxygen demand (BOD) removal,
- the treatment facility has reported a number of permit violations over the previous ten years,
- it does not appear that the existing system can adequately treat BOD or total suspended solids (TSS) to meet the impending DEQ discharge permit, and
- effluent disinfection may be required in the next DEQ permit.

Proposed Solution – The proposed project would:
- re-construct the existing single-cell facultative lagoon with a three-cell aerated lagoon and ultraviolet disinfection,
- rehabilitate the remaining 66% of the outfall piping using cured-in-place pipe (CIPP) techniques, and
- perform televised inspections of the collection system and rehabilitate or replace sewer mains, if funds are available.

Note: The proposed solution does not propose to resolve many of the sewer collection system problems, unless funds are available. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety in the long term, including: sewer backups on a regular basis, high infiltration and inflow rates that result in inadequate treatment at the lagoons, seepage from the lagoons that appears to be impacting water quality in nearby wells, and lagoon embankments that are in poor conditions and a failure is possible.

The poor condition of the collection system has resulted in numerous back-ups which increase the potential for human contact with raw sewage. However, the project does not propose to resolve many of the sewer collection system problems. The poor condition of the sewer system and outfall line has resulted in very high infiltration and inflow during the summer, which severely impacts the detention time in the lagoon.

The effluent biochemical oxygen demand and total suspended solids levels have been exceeded several times in the last 10 years. The lagoon discharges to Freezeout Lake which is a popular recreation area. Inadequately treated wastewater discharging to the recreation area presents a public health problem that is likely to occur in the long term.

Seepage from the lagoons is thought to be in direct connection with the shallow aquifer that supplies many wells in the area. Elevated nitrate levels have been detected in two wells located near the ponds. The elevated nitrate levels in the drinking water wells represent an existing health problem. The pond embankments are in poor condition and seepage is evident outside the embankments. Failure of a lagoon embankment could result in a discharge of poorly treated sewage.

Statutory Priority #2: Reflects greater financial need.
The applicant received 432 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 23rd lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 33rd highest of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 11.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 34th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the CIP does not appear to being used properly since it has been seven years since the last update, and the Town's operation and maintenance (O&M) practices related to the wastewater system appear to be less than adequate.

Rationale: The applicant stated that it has prepared reasonable annual operation and maintenance budgets for the wastewater facility, and in the past five years, the Town has raised the base sewer rates from $7.00 per month to $20.00 per month. The increase has allowed the Town to accumulate a reserve account of $138,000, which may be used to defray project costs or provide the reserve balance required by the SRF Program. The Town is considering implementing a hook-up or development fee for impending and future service connections.

The applicant stated that it has been proactive in repairing immediate water and sewer deficiencies within their stringent budget. The applicant listed several well repairs, water line materials, 7th Street water modifications, water meter projects, and sewer line repair materials, which totaled $5,675. In addition to these repairs, the Town spent $25,800 performing a leak detection study and for sewer facility planning. The results of the study reported two leaks that have since been repaired thus conserving community water. Most recently, the Town budgeted nearly $30,000 towards implementation of first phase of wastewater rehabilitation improvements, and nearly $45,000 towards the design and construction efforts to install two more public water supply wells. In summary, within the last two years the Town has utilized approximately $53,000 and $66,000 of local funds towards the water and sewer systems, respectively. In 2003, the Town bid a project to replace the lagoon outfall structure, but only two bids were received and construction costs were significantly greater than the project budget.

The applicant stated that the Montana Bureau of Mines and Geology prepared a source water protection study in 1998; however, the Town did not prepare a protection plan subsequent to the study. The applicant stated that the Town also participated in a study of the varying depths of the shallow aquifer in the Fairfield area that was completed by the Montana Tech of the University of Montana Geophysical

Engineering Department in 2004. The source water protection study was included in the application, but the other study was not.

The applicant stated that the most recent capital improvements plan (CIP) was prepared in May 1999, and the Town is committed to updating the document on a regular basis since it is used for scheduling and budgeting capital expenditures. However, the MDOC review team noted that it has been seven years since the last update, the applicant did not state when the first CIP was created, and the team could not verify it had been adopted. The five-year, comprehensive CIP addresses all of the Town's infrastructure. The applicant stated that a community needs assessment was also completed in 1999, and the proposed project appears to be consistent with the goals and objectives of both the CIP and needs assessment. Slightly less than half (40%) of the respondents to the assessment consider the sewer system improvements to be a top priority for the town. Fairfield was addressed in a growth policy plan prepared by Teton County in 2002, and the proposed project also appears to be consistent with that plan.

The applicant stated that the wastewater treatment and collection system has been in operation for over 50 years, and the deficiencies are not the result of poor operation or maintenance practices. The causes of the deficiencies are due to the age of the system and increased hydraulic loads. However, the MDOC review team concluded that the Town's O&M practices related to the wastewater system appear to be less than adequate, because: there is a lack of any regular cleaning of the sewer lines even after multiple back-ups; tree growth and holes on the inside slope of the lagoon embankments; lack of any rehabilitation or replacement of the collection lines despite years of high infiltration and inflow; and stop gap measures such as old car bodies and waste concrete to minimize erosion on the lagoon embankments.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP and STAG grants in combination with an SRF loan. The applicant discussed the fact that it does not meet the eligibility requirements for applying to the CDBG program. An income survey was performed, but the final returns did not meet the minimum criteria for a valid survey. The preliminary results indicated the LMI percentages were less than 51%. The applicant also discussed the desire to apply to the RRGL program, but was advised by the Department of Natural Resources and Conservation that the Town is ineligible to apply for a grant this funding cycle since they were previously awarded funds for the project in 2005. The applicant stated that the Town's discussions with Chris Heggem, Senator Burns' representative in Washington D.C., indicated that Fairfield was a good candidate for a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant. The RD program was considered for a loan; however, the SRF program provides a shorter-term funding alternative with considerably lower overall interest payments. The project is ranked 61st on the SRF priority list, and therefore, the District is eligible to apply for the loan.

The applicant stated that if a TSEP grant is not awarded, the STAG and SRF funds cannot complete the project, and therefore, the STAG grant may be jeopardized.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 3 and received 300 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities, and cited various businesses that would benefit by the proposed improvements. However, the applicant did not reasonably demonstrate that the proposed project would directly result in the expansion of a specific business, or the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly add to the tax base if any business expansion occurs.

Rationale: The applicant stated that there are several proposed business expansions within the community that would create a number of full-time job opportunities. The businesses that have proposed expansion include: Cozy Corner, Silver Dollar, Coffeehouse on Main, and 3 Rivers Communications. All of these businesses are currently located within the Town. The Cozy Corner business expansion would create six full-time positions, the Silver Dollar would provide three full-time jobs, the Coffeehouse on Main would create two full-time positions, and they believe that 3 Rivers Communications would expand to provide 30 additional full-time employment positions. The applicant stated that because the Town is reluctant to permit additional business expansion without wastewater system improvements, these expansions are dependent on the implementation of the proposed project. No business plans or correspondence from these businesses discussing their proposed expansions were included in the application. The application included a letter of support from 3 Rivers Communications, but the letter does not make any reference to any expansion plans or jobs that would be created as a result of the proposed project.

The applicant also stated that two residential developments have been proposed for annexation in the Town, which would result in 65 residential lots, with the majority of these lots (59) abutting a golf course. Property taxes for parcels adjacent to a golf course tend to be higher than that found in typical residential areas, resulting in greater tax revenues for the Town and County. The subdivisions are currently awaiting Town approval, wherein a number of construction trade jobs would be created.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 3 and received 240 points out of a possible 400 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. The MDOC review team did not score this priority higher primarily because the applicant only met the minimum requirements related to demonstrating that the proposed project is a high priority and has community support. Almost all of the letters of support were from 2004, it has been seven years since the last update of the CIP, and a community needs assessment conducted in 1999, showed that slightly less than half (40%) of the respondents consider sewer improvements a top priority for the Town.

Rationale: The applicant stated that information about both phases of the proposed project has been presented at public hearings held in the spring of 2004 and 2006. Because the project has been scheduled in phases, discussions with the community have continued for over three years. The project engineers have attended a number of council meetings to provide project updates and status reports. The applicant stated that all of the meetings were well attended by the public. In addition, the local newspaper reports on discussions from each council meeting, with emphasis on topics related to the proposed wastewater utility improvements. The Town utilized bill mailers and newspaper advertisements to inform the public. The application included copies of a hearing notice, newsletter, agenda, minutes, sign-in sheet, and the handout for a hearing on March 10, 2004. There were several news articles from the *Fairfield Sun Times*.

The most recent public hearing was held at 6:30 p.m. on April 12, 2006 in the Fairfield community hall. In addition to local officials and consultant, the five residents attending the hearing were informed of

the purpose of the project, alternative evaluations, and the estimated cost per household. A handout was provided that showed the various alternatives, their costs, and the estimated cost per household. The applicant stated that virtually all of the public comments during the hearing were favorable toward implementing an improvements project; however, the minutes reflect that there were no comments. The application included copies of the hearing notice, newsletter, agenda, minutes, sign-in sheet, and the handout for the April 12 hearing.

The applicant included several letters of support from two local businesses, State Representative Larry Lehman, State Representative Norman Ballantyne, a county commissioner, and 23 individuals. The MDOC review team noted that with the exception of one of the letters sent from a business in 2006, all of the letters were dated 2004, and they were essentially all form letters.

In addition to creating a CIP, a community needs assessment was conducted in 1999, which showed that slightly less than half (40%) of the respondents consider sewer improvements a top priority for the Town. The project presented in this TSEP application is consistent with the goals and objectives of the CIP and growth policy plan.

Project No. 39 (Tied)
City of Hamilton – Wastewater System Improvements

This application received 3,272 points out of a possible 4,900 points and ranked 39th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Applied May 2006
STAG	Grant	$1,000,000	Request to Congressional staff submitted in February 2006
SRF	Loan	$ 176,000	53rd on the SRF priority list
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
City	Cash	$ 625,000	Committed
Project Total		**$3,101,000**	

Median Household Income:	$22,013	Total Population:	4,520
Percent Non-TSEP Matching Funds:	76%	Number of Households:	1,272

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$23.43	-	Target Rate:	$38.82	-
Existing Wastewater Rate:	$16.18	-	Rate with Proposed TSEP Assistance:	$43.46	112%
Existing Combined Rate:	$39.61	102%	Rate without TSEP Assistance:	$45.66	118%

Project Summary

History – Hamilton's wastewater treatment facility was upgraded to an advanced secondary treatment plant in 1983. The liquid stream and solids thickening systems were upgraded in 1997. The collection system includes a network of gravity sewers and force mains and six lift stations. The local groundwater aquifer is a sole source aquifer and is vulnerable to contamination. The collection system and treatment facilities are near several groundwater wells that serve the community.

Problem – The City's wastewater system has the following deficiencies:
- the mechanical bar screen at the treatment plant is worn and in disrepair,
- there is insufficient thickening capacity at the plant,
- the biosolids dewatering facilities have reached their capacity,
- electrical service entrance equipment and standby generator are worn and undersized,
- use of potable city water for treatment processed is a waste of resource and energy, and
- wastewater pumping stations are not incorporated into the radio telemetry alarm system.

Proposed Solution – The proposed project would:
- install a new mechanical bar screen,
- install a second dissolved air flotation thickener unit,
- install additional vacuum biosolids dewatering,
- replace the existing engine generator and electrical service entrance equipment,
- install a non-potable water pumping station, and
- install radio based telemetry stations at each wastewater pumping station.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: a worn and deteriorated bar screen; undersized and outdated generator and electrical service entrance equipment; lack of remote alarms on lift stations; and capacity limitations on the dissolved air flotation unit.

Handling bar screenings multiple times manually poses a significant health risk to employees and spreading the screenings to dry poses a risk to public health. Lack of remote alarm systems on the lift stations poses the risk of sewage overflows should the pumps fail. The risk of sewage overflows is greatly increased due to the lack of backup power at three lift stations. However, the team thought that these deficiencies present a risk only in the long-term, and were not considered to be serious enough to rise to the level of near-term.

The PER discusses the threat of groundwater contamination posed by the presence of an ever expanding number of onsite septic systems in the adjacent area. These septic systems have the potential to contaminate the local sole source aquifer and are thought to contribute significant amounts of nutrients to the Bitterroot River as non-point sources. Contamination of the aquifer is a long-term health related issue, while discharge of nutrients to the river is largely an aesthetic and environmental issue.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 5th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 52.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 12th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 17.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 14th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that there was not a detailed breakdown of cost estimates. Unit costs for equipment, concrete, piping etc. were combined into a single base construction cost. There was also no summary of the design criteria for the selected alternatives. The summary of design criteria is a specific requirement of a PER.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation, and there was little discussion of other planning efforts.

Rationale: Hamilton's drinking water is pumped from the Bitterroot Valley Aquifer, which is very susceptible to contamination. The City has been proactive in trying to protect this sole source aquifer through the development of a wastewater system master plan which is designed to connect as much development around the city as possible to the City's wastewater treatment plant. In particular, the City has made an effort to annex and connect existing and new residential subdivisions to its sewer system in order to prevent development using septic systems that could pollute the local aquifer. The proposed upgrades to the City's wastewater treatment facilities are an integral part of the City's long-term strategy to protect the quality of the City's groundwater source.

The applicant stated that sewer user rates and connection fees were increased in July 1997 and 2004, and that a rate increase is currently being considered; however, no additional details or documentation was found in the application. The applicant stated that when residents in the expanded service area connect to the system, they will pay a sewer development fee in addition to the normal user rates. The fee is charged on new sewer connections.

The applicant stated that the City adopted a growth policy in September 2003; however, no documentation of it was found in the application. Although not discussed by the applicant in its response to this priority, the MDOC review team noted that a public hearing for a needs assessment was conducted on April 4, 2006; however, only four residents attended the hearing.

The MDOC review team concluded that the City's operation and management practices related to the wastewater system appear to be inadequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that

would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because of the uncertainty of the STAG funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, and STAG grants, in combination with an SRF loan and local reserves. The applicant has submitted an application for a State and Tribal Assistance Grant (STAG). The City is ranked 53rd on the SRF priority list; therefore, the City is eligible to apply for a loan.

The applicant stated that the TSEP grant is needed to ensure more affordable rates, since the grant makes up 26% of the overall project costs.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the improvements would allow the City to extend service to areas designated for commercial and industrial development, as well as to the Hamilton airport and north planning area properties, and that the lack of sewer in these areas is a significant barrier to business expansion. However, the applicant did not discuss any long-term, full-time job opportunities that would result from the proposed project, or that the proposed project is necessary for the expansion of a specific business. Furthermore, the proposed project is related to improvements to the treatment plant, and does not extend services to any properties.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because it was not conclusively demonstrated that the project is a high priority or is strongly supported by local residents.

Rationale: The applicant stated that since initiating the proposed project in 2003, there have been 15 meetings to ensure citizen participation. The applicant stated that the proposed project was discussed at two city council meetings, one in 2003 and one in 2004, and also at nine public works committee meetings in 2005. Few residents attended most of these meetings other than local officials and consultant; however, the April 26, 2005 minutes show five residents attending and the May 10 minutes show 13 residents attending. The application included minutes for the city council meetings and for two of the meetings in 2005. In 2006, the City held public hearings on the proposed project. Two hearings were held on April 4at 7:00 p.m. at the city hall; one concerning the proposed project, the other concerning a community needs assessment. In addition to local officials, four residents attended the hearings, which had been advertised in the *Ravalli Republic*. A fact sheet was distributed at the hearing, which explained the impact of the proposed project on user rates. The meeting notice, agenda, minutes, sign-in sheet, and a copy of the hand-out were included in the application. Also included in the application was an article dated April 12 from the *Ravalli Republic* that also discussed the impact of the proposed project on user rates. The applicant held another council meeting on April 25 that dealt with a water and wastewater utility rate study. Only the agenda was included in the application.

The application included 11 letters in support of the proposed project; the letters were from the Bitter Root Water Forum, the Supporters of Abuse Free Environments, the local chamber of commerce, the downtown business improvement district, the school district, the local job service center, and the following county agencies; commissioners, public health department, council on aging, economic development authority, and environmental health department.

Project No. 41
Gallatin County on Behalf of Hebgen Lake Estates – Wastewater System Improvements

This application received 3,248 points out of a possible 4,900 points and ranked 41st out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

However, if this project were to be funded, before the TSEP grant will be released to the Gallatin County, a county water and sewer district must be formed to own and operate the wastewater system currently being operated by the rural improvement district 322 and all of its assets must be turned over to the new county water and sewer district.

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$ 850,000	Application submitted to Congressional staff in January 2006
SRF	Loan	$1,069,000	69th on the SRF priority list
Project Total		**$2,769,000**	

Median Household Income:	$35,233	Total Population:	391
Percent Non-TSEP Matching Funds:	73%	Number of Households:	183

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$18.00	-	Target Rate:	$ 62.13	-
Existing Wastewater Rate:	$ 9.00	-	Rate with Proposed TSEP Assistance:	$ 69.00	111%
Existing Combined Rate:	$27.00	43%	Rate without TSEP Assistance:	$101.57	163%

Project Summary

History – The Hebgen Lake Estates wastewater system consists of a gravity collection system, a submersible pump lift station, an aerated pond, and three infiltration/percolation ponds. Gallatin County is presently responsible for the utilities and streets, and the system is managed under two rural improvement districts. The system currently has 46 homes and 32 duplex or multifamily units. In 2003, the Department of Environmental Quality (DEQ) issued the County a violation letter informing it that nearby monitoring wells exceeded water quality standards for nitrates and that the lagoon appeared to be leaking. The County signed a consent order with DEQ in 2005. The compliance schedule requires the County to complete construction of new wastewater facilities that will bring the system into compliance by October 2008.

Problem – The Hebgen Lake Estates wastewater system has the following deficiencies:
- the lift station pumps are old and the electrical controls are outdated,
- the lagoon liner is leaking at a rate of 2.4 million gallons per year,
- nitrate levels in monitoring well #3 consistently exceed the water quality standard,
- the blowers and aeration piping have failed,
- the aeration building is in poor condition,
- the single-cell lagoon does not meet current design standards, and
- the perimeter fence is in disrepair.

Proposed Solution – The proposed project would:

- ❑ construct a new lift station,
- ❑ raise 20 collection system manholes to grade and replace lids, and
- ❑ construct a new wastewater treatment facility consisting of a facultative pond, a storage pond and disposal by crop irrigation.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that here are various deficiencies that could affect the public's health and safety, including: a leaking wastewater lagoon and an aging lift station.

The most significant public health problem is the leaking lagoon that has resulted in elevated nitrate concentrations in the underlying groundwater. Monitoring well #3 has consistently exceeded the nitrate maximum contaminant level of 10 milligrams per liter for the past couple of years. There are shallow wells in the vicinity of the treatment site that are used for drinking water. Consumption of water with high nitrate levels can result in infants with methemoglobinemia or "blue baby syndrome". The leaking lagoon also has the potential to contaminate drinking water wells with human pathogens.

The lift station is in poor condition and failure is likely in the near future, given the age and condition of the components. The station has failed in the past and that failure resulted in wastewater surcharging and overtopping nearby manholes. This allowed direct exposure of raw wastewater to the public. Failure of the lift station could also potentially result in sewage backup into homes, resulting in direct exposure of raw wastewater to humans.

Statutory Priority #2: Reflects greater financial need.
The applicant received 468 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 46th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 52.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 13th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 0.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 56th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because a county water and sewer district has not yet been legally formed.

Rationale: The applicant stated that Hebgen Lake Estates' infrastructure needs have been provided for through two rural improvement districts (RID). RID 322 was established for water and sewer facility maintenance and RID 316 was established for street and drainage maintenance. The County funds two operation and maintenance (O&M) contracts, one with an engineer to manage the operation and maintenance of each District, and the other with a certified operator to perform day-to-day operations.

The applicant stated that it has aggressively set user fees to cover public facility expenses and plan for the future, and that for the last three years revenues exceeded expenses and reserves were increased to allow reinvestment in equipment. The applicant included income and expense figures for the last three years. The accounting system, which utilizes Black Mountain software, satisfies GAAP requirements and is audited in accordance with state law. The assets of RID 322 would be legally transferred over to the proposed water and sewer district.

The applicant stated that the RID flushes all collection system lines annually, and conducts routine inspection and maintenance of the lagoons. Over the past 15 years, the RID has completed the following improvements to its wastewater system: repaired 930 feet of flat sewer main and another 1,200 feet in Coyote Drive area, installed new hour meters at lift station, repaired wastewater pump in lift station, and improved drainage at lift station control building to prevent flooding.

The applicant stated that the RID routinely exercise water main valves and fire hydrants, and periodically flush the water mains. It has also completed several improvements to the water system over the past 15 years including: a new propane tank for stand by generator, new pump for well #1, new controls for well #1, a new emergency generator for wells, telemetry controls for wells #1 and #2.

The applicant stated that the County is currently implementing an interim action plan that was created in December 2005. This mitigation plan describes the temporary actions that will be taken to minimize groundwater pollution. An expanded monitoring well sampling plan is one of the steps that will be taken, and that plan calls for lowering the pond to reduce leakage, adding aeration to improve treatment, and expanding the monitoring of the six existing wells. The applicant stated that there appears to be sufficient funds available within the current budget to purchase the new aerator and new monitoring well sampling equipment.

The applicant stated that the County has completed a growth policy plan that addresses the need to improve water quality. Community members and organizations of Hebgen Lake Estates/Gallatin County have made other planning efforts by forming a fire district and a zoning district, and actively participating in a zoning advisory committee. No documentation for the growth policy plan was included in the application; although it was referenced as an exhibit, the space where it should have been was empty.

The applicant did not respond to the question of whether the deficiencies were the result of inadequate operation and maintenance practices. However, based on the other information provided and its own investigation, the MDOC review team concluded that the RID's O&M practices related to the wastewater system appear to be less than adequate, but has shown improvement.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because a county water and sewer district has not yet been legally formed.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and STAG grants in combination with an SRF loan. The applicant stated that an application for a State and Tribal Assistance Grant (STAG) grant has been submitted, but provided no other information or documentation related to that request. The applicant discussed the fact that the area to be formed as a county water and sewer district is not eligible for CDBG and RD grants because of high income levels, and did not apply to the U.S. Army Corps Engineers for Section 595 Water Resources Development Act (WRDA) grant because no further grant funds were needed. The project is ranked 69th on the SRF priority list; therefore, the County is eligible to apply for the loan.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that DEQ and the County negotiated a consent order that placed a moratorium on further development. The applicant did not discuss any businesses operating within the area, and did not demonstrate that any long-term, full-time job opportunities would be created other than construction jobs; Hebgen Lake Estates is entirely residential.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because a county water and sewer district has not yet been legally formed.

Rationale: The applicant stated that a newsletter was sent to all the residents in February 2006. The newsletter described the enforcement action by DEQ, conditions of the system, and a notification of a hearing to be held on March 29, 2006. A public hearing was held in the county courthouse at 1:30 p.m. on March 22, 2006 to discuss the PER and financial strategies. That hearing was advertised in the *Bozeman Daily Chronicle*. Another public hearing was held in at the town hall in West Yellowstone at 6:30 p.m. on March 29. That meeting, which was published in the *Bozeman Daily Chronicle* and the *West Yellowstone News*, was attended by 32 residents. The problems with the existing facilities were discussed in detail at each public meeting along with possible alternative solutions and the cost of each alternative. A detailed funding strategy was outlined and the final user cost to each household was presented. Residents were told that user rates would be $69 based on the proposed funding strategy. An article published in the *Bozeman Daily Chronicle* on April 27 described the proposed project and the user rate. Copies of notices, meeting minutes, attendance sheets, presentation handout and summary report about the proposed project, the newsletter, and the news article were included in the application.

There were a total of 25 letters in support of the proposed project, including 12 from people that own lots and want to build homes, eight current residents, three real estate agents, one contractor, and one from the system operator. There are currently 20 people that have requested an exception to the moratorium on new connections in order to build a total of 31 homes.

The countywide growth policy plan discussed the overall community priorities for the Hebgen Lake/West Yellowstone area and shows that the highest priority for Hebgen Lake Estates is to come into compliance with its wastewater facilities.

Project No. 42 (Tied)
City of Shelby – Water System Improvements

This application received 3,232 points out of a possible 4,900 points and ranked 42nd out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Loan	$ 650,000	48th on the SRF priority list and has submitted an application
Project Total		**$1,500,000**	

Median Household Income:	$29,219	Total Population:	3,306
Percent Non-TSEP Matching Funds:	50%	Number of Households:	1,147

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$30.86	-	Target Rate:	$51.52	-
Existing Wastewater Rate:	$22.69	-	Rate with Proposed TSEP Assistance:	$56.13	109%
Existing Combined Rate:	$53.55	104%	Rate without TSEP Assistance:	$59.59	116%

Project Summary

History – The Shelby water system was constructed over 65 years ago. The water source consists of a series of 12 wells, with the oldest being drilled in 1940 and the last in 2005. In 2003, the Department of Environmental Quality (DEQ) required that one of the 12 wells be removed from service as it was found to possibly be under the influence of surface water. In 2004, a bank stabilization project was completed to protect the well field. A replacement well was drilled in 2005 and is expected to be operational in 2006. The old transmission mains within the well field were replaced in 2006. A booster station, a 500,000-gallon elevated storage tank, and several thousand feet of distribution mains were constructed in 2001. An ultraviolet disinfection facility was constructed in 2005.

Problem – The City's water system has the following deficiencies:
- original water lines are deteriorating, resulting in leaks and major breaks,
- undersized and dead-end distribution lines,
- a well field is in the floodplain of the Marias River, and
- shallow wells that are susceptible to contamination.

Proposed Solution – The proposed project would:
- replace approximately 2,900 feet of aged and undersized water main with larger pipe in the 4th Avenue North connector,
- replace approximately 3,500 feet of aged and undersized water main with larger pipe in the core area of town,
- install approximately 3,000 feet of new water main to loop dead-in lines, and
- construct a 100-foot radius impervious surface around wells and seal casings.

Note: The proposed solution does not propose to resolve all of the problems related to dead-end distribution lines, inadequate pressures, or low fire flows. Therefore, some of those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: lack of adequate fire protection in a portion of the distribution system and positive coliform samples that periodically occur in samples from the City's groundwater wells.

There is a potential for significant property damage to occur due to inadequate fire flows. The water system can meet the basic wintertime domestic demands, and can provide some fire protection, but the water system's capacity to provide fire protection is below standards in high density developments. There are dead-end mains in the system; these have the potential for stagnant water and bacterial growth. The existing wells have not been adequately sealed to prevent contamination from floodwaters. Positive coliform samples have occurred and continued use of the groundwater source has a high probability of resulting in illness in the long term unless the wells are sealed.

Statutory Priority #2: Reflects greater financial need.
The applicant received 432 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 24th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 39.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 40th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 8.6%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 47th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that the PER lacked a detailed cost estimate for the well sealing alternative and lacked discussion on additional well sealing alternatives. Some details were left out of the alternatives analysis, such as potential construction problems and a present worth analysis. The PER lacked a detailed map of the existing distribution system and lacked detail on the distribution system alternative schematics. No basis was given for the cost estimates.

Although not all of the potential permitting requirements were discussed, the applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that the water user rates were increased by 14% in 2002, 6.3% in 2004, and 10% in 2005. The applicant also stated that the City has had back-to-back $4.00 per month water rate increases and $2.00 per month sewer rate increases in the last two years to address water and sewer infrastructure improvements that were needed. The applicant stated that the City is almost fully metered, with the exception of a few public parks.

The applicant stated that the City implemented a wellhead protection plan for ground water after the replacement of a threatened well and the construction of the new disinfection facility; however, the applicant did not include a copy of the plan in the application. It appears that the actual wellhead protection plan is not expected to be approved until July 2007, and the City would not completely implement the plan until September as part of this proposed project. The applicant has a source water delineation and assessment report that was prepared by DEQ in 2003, which provides the basis for creating a plan. The applicant stated that the City completed a growth policy and updated its capital improvements plan (CIP) in April 2006 to reflect its priorities and the costs associated with the planned improvements. A copy of the growth policy was not included in the application. The CIP states that the proposed improvements are the number one priority for the water system.

The applicant stated that the need for the proposed project is not the result of inadequate operation and maintenance (O&M), but rather the mains and distribution lines have simply exceeded their useful life. The MDOC review team concluded that the City's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that

would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the proposed project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant is proposing a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The City is ranked 48th on the SRF priority list; therefore, the City is eligible to apply for a loan. The applicant stated that it considered applying to the CDBG program, but will utilize the program to apply for a head start center instead. The City also considered the RD program and Intercap, but did not explore them further because the loan terms were less favorable than SRF.

The City stated that TSEP funding is essential, and that the critical nature of the well head protection project and replacement of the deteriorating distribution lines cannot be delayed another two years. However, the applicant stated that an RD grant and loan will be pursued if the other funding options are not available.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that a source of water and the infrastructure to support it was an important factor in Crossroads Correctional Center's decision to locate its facility in Shelby. The U.S. Department of Homeland Security has established a border patrol complex in Shelby and the Federal Bureau of Investigations has also located an office in Shelby, which both rely on the adequacy of the water system to meet their needs.

The applicant stated that a pork processing facility, bio-diesel plant, fuel distribution facility, mini-refinery and an egg production facility are under consideration for Shelby. Documentation to directly link the businesses under consideration and the proposed project was not clearly evident. However, the project would improve the community's infrastructure, which is a prerequisite to attracting businesses and increasing the tax base.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to adequately demonstrate that the local residents were clearly and strongly in support of the project.

Rationale: The applicant stated that the City held three public hearings, that all took place at 7:30 p.m. Five residents attended a hearing on March 6, 2006, which discussed the overall needs of the community. A hearing on April 3 was attended by one resident, and seven people attended a hearing on April 17. The proposed project and its overall costs were discussed at both April hearings, and the estimated cost per household was discussed at the April 3 hearing. Presentations were also given at the local Kiwanis, Soroptimists, Merchant Association and the local chamber of commerce meetings. The applicant utilized the local newspaper and radio station to inform the public of proposed projects and upcoming public hearings, as well as the hearings' contents after the fact. In addition, the Mayor used his

weekly radio program to further explain the TSEP program and seek input from the community. The applicant included a March 2006 newsletter that informed the community about the proposed project grant applications, public hearing dates and other city related topics. Also included in the application were two articles discussing the proposed project and the cost per user that were published in the *Shelby Promoter*. Sign-in sheets from all the meetings, as well as the agendas and minutes from the three advertised public hearings, were included in the application. The notice for the March 6 and April 17 hearings were also included in the application.

The applicant's CIP shows that the proposed project is the top priority for the water system. However, the priorities were ranked under separate categories, so the MDOC review team could not verify that the proposed water system improvements were the overall top priority of the City.

Letters of support were included from State Senator Jerry Black, a county commissioner, the Port of Northern Montana, the North Central RC&D, the local chamber of commerce, the Cross Road Corrections Center, and the Marias Medical Center.

Project No. 42 (Tied)
City of Whitefish – Wastewater System Improvements

This application received 3,232 points out of a possible 4,900 points and ranked 42nd out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
SRF	Loan	$ 911,480	121st on the SRF priority list
City	Cash	$ 13,000	Expended on PER
Project Total		**$1,774,480**	

Median Household Income:	$33,038	Total Population:	6,220
Percent Non-TSEP Matching Funds:	58%	Number of Households:	2,686

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$30.77	-	Target Rate:	$58.26	-
Existing Wastewater Rate:	$29.96	-	Rate with Proposed TSEP Assistance:	$62.70	108%
Existing Combined Rate:	$60.73	104%	Rate without TSEP Assistance:	$63.97	110%

Project Summary

History – The Whitefish wastewater treatment facility was redesigned as an aerated lagoon facility in 1978. In 1986, improvements were made to the main lift station and a phosphorous removal process was added downstream of the lagoons. In 1995, the City received an administrative compliance order from the Department of Environmental Quality in response to unpermitted overflows and bypasses during high flow events. Since that order, the City has implemented numerous projects to rectify problems with the wastewater infrastructure, including inflow mitigation, long-term solids handling, upgrading the aeration system, influent structure, main lift station pump capacity, and control improvements.

Problem – The City's wastewater system has the following deficiencies:
- an inefficient and dangerous pretreatment process consisting of a manually-cleaned bar screen in a confined space,
- the inability to bypass the main lift station for necessary wetwell cleaning and maintenance,
- lack of redundancy in the phosphorous removal process, and
- various deficiencies including the main lift station capacity, the condition of the existing flocculating clarifier and the effluent diffuser, biosolids disposal, and eroded dikes.

Proposed Solution – The proposed project would:
- construct a new building adjacent to the main lift station that will house an automated rotary screen pretreatment process,
- install a new basin downstream of the new screening system that will be plumbed for use in bypassing the main lift station to allow for inspection, cleaning and maintenance of the wetwell, and
- construct another flocculating clarifier.

Note: The proposed solution does not propose to resolve the problems related to the capacity of the main lift station, existing flocculating clarifier, effluent diffuser, biosolids disposal, or the aerated lagoons eroded

dikes. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety in the long term, including: unsafe access to the screening facility, potential for violation of the phosphorous limit in the MPDES permit, and potential failure of the main lift station wet well due to undetected corrosion.

The poor access and required cleaning method of the bar screen presents a clear safety problem to the wastewater plant operator.

The failure of the existing flocculating clarifier would most likely result in a violation of the city's phosphorous, biochemical oxygen demand, and total suspended solids limits. The discharge of poorly treated effluent to Whitefish Lake would represent a serious public health risk.

Since it is not possible to inspect the wet well at the main lift station, it is difficult to assess the level of current risk posed by the inability to bypass the station. If significant concrete corrosion has occurred, failure or leakage from the wet well may potentially occur at some point in the future. The construction of a bypass facility will allow a more accurate assessment of the wet well condition and more importantly will allow corrective actions to be taken if maintenance is needed.

Statutory Priority #2: Reflects greater financial need.
The applicant received 432 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 39th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 39.7%. **The applicant's relative concentration of persons living at or below the LMI level is the 39th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 18.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 13th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned

based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that the City has aggressively increased wastewater utility rates, and between 2000 and 2006, annual revenues increased by 131%; however, the applicant did not provide any specific information about rate increases. The City generates approximately $1,766,000 in total annual revenues, while it's operating budget is only $983,000; therefore it provides adequate funds for operation and maintenance (O&M) as well as funds for system planning and capital improvements. All current water users are metered, and water and sewer fees are based on usage. The City has implemented numerous wastewater system improvements since 1996, including a sewer separation project, a long-term solids handling project, and a lagoon aeration and solids removal project. An infiltration mitigation study was prepared in 2005, but not included in the application.

The applicant stated that it has demonstrated a long-term commitment to infrastructure planning, evidenced by major water and wastewater system upgrades, street improvements and storm sewer projects from the late 1990s through the present. In 1995, the City in cooperation with the Big Mountain Sewer District explored the feasibility of combining the two wastewater systems into one. In 2006, the City began a comprehensive utility master planning effort for its water, wastewater and storm water systems to address problems associated with deterioration of existing infrastructure and expansion of service areas. It will also include a detailed evaluation of the water, sewer and storm sewer fee structure. The proposed project is consistent with the City's comprehensive utility planning efforts. The applicant stated that the City adopted a city-county master plan in 1996 prepared by the Flathead Regional Development Office. None of the documents discussed above were included in the application.

Although not discussed in the response to this priority, the applicant stated elsewhere in the application that the City also maintains a five-year capital improvements plan (CIP); the CIP appears to have been created in 2005. The comprehensive CIP addresses all of the City's infrastructure; however, only a few pages were included in the application and it could not be determined whether the proposed project is consistent with the plan.

The applicant stated that the problems with the wastewater system are the result of the design of the improvements in 1987, and not the lack of O&M. The MDOC review team concluded that the City's O&M practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The City is considering funding the local share with an SRF loan, local reserves, or a combination of both. The applicant discussed both the CDBG and RD programs and the fact that the City is not eligible for grants through those programs. The project is ranked 121st on the SRF priority list, and therefore, the County is eligible to apply for the loan.

The applicant stated that without the TSEP grant, the increased rate may be considered unaffordable, particularly since the City is taking on a series of infrastructure improvement projects.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that proposed project would not directly result in the creation of any long-term, full-time jobs, but a properly functioning wastewater treatment system is necessary to encourage economic growth and expand employment opportunities.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 2 and received 160 points out of a possible 400 points.

Conclusion: The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting, but did not inform the community about the cost of the project and the impact on user rates. The MDOC review team did not score this priority higher primarily because of lack of documentation that would verify if residents were informed of the hearing and the proposed new rates.

Rationale: The applicant stated that the City conducted a public hearing on April 3, 2006 to discuss the need for the project and the rate increase necessary to fund proposed wastewater improvements. The applicant stated that a hearing notice and minutes were included in the application; however, the applicant's engineer verified that those documents were not included in the application, but pointed out a letter from the public works director to the mayor and councilors that mentioned the hearing to take place on April 3. The letter, which states that the hearing was advertised in the *Daily Interlake*, was included in the application. Also included was a copy of a presentation simply dated 2006, which includes a slide about the costs and the increased user fees. However, because there was no documentation of a notice advertising the hearing, and no minutes or sign-in sheet, the MDOC review team could not verify that the public had been informed of the hearing or determine how many residents attended.

The applicant included two letters in support of the project, one from the Whitefish Lake Institute and the other from the Whitefish County Water and Sewer District. The applicant stated that the City also maintains a five-year CIP, but did not discuss whether the proposed project is a high priority within the plan.

Project No. 44
Panoramic Heights and Mountain Riverheights County Water District – Water System Improvements

This application received 3,224 points out of a possible 4,900 points and ranked 44th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$191,500	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
SRF	Loan	$ 98,000	Not yet on the SRF priority list
Project Total		**$389,500**	

Median Household Income:	$41,989	Total Population:	77
Percent Non-TSEP Matching Funds:	51%	Number of Households:	24

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$52.00	115%	Target Rate:	$45.07	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$80.40	178%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$139.37	309%

Project Summary

History – The Panoramic Heights and Mountain Riverheights County Water District is located approximately four miles east of the City of Kalispell, along Highway 35. The District was created in 1975. The water supply system consists of two wells drilled in the early 1970s, which provides water to hydropneumatic pressure tanks located in the pump control buildings, and a small diameter PVC distribution system. Each well is equipped with a water meter.

Problem – The District's water system has the following deficiencies:
- the water supply does not satisfy peak hour demand and does not have storage capacity,
- the inadequate supply results in water rationing during the summer months and low pressures during peak flow conditions,
- the system does not comply with the Department of Environmental Quality (DEQ) design standards to meet maximum day demand with the largest pump out of service,
- pressures drop below 20 psi during peak flow demands creating a possible backflow situation,
- the distribution system includes dead-end and small diameter lines that do not allow adequate flushing and cleaning of the system,
- the small diameter lines do not meet DEQ design standards for minimum size of pipe or for pressure rating,
- there are no individual water meters, which leads to increased usage during irrigation periods, and
- the distribution system leaks.

Proposed Solution – The proposed project would:
- drill a new 200-foot deep well that would produce 60 to 120 gallons-per-minute with pump, controls and piping to the control building,
- replace the existing water main with about 2,200 feet of six-inch PVC pipe,
- install three flushing hydrants, and

- ❑ install water meters on each service.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: insufficient source capacity resulting in low water system pressures, potential water service interruption, and potential contamination by cross connections. The occurrence of low distribution system pressures and the potential for backflow into the system by contaminated water is a significant long-term threat to public health and safety. Given the use of on-site sewage systems in the District coupled with a small lot size, the potential exists for cross contamination.

The preliminary engineering report (PER) does not document that any serious health and safety problems clearly attributable to the water system deficiencies have already occurred. However, residents of the District describe prolonged periods of insufficient water supply capacity and pressure mostly during the summer months. At these times, water system pressures appear to drop below 20 psi at service connections, where it is common that a lawn sprinkler cannot be operated. These conditions prevail despite implementation of water rationing.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 1st level and received 72 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 54th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 19.5%. **The applicant's relative concentration of persons living at or below the LMI level is the 57th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 9.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 44th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the PER.

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of inadequate discussion of planning related efforts and lack of documentation.

Rationale: The of the lack applicant stated that the District's water right was filed in 1978, and once a new source is developed, the District will need to request an additional point of diversion for the existing water right. The applicant stated that the District has raised water rates. Although there were no specifics or documentation related to a rate increase, it would appear from the financial records included in the application that rates have been raised, as evidenced by the increased water revenues during each of the last three years. The applicant stated that the District has adequately budgeted for operation and maintenance (O&M), and as of March 2006, the District had more than $11,000 in reserves.

Since streets and other community infrastructure are not the District's responsibility, the PER serves as a capital improvements plan (CIP). Flathead County is currently working on a growth policy and has held a series of public meetings. The applicant stated that from those meetings "issue papers" were written covering housing, growth management, natural resources and community character to record the public's comments, quantify the issues and educate the public. Copies of the issue papers could not be found in the application.

The applicant stated that the deficiencies of the existing system appear to be caused by the infrastructure reaching the end of its useful life and not due to inadequate O&M. The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the applicant has not requested to have the project placed on the SRF priority list.

Rationale: The applicant proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The applicant stated that the District meets the criteria to be eligible for an SRF loan; however, the project is not currently on the priority list. The applicant discussed other applicable grant and loan programs and the reasons for not applying for those funds.

The applicant stated that the TSEP grant is essential, and without it, the project would likely not proceed until grants could be obtained. The PER stated that if RRGL and/or TSEP grants were not received, the community could phase the project and construct the number one priority, water supply, and leave distribution and metering to a later phase. The MDOC review team noted that with TSEP assistance the user would pay over $80/month for water (almost 80% above the target rate) and without TSEP funds the water rates would need to be increased to nearly $140/month (210% above the target rate) to complete all of the proposed work.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation or retention of jobs, nor would it directly result in a business expansion. The project area is comprised of only residential properties, with the exception of one home-based construction business. However, the proposed improvements would sustain the current tax base, and provide the basic public infrastructure necessary to support economic and business growth in the area along with increased population.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant had only the one minimum required public meeting.

Rationale: The applicant stated that due to the small size of the community, several informal and undocumented meetings have taken place. The District has kept residents informed by holding meetings, phoning and mailing letters to all residents to discuss the project and upcoming meetings. However, the applicant only discussed one meeting in the application. A public hearing was held at 7:00 p.m. on April 20, 2006 at the local school. In addition to the board members and the District's consultants, five residents attended the hearing. A notice of the hearing was sent to all residents in the District and was also posted in three separate locations within the District. A handout was distributed that contained the water system description, deficiencies, proposed project alternatives, and the proposed budget. The recommended funding strategy and the resultant user rate were discussed. A copy of the hearing notice, minutes, and a handout were included in the application. The District also sent out a two-question survey that the District used to solicit information on how residents typically use water and when problems with the water system seem to be the worst; 11 responses were included in the application.

The applicant stated that everyone attending the hearing was asked if they were in support of the project, and all said "yes", even though it means an increase in rates. However, one board member was concerned about the high user rate costs, but after further discussion of the funding alternatives he realized that the District does not have any other funding options. Copies of 16 letters of support for the proposed project were included in the application.

Project No. 45
Custer County – Bridge System Improvements

This application received 3,220 points out of a possible 4,900 points and ranked 45th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 63,750	Awaiting the decision of the Legislature
County	Cash	$ 38,119	Committed
County	In-kind	$ 25,631	Culvert has been purchased and labor committed
Project Total		**$127,500**	

Median Household Income:	$30,000	Total Population:	11,696
Percent Non-TSEP Matching Funds:	50%	Number of Households:	4,768

Project Summary

History – Custer County has identified one bridge in critical condition and in need of replacement. The Trail Creek Bridge is located between Miles City and Ekalaka, near the Custer County line. This 20-foot long wooden structure was constructed in the 1950s. The single-lane bridge crosses a drainage branch of the main channel of Trail Creek. The bridge provides access to six farmsteads and serves as a mail route. The Trail Creek Road, also known as the Mizpah Road, provides a short cut access route for traffic between Ekalaka and Miles City. The alternate route requires a detour of about 29 miles, or about 43 miles on primary roads.

Problem – The Trail Creek Bridge deficiencies include:
- rotting piles,
- scour damage below the plank abutments,
- soils washed out below the wing walls,
- limited sight distance, and
- rotation of the pile cap.

Proposed Solution – The proposed project would replace the Trail Creek Bridge with a steel multi-plate culvert.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 5 and received 1,000 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that serious public safety problems associated with the deficiencies in the bridge system have occurred or are imminent.

Rationale: The MDOC technical review team noted that the Trail Creek Bridge has a sufficiency rating of 17%. The structure rating was a three and the lowest element condition rating was a two, for both the superstructure and the substructure.

Statutory Priority #2: Reflects greater financial need.
The applicant received 540 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number

of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 28th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 42.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 27th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 15.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 20th highest of 57 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60 percent of the score for statutory priority #2. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants that appear to have the greatest financial need based upon the revenues available to the County that could be used to maintain their bridges and the number of bridges that the County is responsible for maintaining.)

(Note: The financial analysis for bridge applications is unique to bridge applications only. MDOC staff conducted the analysis and assigned a score, which was then manually inserted into the computerized financial assessment in place of the target rate analysis score generated for the other types of projects.)

The number of bridges under 20 feet that the County is responsible for maintaining.	17
The number of bridges over 20 feet that the County is responsible for maintaining.	32
Total available funds per county maintained bridge.	$18,133

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant

Rationale: The MDOC technical review team noted that issues that were not adequately addressed in the PER included: the design requirements for new bridges in Custer County were not discussed; the hydraulics analysis was a concern due to maps and calculations that utilized different drainage areas; and a comprehensive examination of the entire bridge system was not included or an explanation of the process of selecting the Trail Creek Bridge for the application.

The hydraulic information did not provide any information regarding the capacity of the existing bridge opening or the hydraulic capacity of the proposed culvert. The drainage map specified a drainage area of

about eight square miles; however, the drainage area used in the calculations is for about a 58 square mile area.

The selection of this bridge was changed very late in the preparation of this PER. As a result, environmental documentation and correspondence with review agencies were lacking. However, any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the applicant has not yet taken advantage of various planning tools available.

Rationale: The applicant stated that its bridge department has not had adequate budgets for bridge maintenance and reserves in the past, primarily because of Initiative 105. The county commissioners are considering a $0.02 local option motor fuel excise tax and are working on a plan to inform the public and take the proposal to a vote. The County has started discussions with the City of Miles City because they would have to share the funds with the City. They are also considering doing a capital improvements plan (CIP) for bridge maintenance and replacement, and plan to apply to TSEP in 2007 for a PER grant to do a bridge inventory. The commissioners are also considering a rural improvement district to upgrade the 100-foot long Tusler Bridge that spans the Yellowstone River, and are writing the Department of Transportation (MDT) to request that the bridge be inspected in either 2006 or 2007. The bridge was originally a railroad bridge that is now being used by vehicles.

The MDOC review team concluded that the County's operation and maintenance practices related to its bridge system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the applicant stated that the County does not currently receive any oil or gas funds or MDT funds for off-system bridges, which was thought by the team to be an inaccurate statement.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant, in-kind (labor and materials) and local funds. The applicant stated that it evaluated obtaining a loan from INTERCAP and a local bank in Miles City, but they need to increase the bridge fund income before they borrow money for bridge upgrades. They believe that getting a $0.02 local option motor fuel excise tax will give the County the additional cash flow they need to start an assertive bridge upgrade program. The County has limited bridge reserve funds and this cash commitment will severely deplete bridge reserves. The bridge department does not get any PILT or state entitlement funds, since they go to the road fund. The County also does not get any oil and gas funds or any MDT funds for off-system bridges. There are no major businesses that benefit from the Mizpah Road that would be able to help fund the bridge upgrade. There is no timber in the area so there are no timber receipts.

The applicant stated that the County funds and in-kind are fully committed, and that the TSEP funds are essential to moving forward with the proposed project.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the bridge system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that this is a major farm to market road for southeast Custer County and northwest Carter County for traffic from Ekalaka to Miles City. This road is 43 miles shorter than the alternative route, and is used by local farmers and ranchers; truckers hauling livestock, grain, and supplies; hunters and fisherman; U.S. Bureau of Land Management and U.S. Fish and Wildlife personnel. The project would increase the load limit for this creek crossing. The project would not result in any business expansion, but would help maintain the present businesses.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 3 and received 240 points out of a possible 400 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. The MDOC review team did not score this priority higher primarily because it appeared that the applicant only met the minimum requirements and did not adequately demonstrate that bridges have been properly prioritized or that local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that the County held a public hearing at 8:30 a.m. on April 26, 2006, at the county courthouse. The proposed project and funding was explained in detail, including there would be no increase in taxes, special assessments or user charges because of this proposed project. The hearing notice, minutes and sign-in sheet were included in the application.

The applicant stated that all of the people at the meeting went on record supporting this bridge project; however, of the eight people in attendance, only one was not a local official or consultant. There were letters of support included from the local fire and rescue; rural volunteer fire company; Department of Fish, Wildlife & Parks; U.S. Bureau of Land Management; a construction company; and Miles City Community Services & Planning.

The applicant stated that this is the worst bridge in the County, and listed 17 bridges in priority of needing upgrading. However, the listing was dated April 28, 2006, and did not appear to be an official document such as a CIP that has been adopted by the County.

Project No. 46
Brady County Water District – Wastewater System Improvements

This application received 3,212 points out of a possible 4,900 points and ranked 46th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
CDBG	Grant	$ 500,000	Application submitted in May 2006
CDBG	Grant	$ 20,000	Funds expended on PER
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
RD	Grant	$ 300,000	Application submitted in May 2006
RD	Loan	$ 277,616	Application submitted in May 2006
STAG	Grant	$1,260,384	Application to be submitted June 2007
Project Total		**$3,208,000**	

Median Household Income:	$25,957	Total Population:	145
Percent Non-TSEP Matching Funds:	77%	Number of Households:	82

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$29.46	-	Target Rate:	$45.77	-
Existing Wastewater Rate:	$ 4.00	-	Rate with Proposed TSEP Assistance:	$59.46	130%
Existing Combined Rate:	$33.46	73%	Rate without TSEP Assistance:	$95.93	210%

Project Summary

History – The Brady wastewater system originally included a single-cell lagoon and collection mains, which were installed in 1955. At some point, likely in the 1970s, two additional cells were added to the lagoon. The three-cell facultative lagoon discharges to the South Pondera Coulee north of the lagoon where it evaporates and/or percolates into the ground. The Brady County Water District took over the system in 2004, which had been operated by Pondera County through a rural improvement district. Numerous permit violation letters have been issued by the Department of Environmental Quality (DEQ).

Problem – The District's wastewater system has the following deficiencies:

- the lagoon was installed without a liner and is leaking,
- the discharge structure is leaking untreated effluent to land that is open to the public and is in violation of the DEQ permit,
- the influent pipe to cell #1 is very near the discharge structure causing short and inadequate treatment prior to discharge,
- sludge has never been removed from the lagoons, thereby reducing detention time,
- numerous aspects of the lagoon do not meet DEQ standards including lack of piping for flexibility, lack of controlled discharge structure, lack of a flow measurement device, and lack of adequate detention time,
- plugs have caused raw sewage to back up into residences,
- leaking joints in collection system allow the discharge of raw sewage to the groundwater, and
- leaking joints in collection system also allow for excessive infiltration during heavy precipitation events.

Proposed Solution – The proposed project would:

- ❑ remove the existing sludge from the lagoons,
- ❑ reconfigure the existing lagoon system into two primary ponds and one secondary/storage pond,
- ❑ install spray irrigation for disposal of the treated effluent, and
- ❑ replace the entire collection system with new pipe.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including facultative wastewater treatment lagoons that are estimated to be losing up to one-half of the influent to leakage both through the unlined pond bottoms and a dysfunctional discharge structure. These problems can result in environmental pollution and potential public exposure to inadequately treated wastewater in the effluent receiving drainage. Problems with accumulated sludge, poorly located piping, and a leaking discharge structure result in inadequate treatment of the wastewater and continual discharge of effluent quality exceeding allowable discharge parameter limits.

Similarly the sewer collection system is full of cracked pipes, separated joints and leaking service connections resulting in contamination of the soils and the groundwater with raw wastewater. A level four score is appropriate based on an example in the scoring criteria for a community that routinely discharges undisinfected wastewater or inadequately treated wastewater in a location where opportunities for contact with people is likely to occur.

Statutory Priority #2: Reflects greater financial need.
The applicant received 612 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 13th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 64.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 3rd highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 10.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 39th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought that the selected means of effluent disposal, using gated pipe irrigation, was not adequately discussed. This type of irrigation is not expected to be an allowable method of application unless the applicant applies for a groundwater permit, meets groundwater non-degradation requirements, and conducts significant monitoring of effluent and groundwater wells. Non-degradation requirements, permitting, and groundwater monitoring were not discussed in the PER. The use of gated irrigation pipe makes it very difficult to uniformly disperse the effluent and accurately provide for an acceptable application rate corresponding to agronomic uptake rates.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the operation and maintenance (O&M) practices have been inadequate, and the District only took over the system in 2004 even though it was created in 1993.

Rationale: The applicant stated that until 2004, the wastewater system was operated under a rural improvement district by the County. The Brady County Water District, which was created in 1993, took over the O&M of the wastewater system in 2004. Since that time, the District has been addressing DEQ's concerns and has made temporary repairs to the system until the permanent improvements can be implemented. The District also had the trunk main cleaned and video inspected. A new water treatment plant was constructed in the 1990s. The water system is metered.

The applicant stated that the District is in the process of preparing a maintenance program for the current facilities, and a new O&M manual will be written after design and construction of the proposed facility. To more accurately determine the MHI of community, the District conducted an income survey.

The MDOC review team concluded that the District's O&M practices related to the wastewater system appear to be inadequate, but improving.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 3 and received 360 points out of a possible 600 points.

Conclusion: The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds

from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. However, the MDOC review team did not score this priority higher primarily because the applicant has not yet applied for the STAG grant, the amount being requested from CDBG is more than the program awards, and the RD grant is more than the loan amount being requested, which is an unlikely scenario. Overall, it did not appear that the applicant had adequately prepared a viable funding package.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, RD, and STAG or WRDA grants in combination with a RD loan. The applicant evaluated eleven sources of funding for the proposed project, and all eligible funding sources would be utilized for the project. However, the applicant is applying for $500,000 from CDBG, but the maximum grant amount is only $450,000. The amount of RD grant dollars is more than the loan, which is contrary to RD guidelines. The applicant does not intend to submit applications for a State and Tribal Assistance Grant (STAG) or U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant until June 2007. The applicant did not indicate whether this project has been discussed with congressional staff.

The applicant stated that without TSEP funds the project would not go forward, regardless of funding from other agencies.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, the applicant stated that without an adequate treatment and collection system businesses may be forced to leave, hurting the existing tax base.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant was not able to adequately demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant stated that a public hearing was held at 7:00 p.m. on April 10, 2006 at the Brady school. The hearing, which was advertised in the *Independent-Observer*, was attended by 23 residents and the District's consultants. The minutes and the presentation reflect that the attendees were informed about the proposed project and the estimated increase in user rates. Copies of the hearing notice, minutes, sign-in sheet, and the presentation were included in the application. The District also discussed the problems of the wastewater system at their annual meeting on December 8, 2003, as reflected in the minutes that were included in the application.

The applicant included letters of support from the local school district, a local church, four businesses, and 10 residents. The applicant stated that since the District is currently in violation of their MPDES permit, the proposed project is a very high priority.

Project No. 47
Elk Meadows Ranchettes County Water District – Water System Improvements

This application received 3,184 points out of a possible 4,900 points and ranked 47th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$410,000	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
SRF	Loan	$305,180	57th on the SRF priority list
District	Local	$ 22,450	Funds expended on PER
Project Total		**$837,630**	

Median Household Income:	$49,759	Total Population:	155
Percent Non-TSEP Matching Funds:	51%	Number of Households:	65

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$60.48	113%	Target Rate:	$53.41	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$97.03	182%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$147.15	276%

Project Summary

History – The Elk Meadows Ranchettes subdivision is located approximately 20 miles west of the City of Missoula, and just north of Interstate 90 and the community of Huson. Built in 1978, the original water system included three 13,000-gallon storage tanks, two booster stations, a lower and an upper pressure zone, two wells, 8,700 feet of six-inch asbestos cement pipe, 7,900 feet of three-inch asbestos pipe and seven fire hydrants. In 2000, two new wells were drilled to replace the original wells. In 2003, the District added a new 110,000-gallon glass lined steel storage tank to the lower pressure zone, two new booster pumps in the lower pump house, a new radio telemetry control system, and relocated one of the three original storage tanks to the lower pump house. Equipment was also installed in the lower pump house for disinfection and corrosion control.

Problem – The District's water system has the following deficiencies:

- an inadequate supply of water for domestic and fire protection needs,
- an inability to provide adequate water during high demand periods and no redundancy provided by the wells,
- water shortages can occur if one well is out during periods of high demand,
- adequate water rights to meet existing and anticipated maximum demands are lacking,
- the water supply is corrosive and has violated regulatory standards for copper,
- part of the distribution system is undersized,
- there are no meters on service connections,
- modeling indicates that the undersized lines cannot provide adequate flow volume for fire protection,
- the upper pressure zone water storage tank lacks adequate volume for fire suppression design storage needs,
- the primary storage tank has been drained during high demand periods, and
- the existing system does not have provisions for auxiliary power.

Proposed Solution – The proposed project would:

- drill one and, if necessary, two new wells,
- install second booster pump in upper pump station,
- install aeration equipment for corrosion control,
- loop mains and replace a portion of the existing undersized mains,
- install service meters,
- expand the middle storage tank, and
- upgrade the foundation for the upper storage tank.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.

The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: lack of sufficient source of supply capacity, limitations to fire flow due to small distribution water mains, limitations to achieve a 1,000-gpm fire flow due to insufficient tank size, and the potential for copper concentrations higher than the action level.

The water system is lacking in terms of source of supply capacity. This deficiency can result in low storage tank levels during high demand, and consequently low system pressures, and a reduced supply for fire suppression. Failure of the single booster pump serving the upper pressure zone has historically resulted in water service interruption for up to four days.

The water system cannot provide adequate fire suppression to portions of the distribution system because of undersized water mains and infrequent hydrants. Low system water pressures can result in contaminant entry resulting in illness and/or disease outbreak. Insufficient fire protection supplies can result in personal injury and substantial loss of property. The project also proposes to improve corrosion treatment, thereby reducing copper concentrations, which have sometimes exceeded action levels in the past.

The MDOC technical review team concluded that the water system can provide wintertime domestic water supply and, while the fire flow capabilities of the water system may be substandard, it is not grossly inadequate since it can provide wintertime domestic water supply and the current level of fire protection. Therefore, the health and safety problems associated with the deficiencies are likely to occur in the long-term if not corrected.

Statutory Priority #2: Reflects greater financial need.

The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 1st level and received 72 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 57th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 20.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 56th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 4.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 54th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 4th level and received 432 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted some minor issues that were not adequately addressed, including: insufficient detail for the new well installations given the historical difficulty to develop water supply wells in the area; failure to include a no-action alternative for the tank expansion project that would satisfy a fire flow of 500-gpm for two hours; and lack of a technical analysis of existing water quality data to determine if aeration would achieve the desired increase in pH that is required to improve corrosion treatment.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the District's operation and maintenance (O&M) practices related to the water system appear to be less than adequate, and there was no discussion of county planning efforts and how the district fits into those plans.

Rationale: The applicant stated that the District has accumulated reserves that have been used for improvements to the water system from 2000 to 2003, including the drilling of new wells, construction of an 110,000-gallon storage tank, improvements to the lower booster station, chlorination, corrosion control through chemical addition and improved system controls. Much of the work that was identified in previous planning efforts could not be completed due to lack of available funding. Since incurring the debt for the previous improvements, limited reserves have been generated. The District revises its O&M charges each year to reflect costs from the previous year, including a replacement/depreciation component.

The applicant stated that the District completed a source water delineation and assessment in 2005, which addresses potential contamination threats to the wellheads; however, no source water protection plan has yet been developed based on the recommendations of the report. As a water district with

responsibility for only one utility, the preparation of a PER in 2002 and 2006 is used for capital improvements planning.

The applicant stated that the deficiencies of the water system are primarily problems that were inherited from the original developers. Meters are being proposed as a component of the proposed project and will be used to assess charges for system operation. The MDOC review team concluded that the District's O&M practices related to the water system appear to be less than adequate since there were monitoring violations where sample collection events, related to the lead and copper rule and general parameters, were missed.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The applicant discussed not qualifying for CDBG or RD grants, and prefers to utilize an SRF loan due to the favorable interest rate. The project is ranked 52nd on the SRF priority list, and therefore, the District is eligible to apply for the loan.

The applicant stated that in the event that the TSEP and/or RRGL grant applications are unsuccessful, the District may re-evaluate the RD program, but in general thought that the families in the District cannot support any more debt than what is being proposed.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. The proposed project area is residential only and has no commercial connections.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the rate hike presented to the public was a bit lower than the actual rate increase required.

Rationale: The applicant stated that the proposed projects were considered in detail when the District initiated previous TSEP grant applications in 1998 and 2000. More recently, the District held a public meeting at 7:00 p.m. in December 2005 at the Frenchtown high school. The purpose of the PER

and the problems to be addressed was discussed at the meeting. The applicant included a copy of a notice that may have been posted in the District, presentation summary, and the powerpoint presentation. A public hearing was held at 3:00 p.m. on April 9, 2006 at the Frenchtown fire station. A newsletter, that the applicant stated was distributed to all residents within the District, notified residents of the meeting, which was attended by 23 residents. The PER, project budget, and estimated cost per household was presented; however, residents were told that the monthly user charge would increase by $32.87, when the information presented in the application form showed that the increase would be $36.55. The applicant included a copy of the newsletter, minutes, sign-in sheet, and a powerpoint presentation.

The applicant included 20 letters of support from local residents, most of which were one of three form letters that were simply signed, and one from the local rural fire district. The applicant stated that no unfavorable comments have been expressed regarding the proposed improvements.

Project No. 48
City of Polson – Water System Improvements

This application received 3,164 points out of a possible 4,900 points and ranked 48th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$1,072,750	113th on the SRF priority list
Project Total		**$1,922,750**	

Median Household Income:	$21,870	Total Population:	4,684
Percent Non-TSEP Matching Funds:	61%	Number of Households:	1,726

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$19.52	-	Target Rate:	$38.56	-
Existing Wastewater Rate:	$16.53	-	Rate with Proposed TSEP Assistance:	$40.04	104%
Existing Combined Rate:	$36.05	93%	Rate without TSEP Assistance:	$42.80	111%

Project Summary

History – The Polson water system consists of six groundwater wells, five concrete and two steel storage tanks, booster pumps, and several miles of distribution mains. Treatment includes chlorination, corrosion inhibitors, and an iron removal system. The City relies on several wells and storage reservoirs, but lost a primary water supply source, the Hell Roaring Creek surface water supply in 1994 due to contamination. A new one-million gallon concrete storage tank and two new wells located on the west side of the Flathead River were constructed in 2001. In 2004, the water system on the west side of the Flathead River was connected to the system on the east shore with the construction of a water line that is lying on the bottom of the Flathead River. The City has imposed summer lawn watering restrictions and placed limits on new water service hookups. The City is currently in the process of expanding water supplies through the construction of a new well and installation of expanded iron removal facilities on existing wells.

Problem – The City's water system has the following deficiencies:
- an insufficient water supply to meet future growth,
- deteriorated and undersized mains in the downtown area,
- insufficient storage in the upper and middle pressure zones,
- low pressures have occurred near existing storage tanks where adequate pressure head is not available,
- two of the existing water storage tanks have severe concrete deterioration including spalling concrete, exposure of rebar, and exhibit the potential for complete failure,
- insufficient water supply for fire protection in the area around the high school, and
- insufficient pressures, quantities and hydraulic restrictions that inhibit the ability to supply fire protection to businesses.

Proposed Solution – The proposed project would:
- construct a new 500,000-gallon concrete tank to replace the existing deteriorated tanks,

- upgrade existing mains and construct a booster station within the Mission View area,
- construct a main connecting a new hydrant to an existing 12-inch main to immediately supplement the available fire flows of existing hydrants in the area of the high school.

Note: The proposed project does not resolve all of the deficiencies such as those related to quantity, storage, and the distribution system in the downtown area. Therefore, certain aspects of those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: susceptibility of system to contamination from backflow originating in the Mission View area, insufficient water storage capacities, system line pressures below design standards, potential failure of existing storage facilities due to structural deterioration, inadequate fire protection of the high school and immediately surrounding area, and inadequate fire protection for businesses along Highway 93 corridor.

The lack of storage capacity in the upper and middle pressure zones and insufficient water pressures limit the availability of water for fire flows at specific points within Town when combined with meeting normal water demands. This deficiency poses a substantial potential for property loss in the long term. Low water pressures in the Mission View area leave this area susceptible to contamination.

Two of the existing tanks exhibit deteriorations that may compromise the structural integrity of the tanks in the long term. Failure of either of these deteriorating tanks would create an imminent public safety problem placing at risk many of the businesses located along the highway through town.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 4th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 56.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 9th highest of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 19.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 10th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought there was an insufficient consideration of alternative materials for construction of storage structures. In addition, there was insufficient documentation of historic user rate adjustments to demonstrate proper financial management relative to future improvement planning.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation.

Rationale: The applicant stated that the City has been diligent in the operation and maintenance (O&M) of their water system. According to a recent budget report included in the application, it appeared that water revenues had increased significantly between fiscal years 2000 and 2001, and has remained fairly constant since; however, no other information regarding the rates could be found in the application.

The applicant stated that a one million-gallon concrete storage tank and two wells were constructed on the west side of the Flathead River in 2001 using only City funds. In 2004, a water main was constructed, connecting the west and east sides of the water system. Between 1997 and 2001, nearly $2.5 million in City funds has been used to improve the water supply and distribution system. The City meters all users, and is currently in the process of replacing inoperable ones.

The applicant included a source water delineation and assessment report that was completed in June 2002; however, there was no documentation that a source water protection plan was developed thereafter. The applicant stated that the City's zoning process includes wellhead protection zones to protect the areas adjacent to the wells from contamination. The City's pursuit of new groundwater supplies has been complicated by issues surrounding water rights and ongoing negotiations with the Confederated Salish and Kootenai Tribe.

The applicant stated that the City updated their wastewater master plan in 2004, and recently completed an upgrade of the wastewater treatment lagoons.

The applicant stated that a capital improvements plan (CIP) prepared in 1998, identified water quantity as the number one priority, and the City initiated actions to pursue additional water supplies. Primarily due to the activities underway to improve the supply of water, water quantity was moved to a

lower priority in an update of the CIP in 1999. Well drilling efforts at that time did not produce water in the quantity needed; consequently shortages of water became more evident leading to the development of the well supplies and storage tank on the west shore. A community needs assessment also lists water quantity as a priority issue. Copies of the CIP and needs assessment were not included in the application; therefore, the MDOC review team could not determine what is included in the CIP, when the needs assessment was completed, or verify what the priorities were in those documents.

The applicant stated that the problems with the distribution and storage components of the system are related to the age of the system. The applicant further stated that the water supply problem is of relatively recent origin, caused primarily by the loss of the Hell Roaring Creek water supply. This problem developed due to more stringent regulations regarding surface water supplies rather than inadequate O&M. The MDOC review team concluded that the City's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan and local reserves. The applicant stated that the City has utilized CDBG grants in the past and will consider this program for future phases of the project. An RD loan and grant was considered; however, the SRF loan program was selected due to its favorable interest rate. The proposed project is ranked 113th on the SRF priority list, and is therefore, eligible to apply for the loan.

The applicant stated that while SRF funding is not specifically dependent upon receipt of TSEP and/or RRGL grants, the affordability of the project and the ability of the ratepayers to support the debt would be impacted by the loss of either source of grant funding.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the growth that has occurred in Polson and all of the communities surrounding Flathead Lake will result in many new jobs being created, but only if adequate water supplies to support the growing populations are available. However, the applicant did not identify any specific business expansion, or long-term, full-time job creation as a result of the project. The applicant also stated that the completion of the proposed improvements, in conjunction with the new well currently being constructed, would allow the lifting of a moratorium on new hookups in the community; however, the moratorium on new hookups was lifted in 2004.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because of the lack of documentation to conclusively demonstrate that the project is a high local priority.

Rationale: The applicant stated that the City held a public hearing at the city hall on May 2, 2005 at 6:30 p.m. to discuss the PER. Many people were in attendance due to a controversial subdivision that was being discussed following the hearing on the PER. The applicant stated that while most of the audience was opposed to the subdivision, they were generally in support of the improvements to the water system. A copy of the presentation was included in the application. Another hearing was held 6:00 p.m. on April 17, 2006 at the city hall to present the proposed project budget and the estimated cost per household to the local officials and 44 residents attending. A copy of the hearing notice, minutes, and presentation were included in the application.

The applicant stated that no opposition to the proposed project has been expressed at meetings. The applicant included letters of support from the local rotary club, eight businesses and three residents.

The applicant stated the City has completed and subsequently updated a community needs assessment and a CIP, in which water improvements are a high priority. The applicant also stated that the proposed project is a high priority in Lake County's CIP. However, none of these documents were included in the application to verify those statements.

Project No. 49
Town of Darby – Water System Improvements

This application received 3,144 points out of a possible 4,900 points and ranked 49th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
CDBG	Grant	$ 450,000	Applied in May 2006
WRDA	Grant	$3,169,531	Application submitted to Congressional staff in January 2006
RD	Grant	$ 264,128	Application to be submitted in September 2006
RD	Loan	$ 909,452	Application to be submitted in September 2006
Project Total		**$5,643,111**	

Median Household Income:	$25,221	Total Population:	814
Percent Non-TSEP Matching Funds:	87%	Number of Households:	295

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$17.62	-	Target Rate:	$44.47	-
Existing Wastewater Rate:	$17.40	-	Rate with Proposed TSEP Assistance:	$44.47	100%
Existing Combined Rate:	$35.02	79%	Rate without TSEP Assistance:	$52.86	119%

Project Summary

History – Darby's water system is almost fifty years old. All water is obtained through wells and treatment has not been required until recently. Water storage is provided by a 100,000-gallon, steel, above-ground storage tank. The distribution system consists of about seven miles of water mains, ranging in size from one and one-half to eight inches in diameter. Water meters are utilized throughout the Town. The Department of Environmental Quality (DEQ) placed the town on a boil water order in 2005.

Problem – The Town's water system has the following deficiencies:
- the distribution system is leaking almost seventy percent of the water being pumped,
- the storage tank is grossly undersized,
- fire protection is inadequate, and
- dead-end lines are allowing water to become stagnant.

Proposed Solution – The proposed project would:
- construct a new 900,000-gallon water storage tank,
- install approximately 20,000 feet of water main,
- drill a new well, and
- install chlorination disinfection system at the wells.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: a distribution system that has experienced an unexplained fecal coliform detection, significant leakage, serious fire flow limitations, and inadequate storage.

The Town does not currently have the storage or distribution capacity it needs in the event of a major fire. In addition, the Town is wasting nearly 70% of its water resource through leaking of an aging distribution system. These deficiencies combined with the propensity for wild fires in this region place this community at high risk.

In addition to storage and distribution problems, Darby has a history of total coliform violations. A boil water order issued in summer 2005 was the culmination of these violations. Currently, the Town does not disinfect its water supply. However, chlorination is being recommended as a means to reduce the total coliform hits and ensure safe drinking water.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 8th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 60.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 7th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 24.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 5th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted some issues that were not adequately addressed, including: a discussion of Safe Drinking Water Act regulations, a source water protection plan, well logs, summary table of distribution system components, and a more complete hydraulic modeling results. Water tank options mixed up costs, and there was no discussion of meter maintenance or testing.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of inadequate documentation and concerns about the Town's past operation and maintenance (O&M) practices related to the water system.

Rationale: The applicant stated that the Town maintains a small reserve, with most of the system's revenues going towards O&M. Summary information provided in the application shows that the average annual operating budget for the water system from 2001 through 2004 was $66,050 per year, and the average revenue generated was $100,055. In 1998, the Town drilled an additional well.

The applicant stated that a source water protection plan was prepared for the Town of Darby, the City of Hamilton, and the Town of Stevensville in September of 2000. No documentation of the plan was provided, but the applicant stated it is on record at DEQ. A capital improvements plan (CIP) that covers all of the Town's infrastructure was adopted by resolution in 1999; however, the document in the application has language crossed out and appears to have information missing indicating that it is a draft. In addition, the page showing projects to be completed is also stamped draft. Based on information contained in the application, it appears that the CIP was first created in 1982, which was then updated in 1999. The CIP appears to be in effect until 2015, since that was the date of the last item to be funded. In 1999, the Town also updated its action plan, which was first completed in 1993. The action plan is like a needs assessment with implementation steps and a schedule; the plan lists the water system as one of the highest infrastructure priorities. A resource team assessment was completed in October 2004; the water system was identified as needing immediate attention.

The applicant stated that while the leakage is not of recent origin, it is also not a result of inadequate operation and maintenance practices. Leakage is primarily the result of sewer lines being old. In addition, some ductile iron was installed in areas with high ground water, which can cause it to deteriorate faster when submerged. Leak tests are performed annually and leaks are repaired when found. The MDOC review team concluded that it had concerns about the Town's past O&M practices related to the water system due to monitoring violations where sample collection events, many of which were related to the lead and copper rule, were missed. Additionally, several O&M related items were noted during a DEQ inspection following a boil water order in 2005, including sanitary deficiencies at the water tank and extensive clutter in the well house.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 2 and received 240 points out of a possible 600 points.

Conclusion: The applicant inadequately demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project appears to have problems and may not be viable. There are potentially major obstacles that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the amount requested from WRDA is considered to be very unrealistic since it is three times the usual amount awarded.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, WRDA, and RD grants, along with a RD loan. The Town submitted an application for a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant to the offices of both U.S. Senator Burns and U.S. Representative Rehburg. The applicant stated that Representative Rehburg made a visit to the town to better understand the project and said he is committed to helping Darby obtain this grant. The $3,169,531 WRDA grant being requested is more than three times the amount normally awarded. In February 2006, the Town passed a resolution increasing water and sewer rates between 2006 and February 2008 that will bring the combined base rate up to the target rate.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 3 and received 300 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities, and cited various businesses that would benefit by the proposed improvements. However, the applicant did not reasonably demonstrate that the proposed project would directly result in the expansion of a specific business, or the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly add to the tax base if any business expansion occurs.

Rationale: The applicant stated that the two businesses have indicated a desire to move to the town when the extra demand on the water system can be handled. The U.S. Forest Service (USFS) proposing to construct a large facility in Darby and is requesting to connect to the water system. A lumber company, which uses small diameter wood and recycled plastic to make deck boards, has also requested connecting to the Town's system. Two subdivisions have also been proposed within the town limits, which have the potential to increase the population by one-third. There was no documentation or letters discussing any of these requests.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 5 and received 400 points out of a possible 400 points.

Conclusion: The applicant conclusively demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its estimated cost and the impact per household. In addition, the applicant provided documentation to show that the project is clearly a high local priority and strongly supported by the public.

Rationale: The applicant stated that the Town conducted four public meetings to discuss the proposed project and to receive input from community residents. However, the MDOC review team noted that there were nine public hearings or meetings in total when the proposed project and increases to the water rates were discussed. There was one other public hearing when a resolution was passed increasing water rates. The public hearings and meetings took place on November 11 and 22, 2005; December 13, 2005; January 24, 2006; February 14 and 28, 2006; March 28, 2006; and April 11 and 26,

2006. All meetings took place at 6:00 p.m. at the town hall, and were documented with agendas, notices, and minutes. The meetings on February 24 and March 28 also had sign-in sheets, and 10 people besides local officials and consultants attended each of the two meetings.

The applicant stated that local citizens and affected property owners were informed of the anticipated increase in user rates in a letter that was included with their March 2006 bill. The letter was not found in the application, but a January 26 article in the *Ravalli Republic* discussed the proposed increase, along with three other articles that discussed the proposed increase to the water rates. User rates were also discussed at numerous public meetings. There were 15 articles included in the application that discussed the proposed project, rate increases, boil order and Representative Rehburg's visit. The applicant also included five newsletters that provided some information related to the proposed project.

The applicant included documentation showing 67 residents signed a petition supporting the project and increasing user rates to the combined target rate level; the petition stated the amount of the increases to take place over the next 23 months. The USFS provided four letters in support of the proposed project. One local business, the City of Hamilton, and Montana Rural Water Systems also provided letters of support. The Town has approved an increase in the monthly water bill to offset the anticipated debt load, and the applicant stated that the Town has already passed the debt election. While documentation was provided related to the increase in the monthly water rates, documentation related to passing the debt election was not found.

The proposed project appears to be a high priority as shown in the Town's CIP, community needs assessment, and action plan.

Project No. 50
Goodan Keil County Water District – Water System Improvements

This application received 3,096 points out of a possible 4,900 points and ranked 50th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 532,250	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
District	Reserves	$ 23,150	Expended on the PER
SRF	Loan	$ 409,100	103rd on the SRF priority list
Project Total		**$1,064,500**	

Median Household Income:	$48,047	Total Population:	238
Percent Non-TSEP Matching Funds:	50%	Number of Households:	81

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$49.12	95%	Target Rate:	$ 51.57	
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$ 62.84	122%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$115.06	223%

Project Summary

History – The Goodan Keil subdivision is located approximately 2.5 miles northwest of the City of Missoula, directly north of the Airport Way on-ramp for Interstate 90. The original water system was installed in 1978 and operated by a homeowners association. Original system components included three supply wells, 5,100 feet of piping to a 40,000-gallon concrete storage tank, approximately 23,000 feet of water main, valves, fire hydrants, two pressure reducing stations, about 15,000 feet of water service lines, and water meters with associated valving. In 1999, a booster station was added to the system in order to increase production of the wells. The Goodan Keil County Water District was formed in August 2004, and ownership and operation of the water system was transferred to the District. The water system currently utilizes two groundwater supply wells that provide water to 81 existing homes. The District is currently in the process of obtaining approval to hook-up another well it drilled in June 2004. On numerous occasions since 2000, there have been out of water situations due to inadequate storage, supply pipe ruptures and booster station failures.

Problem – The District's water system has the following deficiencies:

- the existing 40,000-gallon concrete storage tank is grossly undersized for operational and fire needs,
- the District's existing booster station is unreliable and inefficient due to its dependency on a rotary phase converter,
- pipe failures and repairs are increasing in frequency and the ability to isolate individual wells is limited by the District's well field piping gallery,
- the original pipe installation from the well field to the booster station is undersized, of poor quality, the routing introduces significant frictional losses, and a series of ruptures have occurred which resulted in out-of-water situations,
- the casing on one of the District's supply wells protrudes only six inches above surrounding grade - less than the 18 inches required by Department of Environmental Quality (DEQ) standards,
- the spacing between fire hydrants on the existing distribution system makes it difficult for the local fire

department to get water quickly to all residences within the District, and
- the individual water meters on the system are suspected of becoming increasingly inaccurate and are read manually, which introduces error and consumes significant time during reading and billing.

Proposed Solution – The proposed project would:
- replace the existing 40,000-gallon tank with a new 150,000-gallon concrete storage tank,
- install approximately 2,000 feet of three-phase conductor wire and convert the existing booster station to three-phase power,
- replace well field piping and install proper valves and fittings,
- replace approximately 2,000 feet of existing supply piping from the well field to the booster station with properly sized pipe utilizing an existing carrier pipe beneath Interstate 90 to reduce frictional losses,
- elevate the casing for well #3 to at least 18 inches above surrounding grade,
- install seven new hydrants and isolation valves throughout the distribution system, and
- install new meters with remote-read capabilities and automated billing software.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: frequent failure of the single phase booster station, resulting in low pressure conditions; failure of the well field piping resulting in potential contamination during repair; and lack of adequate water storage to meet fire flow requirements.

Inadequate storage to meet demand can result in out of water or low pressure conditions in the distribution system, which poses a serious health risk to users since low pressure conditions can result in backflow into the system. Lack of adequate storage to meet minimum fire flow requirements poses a safety risk to area residents. With mutual aid agreements common between volunteer fire departments, an adequate source of water significantly improves the ability to control both structure fires and wild fires.

The presence of coliform bacteria in the water supply system is a serious public health and safety concern. Even though no fecal coliform was detected, the bacterial hits are an indication of serious system deficiencies. Two possible causes for the coliform detection include deficiencies in the tank access hatch and vent, and a hole in the casing of one of the wells. Either of these causes potentially have relatively simple solutions.

The booster station failed in the summer of 2006, after submittal of the application, and was scheduled for repairs prior to any legislative decision on funding.

Statutory Priority #2: Reflects greater financial need.
The applicant received 396 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 1st level and received 72 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is

assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 56th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 36.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 49th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 5.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 53rd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 5 and received 800 points out of a possible 800 points.

Conclusion: The applicant conclusively demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The problems were well defined, the various alternatives were thoroughly discussed, and construction costs were well documented and justified. There were no issues of any significance that were not adequately addressed in the preliminary engineering report (PER).

Rationale: The MDOC technical review team thought the PER was complete and thorough. The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the District was only recently formed.

Rationale: The applicant stated that since the District's formation in 2004, it has maintained a reasonable operation and maintenance budget. It also has a reserve account for unanticipated expenses, but building a reserve has been hampered by significant repair expenditures for pipe breaks and booster station problems. Based upon the documentation provided, the District only has $2,860 in reserves.

The applicant stated that the system has service meters that are approaching 30-years of age, and the proposed project anticipates replacement of all meters with new, state-of-the-art meters with remote-read interrogation capability. This will enhance the District's ability to equitably assign costs to system users while also increasing efficiency in meter reading/billing.

The applicant stated that the District completed a source water delineation and assessment report in 2005 in order to provide protections to its water supply. Excerpts of that report were included in the application. It has secured easements for its wellfield, conveyance line and wellhead protection zones. The District anticipates adopting a wellhead protection plan once it receives legal clarification of the 100-foot radius well protection easement currently identified on county plat maps of the well field. Efforts to clarify the easement are ongoing.

The applicant stated that the Missoula County growth policy notes that a private entity (Mountain Water Company) provides drinking water to the City of Missoula and surrounding areas; no documentation of the growth policy was found in the application. The growth policy does not address the expansion of Mountain Water's service area.

The applicant stated that the water system was constructed by the developer in 1978 and was operated until 2004 by the homeowners association. The problems with the water system are not due to any neglect or irresponsibility on the part of the homeowners association. Instead, the problems are a result of the design and poor construction in the original system. The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. In addition, the applicant adequately documented that receiving TSEP funds is critical to receiving the funds from other sources and keeping the project moving forward.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The applicant discussed the fact that it does not meet the eligibility requirements for applying to the CDBG program, since the low to moderate income percentage is less than 51%. A loan from RD was considered, but the SRF loan has better rates and terms, and has less administrative constraints. Furthermore, the District is not eligible for a RD grant because of its high MHI. In the event that either of the grant applications is not successful, the District may reconsider RD as a loan source. The project is ranked 103rd on the SRF priority list, and therefore, the District is eligible to apply for the loan.

The applicant stated that while SRF and RRGL funds are not specifically dependent upon receipt of a TSEP grant, the affordability of the project and the ability of the ratepayers to support the debt would be severely impacted by the unavailability of TSEP funds.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation or retention of any jobs. The subdivision is a bedroom community for the City of Missoula and there are no commercial businesses served by the District's water system. Of the 87 residential lots within the District, 81 have been developed.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact

per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because the applicant did not conclusively demonstrate that there was strong support from local residents.

Rationale: The applicant stated that the District has tried to insure that the public is an active participant by posting the monthly board meeting dates, times and agendas on the District's centralized announcement board. A public hearing was held at 7:00 p.m. on February 20, 2006 at the Wingate Inn, which is adjacent to the District's well field. A newsletter was sent to each homeowner in March announcing the public hearing and providing a description of the project. In addition, notices were posted in prominent locations to invite the public to the meeting and to solicit written comments from homeowners. Topics of discussion included the system's deficiencies, possible solutions, budget, time schedule, funding possibilities and anticipated user rate impacts. The 31 residents that attended were informed that the monthly water user rates could increase to as much as $65.87 as a result of funding the proposed project. The applicant stated that the general consensus was to fix all the system's problems, and not delay any aspect based on affordability; however, minutes do not make that statement. Copies of the hearing notice, minutes, sign-in sheet, and the presentation were included in the application. In addition, an April 2006 newsletter was included that also summarized the report and the proposed project's impact on user rates.

The applicant included nine letters/emails from residents that are in support of the project. The applicant stated support for the project is also shown by the 84 of the 87 residences in the subdivision that voted for the creation of the District, a 97% to 3% margin.

Project No. 51
Butte-Silver Bow County – Water System Improvements

This application received 3,012 points out of a possible 4,900 points and ranked 51st out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
Natural Resource Damage Program	Grant	$3,693,323	Application submitted March 2006
Butte-Silver Bow	Reserves	$ 481,108	Funds committed
Project Total		**$4,924,431**	

Median Household Income:	$30,516	Total Population:	33,000
Percent Non-TSEP Matching Funds:	85%	Number of Households:	14,153

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$40.84	-	Target Rate:	$53.81	-
Existing Wastewater Rate:	$13.50	-	Rate with Proposed TSEP Assistance:	$54.34	101%
Existing Combined Rate:	$54.34	101%	Rate without TSEP Assistance:	$54.64	102%

Project Summary

History – The Butte Water Company was a wholly owned subsidiary of the Anaconda Copper Mining Company until 1992 when the water system was transferred to public ownership. Butte-Silver Bow relies upon a complex system of water collection, treatment, transmission and distribution facilities to meet drinking water requirements. Improvements neglected by the previous owner had led to federal orders to upgrade the system, which has resulted in the construction of two filtration plants and a nine million gallon water storage reservoir, the rehabilitation of three pump stations, and the replacement of approximately 294,000 feet of distribution and transmission mains. The original water main materials were comprised of a thin-walled steel pipe that was selected by the mining company because the pipe was more amenable to displacement. However, the thin-walled steel pipe is highly susceptible to failure by corrosion, which has resulted in a high rate of pipe failures.

Problem – The Butte-Silver Bow water system has the following deficiencies:
- water mains that have reached the end of their useful life,
- water mains that are undersized including two-inch diameter and smaller mains which cannot convey the volume of water needed for the daily needs of the community or for fire flows, and
- leaking water mains.

Proposed Solution – The proposed project would replace approximately 34,000 feet of water main.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 4 and received 800 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the near-term if the deficiencies

are not corrected. There is a high probability of significantly serious consequences after chronic exposure (exposure over many years).

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety. The antiquated distribution system is at the end of its useful life and experiences chronic leaking. The deteriorated pipelines are located in highly contaminated soils and groundwater, so the chronic leaking represents a potential for contamination to enter the water system.

Previously, a thin-walled steel pipe was used for the construction of water mains because it was thought to better handle displacement from shifting geology than cast iron pipes. The corrosive nature of the area soils combined with mine wastes present in the area groundwater have taken a toll on the thin-walled pipe, and the City-County repaired 276 distribution system leaks in 2005. This number is greater than the number of leaks repaired in the same year by the communities of Great Falls, Billings, Kalispell, Bozeman, Missoula, and Helena combined.

No illnesses or disease outbreaks were directly attributed to the chronic leaking in the distributions system. However, the groundwater in the area is highly contaminated from mining wastes and cannot be used for human consumption, and each leak represents a threat of this contaminated groundwater entering the water system and causing a widespread health threat. In addition, minor property damage caused by the leaks and resultant icy streets and associated driver safety concerns were noted in the PER.

Large portions of the distribution system are constructed of pipe with a diameter of two inches or less; these pipes cannot provide sufficient flows during peak periods or adequate fire flows. These undersized mainlines prevent the City-County from providing sufficient flows during peak usages or adequate fire protection to portions of the community.

The distribution system contains approximately one million lineal feet of water mains, and three-fourths of the system was originally evaluated as needing replacement. Butte-Silver Bow has an annual water main replacement program that replaces an average of 20,000 lineal feet of water main a year. It is estimated that roughly 583,000 lineal feet remain that require replacement.

Statutory Priority #2: Reflects greater financial need.
The applicant received 432 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 31st lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 40.5%. **The applicant's relative concentration of persons living at or below the LMI level is the 37th highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 15.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 21st highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned

based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted minor issues that were not adequately addressed, including the lack of hydraulic analysis for pipe sizing and fire flow capacities, and incomplete correspondence in relation to the Uniform Environmental Checklist.

The analysis of the distribution system does not include a hydraulic analysis for pipe sizing or fire flow capacities. Potential areas for water main replacement are identified based upon the leak data base, but the final location of water main replacements is subject to change from the PER. The applicant may include sizing and flow calculations as part of the design phase in their replacement program, but the PER does not discuss the issue.

Only one alternative, continuing the water main replacement program, is considered in detail, but no other alternatives to address the situation are apparent. Neither the sizing of the replacement mains nor the possibility of alternate routing is discussed.

The applicant adequately assessed the potential environmental impacts despite the incomplete correspondence. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation, and there was little discussion of other planning efforts.

Rationale: The applicant provided documentation that showed that water rates were increased in 1992, 1993, 1994, and again in 2005. The applicant stated that since acquiring the water system in 1992, it has invested over $48 million dollars in the system. Butte-Silver Bow dedicates $500,000 per year toward capital improvements. Proposals from engineering firms are currently being solicited to conduct a water master plan to identify further improvements needed to the water system. The applicant stated that before it can move forward, the distribution has to be addressed due to the number of leaks. A 2.5 million-gallon tank located in north Butte is currently being replaced at a cost of over $1.5 million dollars. The applicant did not address the issue of water meters; however, approximately 60% of the residential connections are not metered.

The applicant stated that the project is consistent with its capital improvement policy, and is crucial to the growth policy; however, the applicant did not include any documentation of these policies in the application.

The applicant stated that the causes of the existing conditions are due to the age of the system and not the improper operation and maintenance (O&M) of the system. The MDOC review team concluded that the applicant's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 3 and received 360 points out of a possible 600 points.

Conclusion: The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because of lack of detail concerning research of other potential funding and the statement regarding RRGL funds.

Rationale: The applicant has proposed a funding package consisting of TSEP and Natural Resource Damage Program (NRDP) grants in combination with local funds. The applicant stated that it currently has two major bonds. If the project were to be funded through bond, this would have to be voted on by the residents resulting in rate increases. A RRGL grant application was not submitted due to a conflicting project. However, the MDOC review team contacted the RRGL program, and the staff person contacted stated that even though the applicant received a RRGL grant from the 2005 Legislature, she was unaware of any reasons why the applicant could not apply for another grant to replace additional water mains. The applicant stated that it researched other grants, but the proposed project only qualifies for the two grants being applied for; the applicant did not provide any further specifics regarding what grants were researched.

The applicant stated that the NRDP has helped fund Butte-Silver Bow's water main replacement program each year since 2001, and the applicant feels comfortable that it will continue to fund the program. The local funds have been committed.

The applicant stated that without all three funding sources, the proposed project may be postponed until other funding can be secured.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, if Butte-Silver Bow cannot provide a reliable water system, it might lose the opportunity for growth. The completion of this project will enable Butte to continue to attract industry and residents, having the potential to expand the tax base of the community.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 2 and received 160 points out of a possible 400 points.

Conclusion: The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting, but did not inform the community about the cost of the project and the impact on user rates. The MDOC review team did not score this priority higher primarily because of lack of documentation and the timing of the public hearing only two days before the application was due. The team was concerned about the adequacy of people being informed about the proposed project.

Rationale: The applicant stated that a public hearing was held at 7:30 p.m. on May 3, 2006 at the courthouse. No residents attended the hearing, which was advertised in *The Montana Standard*. The applicant stated that this was anticipated, since these types of improvements are common place for the citizens of Butte and have been taking place for the last 14 years. The applicant stated that the council of commissioners demonstrated their support for the project and there were no further comments during the hearing. Copies of the hearing notice, agenda, and sign-in sheet were included in the application; while there were six people in attendance, all of them were in attendance for other council business.

The applicant included letters of support from the Port of Montana, Mainstreet Uptown Butte, a business, a councilman, and one resident; however, all of the letters were addressed to the Natural Resources Damage Program in regards to the application to that program.

Project No. 52
City of Columbia Falls – Wastewater System Improvements

This application received 2,960 points out of a possible 4,900 points and ranked 52nd out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$1,000,000	Application submitted February 2006
SRF	Loan	$1,106,000	29th on the SRF priority list
City	Reserves	$ 954,000	Committed, partially expended for PER
Project Total		**$3,910,000**	

Median Household Income:	$31,128	Total Population:	4,440
Percent Non-TSEP Matching Funds:	81%	Number of Households:	1,489

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$16.40	-	Target Rate:	$54.89	-
Existing Wastewater Rate:	$44.35	-	Rate with Proposed TSEP Assistance:	$64.37	117%
Existing Combined Rate:	$60.75	111%	Rate without TSEP Assistance:	$67.96	124%

Project Summary

History – The majority of Columbia Fall's wastewater collection system was constructed beginning in 1972. Included in the collection system are seven lift stations owned and operated by the City, an eighth lift station under construction, and a ninth lift station owned and operated by Meadow Lake County Sewer District. The treatment plant consists of an above ground activated sludge facility that discharges to the Flathead River. In 2000, the City constructed two additional aerobic digesters, a dewatering facility, biosolids storage, installed an HDPE liner in the existing sludge storage basin, installed dissolved air flotation thickening, made return/waste activated sludge pumping improvements, and made improvements to the alum-metering pump.

Problem – The City's wastewater system has the following deficiencies:
- key components of the treatment plant have reached the end of their useful life,
- bar screen is at the end of its useful life,
- the grit removal system is at the end of its useful life and ventilation is not adequate,
- the aeration basin is at the end of its useful life and has experienced leaks,
- changing regulations will require year-round disinfection with no chlorine residual,
- inadequate storage capacity for biosolids, and
- lack of a backup power source.

Proposed Solution – The proposed project would:
- install a new bar screen,
- install a new grit removal system and improve ventilation,
- construct a new biological treatment removal process,
- replace the existing chlorine system with an ultraviolet disinfection system,
- expand the biosolids storage and develop alternate means of disposal, and

- install a standby generator.

Note: The proposed solution does not propose to resolve the problems related to aeration basin capacity; however, a second basin is proposed in a later phase to achieve capacity beyond 2015. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety in the long term, including aging equipment and structures at the City's wastewater treatment plant that are critical to the facility's ability to meet future permit requirements. The proposed project involves an upgrade to the existing wastewater treatment plant to address both aging equipment and capacity issues and will correct the deficiencies identified. The proposed TSEP project is a proactive improvement to infrastructure to ensure compliance with anticipated future regulations.

The City also faces the threat of losing its current method of biosolids disposal. Additional disposal alternatives and improvements to the wastewater treatment facility will be required to provide for adequate biosolids processing and disposal and to ensure that public health and safety are not threatened. Current screenings and grit handling facilities at the wastewater treatment plant do not provide for washing, compacting, or dewatering of material. Screenings and grit removed from the facility are hauled to the Flathead County Landfill. This material contains a significant amount of fecal matter and other organics. This material poses a health risk to operations staff and the public. Installation of washing, compacting and bagging equipment would reduce the risk.

Statutory Priority #2: Reflects greater financial need.
The applicant received 540 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 33rd lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 42.5%. **The applicant's relative concentration of persons living at or below the LMI level is the 28th highest of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 17.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 16th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that there was a lack of detailed analysis of the wastewater collection system, lack of analysis of the lift station capabilities, a lack of specific design criteria for the recommended alternative, and a lack of detail in the cost estimates presented. The cost estimates were generally lump sum costs only.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of the lack of documentation, and there was little discussion of other planning efforts.

Rationale: The applicant stated that the City reviewed and then adopted a water and sewer fee and rate structure in 2003, and the new rates are sufficient to meet their service and debt obligations; however, the applicant did not provide additional details or information about their rate history. In February 2004, the City looked at their plant investment fees and set rates for new customers connecting to the system. These connection charges are designed for new customers to pay an amount approximately equal to what existing customer have paid for the existing system and an amount that constructs components that otherwise would not have been necessary for a system serving fewer customers.

The applicant stated that a wastewater facility plan update was completed in 1998, which evaluated and recommended improvements needed to meet wastewater treatment needs for the 20-year planning period. An additional study of the solids processing in 2000 resulted in the City making several improvements to the treatment plant in 2000 as discussed in the project summary. In response to a violation letter issued by the Department of Environmental Quality (DEQ) on February 28, 2006, the City used its own reserves to install an HDPE liner to repair a leaking aeration basin that was causing the discharge permit violation. A water facility plan update was also completed in 1998.

The applicant stated that the City adopted an updated growth policy in January of 2006; however, no documentation was included in the application.

The applicant stated that the condition of the existing facility is not due to lack of maintenance, but rather to age of the system. The MDOC review team concluded that the City's operation and maintenance practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and STAG grants in combination with an SRF loan and local reserves. The applicant is ranked 29th on the SRF priority list; therefore, the City is eligible to apply for the loan. The applicant has submitted an application for a State and Tribal Assistance Grant (STAG). The applicant did not discuss CDBG; however, the MDOC review team assumed that they did not consider the program since they are only 42.5% LMI and they must be at least 51% LMI in order to apply to the program.

The applicant stated that the TSEP grant is essential to ensuring rates that are affordable to the residents of the project area. If any of the grants are not received, the City will consider a phased approach to implementing the proposed improvements.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly provide an extension of the sewer system for a specific business expansion. However, the proposed improvements would help to ensure that there is adequate capacity to provide additional service to areas designated for commercial and residential development.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 3 and received 240 points out of a possible 400 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. The MDOC review team did not score this priority higher primarily because the applicant only met the minimum requirements related to demonstrating that the proposed project is a high priority and has community support.

Rationale: The applicant stated that the City held a public hearing at 7:00 p.m. on April 17, 2006 at the city hall, to explain the project and overall costs. The minutes, which were included in the application, did not list anyone attending the hearing other than local officials. However, the minutes stated that a car wash owner, who was not listed as an attendee, spoke in favor of the project, but thought he was being overcharged and would like relief. The minutes also showed that the city manager stated that three $1.00

increases, now and over the next two years should be expected. The application included a notice of the public hearing that was to be published in the *Hungry Horse News*; however, an affidavit of publication or the actual notice from the newspaper was not included in the application. A newsletter was also included in the application that the applicant stated was sent to ratepayers. The newsletter discussed the projected rates and the hearing. The application also contained two articles published in the *Hungry Horse News* related to the proposed project. One article focused on an emergency sewage leak, and the other on the proposed project, with a statement that rates could increase by as much as $3.96 per month.

A letter of support from the local chamber of commerce was included in the application. There was also a letter from DEQ indicating their concurrence in the need for the proposed project and encouraging the City to seek grant dollars.

Project No. 53 (Tied)
Mineral County/Saltese Water & Sewer District – New Wastewater System

This application received 2,876 points out of a possible 4,900 points and ranked 53rd out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

However, if this project were to be funded, MDOC recommends a reduced TSEP grant of $390,000, in order to limit the award to $15,000 per benefited household since the applicant does not meet all three of the criteria required for a hardship grant. Specifically, the applicant did not adequately demonstrate that adverse health consequences clearly attributable to the deficiency have occurred, or are likely to occur in the near term. See Statutory Priority #5 for more information related to the recommendation.

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
CDBG	Grant	$ 424,000	Discussed with staff, application to be submitted May 2007
SRF	Loan	$ 45,800	39th on the SRF priority list
Project Total		**$1,319,800**	

Median Household Income:	$25,759	Total Population:	65
Percent Non-TSEP Matching Funds:	43%	Number of Households:	26

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA	-	Target Rate:	$ 17.77	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$127.65	718%
Existing Combined Rate:	NA	-	Rate without TSEP Assistance:	$223.32	1,257%

Project Summary

History – Saltese is an unincorporated community located in Mineral County, approximately 10 miles east of the Idaho/Montana State line along Interstate 90. The community is currently being served by 20 to 30-year old, on-site wastewater treatment and disposal systems, consisting of standard septic tanks and drainfields. In addition, metal tanks likely exist, as well as tanks without drainfields. Individual wells provide their source of potable water, with groundwater at less than 15 feet for 70% of the wells. Approximately 83% of the lots are 0.25 acre in size or less. The District was created in 1996, in order to pursue solutions to the on-site water and wastewater problems.

Problem – The lack of a centralized wastewater system in Saltese has resulted in the following problems:

- it is difficult or impossible to find sufficient space to locate replacement drainfields and maintain the proper separation between property boundaries and individual drinking wells,
- groundwater is very shallow and could be susceptible to contamination,
- the existing septic tanks and drainfields, in some cases, are submerged in groundwater or at the water table elevation,
- many of the older septic tanks are suspected to be leaking, and
- the County will not allow development utilizing on-site septic systems on vacant lots less than 0.5 acre.

Proposed Solution – The proposed project would:

- construct a standard gravity collection system consisting of about 5,300 feet of eight-inch PVC sewer main and service lines, and manholes,
- bore under Interstate 90 with one gravity sewer pipe,
- construct a raw sewage lift station,
- install a common septic tank with discharge of effluent to groundwater via a dosed drainfield at the treatment and disposal site, and
- abandon all existing septic tanks.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that here are various deficiencies that could affect the public's health and safety, including: the lack of a centralized wastewater system, inadequate area for replacement septic drain fields, individual drinking water wells, shallow groundwater, and the existence at times of submerged drain fields.

The potential health risks include several items. One is that groundwater is at times, and at some locations, very high. The high groundwater could cause sewer systems to temporarily or permanently fail. If the system fails then residents could come into contact with raw sewage. Another health risk is that some or all of the onsite septic systems could be contaminating the local groundwater which is also used as the drinking water supply. Because of their age, it is likely that most of the septic systems do not meet current design guidelines and standards. Additionally, there could be environmental contamination due to septic systems, such as nutrient loading to surface waters. Scoring was based on the reasonable potential to contaminate groundwater used for drinking in the long term, but the applicant was not able to adequately demonstrate that the problem is serious enough to warrant a higher score.

Statutory Priority #2: Reflects greater financial need.
The applicant received 756 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 3rd level and received 216 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 11th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 44.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 23rd highest of the 57 applications.**

- The percent of persons living at or below the *Poverty* level is 5.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 52nd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 5th level and received 540 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that there was a lack of documentation of separation distance of wells to drain fields. Additionally, there was a lack of documentation of well water quality.

Other issues regarding lack of documentation included the number of residences with the following: septic systems in the floodplain, systems that did not meet setback requirements, systems that lack replacement areas, leaking septic tanks, or systems that may be discharging to the ground surface. The groundwater flow direction was not indicated on maps or discussed in the report with respect to the existing septic systems.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because there have been minimal planning efforts until recently.

Rationale: The applicant stated that there is no public water or sewer system in Saltese, and the District was created in November 1996 as a proactive measure to pursue solutions to the water and wastewater problems being experienced by the residents. An operation and maintenance (O&M) budget for the proposed community wastewater system has been projected, which would include adequate funds to operate the existing system and allow for funds to be placed in a reserve account to pay for future improvements. However, the MDOC review team noted that the reserve fund is required for the loan, and based on the information in the application, it does not appear that any funds have yet been placed in the reserve account.

The applicant stated that the County completed a comprehensive plan in 1973, and is currently in the process of completing a growth policy plan. Providing public services and infrastructure to accommodate growth was listed as one of the countywide goals in the draft policy that was submitted. The proposed project is listed as an infrastructure development effort underway.

The applicant stated that the existing individual septic tanks and drainfields are not deficient because of inadequate O&M; but rather the small lot sizes make it difficult, if not impossible, to find sufficient space to locate replacement drainfields and maintain the proper separation between property boundaries and

individual drinking wells. However, the District's O&M practices related to a wastewater system could not be evaluated since a public system currently does not exist.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 2 and received 240 points out of a possible 600 points.

Conclusion: The applicant inadequately demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project appears to have problems and may not be viable. There are potentially major obstacles that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because with the reduction in the recommended grant amount, the proposed funding package no longer appears to be viable, in addition to the fact, that the CDBG application has yet to be submitted.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and CDBG grants in combination with an SRF loan. The applicant stated that an income survey will be conducted to demonstrate eligibility to submit a CDBG application. The applicant ranks 39th on SRF project priority list, and is therefore eligible to apply for the SRF loan. The District looked at RD, Economic Development Administration, State and Tribal Assistance Grant (STAG), and U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant funding. However, the District was either ineligible for the grant assistance or the source was determined to be an unrealistic funding option. A loan from RD was also considered, but that program cannot fund a project that would allow development in a floodplain. A bond election will need to be passed to finalize the proposed funding package.

The applicant has requested a hardship grant, whereby it would provide only a 43% match as compared to the standard 50%. In addition, the applicant's request for a TSEP grant exceeds the $15,000 limit per household; with 26 existing households, this works out to $28,846 per household. In cases of demonstrated hardship, MDOC may allow a lower match and/or allow more than $15,000 per household; however, all three of the following tests must be met:

- a very serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur in the near term (scores at a level four or five on Statutory Priority #1); and it has been determined by MDOC that the proposed project would correct the deficiencies; and
- upon completion of the proposed project, user rates would be at least 1.5 times the community's "target rate" (based upon the projected monthly rates with TSEP assistance); and
- other sources of funding are not reasonably available.

The applicant did not meet all three of the tests: the score for Statutory Priority #1 was only a level 3. As a result, MDOC cannot recommend a hardship grant.

The applicant stated that if a hardship grant is not approved, and the additional funds needed are supplied by a loan, the user rate for sewer service would be over $100 per month. If any one of the grant applications is unsuccessful, then the District would reapply during the program's next funding cycle. However, if a particular grant is determined to be unattainable then the District would request STAG funding.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term,

full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the Saltese area is a popular recreational area, which could be expanded with the addition of a community wastewater system. The proposed improvements would maintain and allow for expansion of the existing tax base by providing the basic public infrastructure necessary to support population growth and possible economic and business growth. The County has indicated that development within the community utilizing on-site septic systems for existing vacant lots less than 0.5 acre will not be allowed. Completion of the proposed project would allow for 68 undeveloped District properties to be fully developed. However, the MDOC review team has concerns whether the increased development in the floodplain and floodway should be encouraged.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 2 and received 160 points out of a possible 400 points.

Conclusion: The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting, but did not inform the community about the cost of the project and the impact on user rates. The MDOC review team did not score this priority higher primarily because of lack of documentation and the team's inability to verify that residents have been adequately informed of the proposed rate increase.

Rationale: The applicant stated that a public meeting was conducted at a local bar on April 28, 2006 at 7:00 p.m., which provided discussion on the PER, its alternative analyses, proposed project budget, possible funding strategies and the related user costs. The presentation was provided as a handout at the meeting. A copy of the handout was included in the application; however, no evidence of publication of the meeting notice, minutes, or sign-in sheet was included. Because no sign-in sheet or minutes were included, it could not be determined how many, if any, residents were at the meeting. The MDOC review team also could not verify if residents had been notified of the meeting.

Seven letters of support from residents were included in the application. The provision of public services and infrastructure to accommodate growth was listed as one of the countywide goals in the growth policy.

Project No. 53 (Tied)
North Valley County Water and Sewer District – Water System Improvements

This application received 2,876 points out of a possible 4,900 points and ranked 53rd out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
RD	Loan	$1,220,000	Applied in May 2006
District	Cash	$ 11,250	Expended on PER
Project Total		**$2,081,250**	

Median Household Income:	$33,750	Total Population:	300
Percent Non-TSEP Matching Funds:	64%	Number of Households:	245

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$42.00	-	Target Rate:	$59.51	-
Existing Wastewater Rate:	$17.72	-	Rate with Proposed TSEP Assistance:	$84.53	142%
Existing Combined Rate:	$59.72	100%	Rate without TSEP Assistance:	$99.60	167%

Project Summary

History – The community of St. Marie, formerly an old Air Force base, is located 17 miles north of Glasgow. Much of the base was abandoned and the property eventually reverted to Valley County. Currently, there are no commercial buildings that are occupied and the community has evolved into a retirement community of approximately 180 persons, although that can double during the summer. The water and sewer infrastructure is maintained by the North Valley County Water and Sewer District, which was created in 1992. The District has been repairing mains, services, hydrants, and valves on an as needed basis each year realizing that some day a major reconstruction project would be needed to replace the 1950s vintage infrastructure. The District purchases water from the Montana Aviation Research Company, a subsidiary of Boeing. The water mains were sized for the original air force base with a population of approximately 10,000 and a strong commercial economy. Montana Aviation Research Company maintains the runways and uses the facility for airline flight-testing. The Company operates the water treatment plant that supplies treated water from the Missouri River to the flight line and the District. Flows to St. Marie are metered through a master meter. The District owns the water service up to and including the meters located in the basements of the units. Most of the buildings contain two or four residential units.

Problem – The District's water system has the following deficiencies:

- frequent water main breaks - 22 breaks have occurred since 1993,
- both small and large water breaks are difficult to find because the as-built drawings of the system disappeared upon base closure,
- several hydrant and valve repairs – 18 repairs since 1993,
- several dozen service line breaks since 1992,
- isolation difficulty on the mains and services because one curb stop serves up to four housing units and not all units in a building are occupied year-round,
- increased flows to the wastewater treatment pond due to basement flooding,

- water meters are difficult to access, and
- no supervisory control and data acquisition system, commonly known as SCADA, available to monitor the elevation in the reservoirs.

Proposed Solution – The proposed project would replace mains, hydrants and valves in two of the more highly populated areas of St. Marie.

Note: The proposed solution does not propose to resolve the problems related to the water meters, water service lines, or the lack of a SCADA system, nor does it address problems outside of the two more populated areas. Therefore, those deficiencies were not taken into consideration in the scoring of Statutory Priority #1.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 2 and received 400 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system may potentially occur at some point in the future if the deficiencies are not corrected. However, the problems have not been documented to have occurred yet and the deficiencies are not considered to be a serious threat to public health or safety.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including 22 water main breaks and 18 repairs on hydrants and valves within the distribution system as well as several dozen service line breaks since 1993. Typically one curb stop serves three to four homes, and therefore, a service line to an individual house cannot be isolated for repairs or water cannot be shut off in the winter to avoid freezing problems without shutting off service to the other homes. There is no SCADA system to monitor reservoir elevations and no as-built drawings of the existing system exist, thus making the facilities difficult to find when performing repairs and maintenance. Finally, the water meters are difficult to access and maintain.

Statutory Priority #2: Reflects greater financial need.
The applicant received 396 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 1st level and received 72 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 41st lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 26.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 55th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 2.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 55th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 3rd level and received 324 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that the technical design proposed does address problems with the water main breaks and failing hydrants and valves, but does not address the problems associated with the lack of a supervisory control and data acquisition system or problems with the service lines. The PER should have, at a minimum, provided alternatives for addressing these deficiencies and then recommend that they be addressed in a future phase. Additionally, all reasonable alternatives were not considered. Four alternatives were developed for addressing the problems associated with water main breaks; but it does not appear that adequate consideration was given to developing additional service line replacement alternatives, even though many of the health and safety problems are directly attributed to the service lines.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 3 and received 420 points out of a possible 700 points.

Conclusion: The applicant sufficiently demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of inadequate documentation.

Rationale: The applicant stated that the District has raised rates over time, but the large number of breaks has depleted funds and made it impossible for the District to make the necessary capital improvements to correct, rather than patch, the problems. In the past, the District maintained minimal reserves for water and sewer, but the District was able to add approximately $56,000 to their reserve fund in 2005. The District is collecting $9,900 each year for a reserve account, and plan to continue to collect that additional amount after the project is completed. There was no other specific details or documentation related to raising rates. Although not discussed by the applicant, the application included a source water and delineation and assessment report prepared by the Department of Environmental Quality in 2002 and revised in 2004.

The applicant stated that the District adopted its first five-year capital improvements plan (CIP) in 2005; however, the date on the page is April 2006. The plan, which was included in the application, is simply a one page list of additional water and wastewater needs, costs, and the year each is expected to be accomplished. The project is consistent with the plan, which shows the District plans to address the meter pits and service line replacement for the next five years.

The applicant stated that Valley County received a grant from the Coal Board in March 2006 to complete a growth policy document, and the needs of St. Marie are expected to be addressed. The District is an active member of the Great Northern Development Corporation (GNDC). The GNDC is a

certified regional development corporation and an economic development district as certified by the U.S. Economic Development Administration. The GNDC held public meetings on February 23, 2006 in the county seat of each of the member counties to assess the needs and opportunities of each county in relation to housing, public facilities and economic development; documentation was provided. The applicant also stated that the District is included in the comprehensive economic development strategy (CEDS) prepared by GNDC in 2002. The CEDS and the work plan for GNDC are updated on an annual basis with a needs assessment public meeting held in each county, and the CEDS is expected to be rewritten during the 2007 fiscal year. No documentation related to the CEDS or work plan was included in the application.

The applicant stated that the problems are not of recent origin, and are the result of design problems that could not be addressed through normal operations and maintenance (O&M). The MDOC review team concluded that the District's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 5 and received 600 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an RD loan. The applicant discussed other appropriate grant programs, including CDBG, EDA, and Coal Board grants, and why they were not utilized for the project. In particular, they determined that they are not eligible for the CDBG program, because even after conducting an income survey, the low to moderate-income percentage was less than 51%.

The applicant stated that the TSEP grant is essential, because residents would not be able to afford the higher loan payments without the grant.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 1 and received 100 points out of a possible 500 points.

Conclusion: The applicant did not demonstrate that the proposed project is necessary for economic development. The proposed project represents a general infrastructure improvement to an area that is residential only, and it does not appear to be necessary for providing any job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation or retention of a substantial number of long-term, full-time jobs, or any business expansion. The applicant added that providing basic public facility services would encourage the current residents to remain and encourage others to consider the region. The applicant discussed some economic trends that could have a positive impact on St. Marie: a wind project is in the development stages near St. Marie; coal development is currently being explored in McCone County and it is anticipated that within two years construction will begin on the facility and one of the housing options could be St. Marie; the Valley County Commissioners are planning a 160-bed prison and have obtained funding for an ethanol/feedlot feasibility study. There was no supporting documentation for any of the potential development discussed, and furthermore, the applicant did not indicate that the proposed project was necessary for any of this development to occur. Currently, St. Marie is residential only and has no commercial businesses.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 4 and received 320 points out of a possible 400 points.

Conclusion: The applicant strongly demonstrated that the proposed project is a high priority and has strong community support. The applicant documented that it held at least one public hearing or meeting, and sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. In addition, the applicant provided documentation to show that it made a strong effort to elicit support for the proposed project. The MDOC review team did not score this priority higher primarily because there was not conclusive documentation of local public support for the proposed project.

Rationale: The applicant stated that GNDC held public meetings on February 23, 2006 in the county seat of each of the member counties to assess the needs and opportunities of each county in relation to housing, public facilities and economic development. Valley County's meeting was held at 5:00 p.m. in the courthouse, and was attended by 28 people. A public hearing was also held at noon on April 19, 2006 at the St. Marie town hall to present the results of the draft PER, the deficiencies of the water system, alternatives, and costs. In addition, to advertising the hearing in the *Glasgow Courier*, the District also: included a notice in the *Good Evening Glasgow* on April 18, which is a daily newsletter; included a two-line notice on the billing statements mailed April 3; included information in a District newsletter mailed April 16; put up a poster in two public places in St. Marie on April 4; announced the hearing on two local radio stations for nine days; and finally, a notice was hung on each front door or mail box of every inhabited residence in St. Marie. In addition to District officials and consultants, 38 people attended the hearing. The District informed local citizens and affected property owners of the estimated cost per household at the hearing. The hearing notices, minutes, sign-in sheets for both hearings, and the newsletter were included in the application.

The applicant stated that there have not been any negative comments from the property owners of the project area. Minutes from the February 23 meeting indicate that the St. Marie Water District and the Fort Peck Senior Center were the highest public facility priorities. The District adopted a capital improvements plan and the proposed project is consistent with that plan.

Project No. 55
City of Red Lodge – Water System Improvements

This application received 2,840 points out of a possible 4,900 points and ranked 55th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
RD	Loan	$2,905,000	Application submitted May 2006
Project Total		**$3,755,000**	

Median Household Income:	$31,750	Total Population:	2,624
Percent Non-TSEP Matching Funds:	80%	Number of Households:	1,244

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$20.66	-	Target Rate:	$55.99	-
Existing Wastewater Rate:	$27.28	-	Rate with Proposed TSEP Assistance:	$60.97	109%
Existing Combined Rate:	$47.94	86%	Rate without TSEP Assistance:	$63.67	114%

Project Summary

History – The Red Lodge water system is at least 95 years old. The current water system consists of two storage reservoirs, three groundwater wells, a pump station, and distribution mains, hydrants and valves. The City also has a conventional filtration plant, but it is seldom used as the City prefers to use well water. The plant is located southwest of the City, and gets water from a diversion structure off the West Fork of Rock Creek. There are two parallel water transmission lines from the plant to the City. Storage consists of a 253,000-gallon reservoir at the treatment plant and a 750,000-gallon reservoir within the City. Water meters were installed in the 1980s. Distribution system improvements were completed in the late 1990s.

Problem – The City's water system has the following deficiencies:
- undersized and aged distribution lines,
- insufficient storage,
- potential water shortage during peak flow or fire flow conditions,
- insufficient number of hydrants,
- significant leakage in the distribution system and in the transmission lines, and
- the potential for contamination because a loss of system feed pressure at the plant could create negative pressures in the transmission lines.

Proposed Solution – The proposed project would:
- replace about 9,100 feet of undersized mains,
- install a 300,000-gallon concrete storage tank at the water treatment plant,
- install nine new fire hydrants and upgrade four hydrants, and
- replace about 9,800 feet of transmission line.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety, including: undersized distribution mains that are unable to provide adequate fire flow, insufficient storage for peak and fire flow demands, insufficient number of fire hydrants (some damaged/old and in need of repair), significant leakage in old mains, and potential for contamination through leaking transmission mains if loss of pressure is experienced at the treatment plant.

Lack of sufficient fire flows is a serious public safety threat and could result in substantial property loss. There is a potential for contamination of the drinking water because a loss of system feed pressure at the water treatment plant could create a negative pressure in the transmission lines, pulling groundwater and any contaminants present into the lines. These deficiencies are best described as some fire protection exists, but are below standards in high density developments, and as a result, they represent a public health and safety risk in the long term.

Statutory Priority #2: Reflects greater financial need.
The applicant received 360 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 2nd level and received 144 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 35th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 36.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 50th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 9.7%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 42nd highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Each sub-indicator is ranked and scored. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team thought there was a lack of alternative analyses for all project components and no decision matrix. Different types of storage tank options were not discussed. The alternatives section was difficult to follow and it was hard to determine what the proposed alternatives included. The alternatives outlined at the beginning were not analyzed individually or thoroughly.

It was difficult to determine if some of the projected costs for the proposed project are reasonable. No information is given on pipe material or whether the tank is above or below ground.

Several other deficiencies noted included: there was no discussion of land resources, biological resources, water resources, floodplains, wetlands, cultural resources or socio-economic issues; the most recent sanitary survey was not enclosed; there was no information on the age or size of the existing pump station in the distribution system; and there was a lack of information on the financial status of the facilities.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 4 and received 560 points out of a possible 700 points.

Conclusion: The applicant strongly demonstrated that it has made substantial past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of a lack of documentation, and it appeared that long-term planning has been limited and only recently re-initiated.

Rationale: The applicant stated that the City raised its water rates in 1984, 1988, 1993, and 1998. A significant increase occurred in 1984 in order to build the treatment plant and install meters. In 1998, the base rate increased from $11.25 to $14.34 per month. The applicant stated that revenues are keeping up with expenses with the exception of depreciation. The City admits that this creates a long-term problem of system decay, but acknowledges the problem and plans to study its rate structure. The City is currently studying its impact fee structure. No further details or documentation related to rate increases or operation and maintenance (O&M) budgets could be found in the application.

The applicant stated that various improvements to the system have been made since 1980, when the water treatment plant was built and water meters were installed. In 1997, the City began improving the distribution system, and in 2002, a new well near the treatment plant was completed, which was followed by a third well in 2005.

The applicant stated that a source water delineation and assessment report was completed by the Department of Environmental Quality (DEQ) in 2003. The report addresses the City's wells and surface water supply. The applicant did not include the report in the application, but stated that it is on file with the DEQ. In addition, it does not appear that the City has taken the next step to create a source water protection plan.

The applicant has a 10-year comprehensive capital improvements plan (CIP) completed in 1997, which addresses all of the infrastructure in Red Lodge. While the applicant stated that it has been adopted, the plan was not signed or dated, and there was no resolution included in the application that would verify that it was adopted. A portion of the proposed improvements were included in the 1997 CIP, and the applicant stated that the remainder of the proposed improvements will be listed in the CIP that is currently being revised.

The applicant stated that a growth policy was adopted in 2001, and the City plans to update it in the near future. The City revised its 2001 development code and plans to have it adopted by July 2006. The applicant stated that the proposed project is consistent with all local plans and the City's planning board is in full support of the project. The top priority identified in a 2004 economic development report for the City was "lack of adequate infrastructure – and funding for it." The City is also in the process of developing a trails plan. Red Lodge is a "Montana Main Street Community" and a "Preserve America City." With the exception of the CIP, no documentation for the other planning documents discussed above could be found in the application; therefore, the MDOC review team could not verify some of the statements made.

The applicant stated that system's components have reached the end of their service life, and some components, such as two distribution lines, are simply undersized for current needs. The MDOC review team concluded that the Town's O&M practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not rank this priority higher because of questions on their funding package. The applicant discussed a RD grant/loan package but did not utilize a RD grant. In addition, the TSEP were not considered critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants, in combination with an RD loan. The City receives approximately $500,000 in resort taxes per year, and is proposing to spend $20,000 of it each year towards the debt service for the proposed project. The applicant discussed all of the appropriate grant and loan programs, and provided a reasonable rationale for not applying to those programs. The SRF loan was not chosen because a grant/loan combination from RD would be more cost effective; however, an RD grant is not part of the financial package, which confused the MDOC review team.

The applicant stated that without the TSEP grant, the project would be much more expensive to users, which would mean the project may need to be done in stages.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.
The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would directly impact the City's economic base, because the City cannot grow without the improvements. However, the applicant stated that the purpose of the proposed project is not about business expansion and did not provide any specific examples of jobs that would be created.

Statutory Priority #7: High local priority and strong community support.
The applicant was scored at a level 2 and received 160 points out of a possible 400 points.

Conclusion: The applicant inadequately demonstrated that the proposed project is a high priority and has the support of the community. The applicant documented that it held a public hearing or meeting, but did not inform the community about the cost of the project and the impact on user rates. The MDOC review team did not score this priority higher because of a lack of documentation adequately demonstrating that the community was informed of the proposed rates for this project.

Rationale: The applicant stated that the proposed project, user rates, and possible funding sources, were discussed at a public meeting held at the city hall, on April 6, 2006, at 7:00 p.m. The meeting was advertised twice in the *Carbon County News*. In addition to local officials and consultants, the meeting was attended by two residents, a member of the fire department, and a reporter. The applicant stated that an article in the *Carbon County News* was published the week after the meeting, but no documentation of the article was found in the application. The applicant also stated that the public was informed about the need for the project, the cost of the project, the estimated cost per household, and the necessity of raising rates to pay for the project; however, no documentation could be in the application that verified that residents were informed of the estimated cost per household. The meeting notice, minutes, and sign-in sheet were included in the application. In addition to the public meeting, the applicant stated that the city planning director approached several local organizations to discuss the project.

Letters of support from the Rotary Club, the Lions Clubs, the local realtor association, and the city planning board were included in the application. The City has a CIP completed in 1997. A portion of the proposed improvements were included in the CIP, and the applicant stated that the remainder of the proposed improvements will be listed in the CIP that is currently being revised.

Project No. 56
Black Eagle Cascade County Water and Sewer District – Water System Improvements

This application received 2,784 points out of a possible 4,900 points and ranked 56th out of 57 applications in the recommendations to the 2007 Legislature. **Because of the limited amount of TSEP funds projected for the 2009 biennium, TSEP would be unable to fund this project.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$365,000	Awaiting decision of Legislature
RRGL	Grant	$100,000	Awaiting decision of Legislature
Local	Reserves	$265,000	Committed by resolution
Project Total		**$730,000**	

Median Household Income:	$23,529	Total Population:	914
Percent Non-TSEP Matching Funds:	50%	Number of Households:	396

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$21.39	-	Target Rate:	$41.49	-
Existing Wastewater Rate:	$16.50	-	Rate with Proposed TSEP Assistance:	$44.49	107%
Existing Combined Rate:	$37.89	91%	Rate without TSEP Assistance:	$52.48	126%

Project Summary

History – The Black Eagle Cascade County Water and Sewer District contracts with the City of Great Falls for their domestic water supply, and therefore does not have any storage or treatment systems. Since assuming ownership of the distribution system from the Anaconda Company in 1982, there have been minor distribution system extensions, but no major improvements. Much of the system is composed of brittle cast iron piping. The scheduled reconstruction of Smelter Avenue is the primary reason for the proposed project, since the improvements must be made before the road project can proceed.

Problem – The District's water distribution system has the following deficiencies:
- frequent water main breaks,
- failing mains due to age and pipe material,
- below standard valves, bury depth and looping,
- undersized mains, and
- galvanized steel and possibly lead service lines.

Proposed Solution – The proposed project would:
- replace approximately 225 feet of six-inch main,
- replace approximately 5,047 feet of eight-inch main,
- replace approximately 50 service lines, and
- install 15 fire hydrants.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the water system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies in the Black Eagle water system that could affect the public's health and safety in the long term, including water mains in poor condition and dead end mains that have no means to be cleaned out.

There is a risk of contamination resulting from a main break, both from the potential for dirt and bacteria entering the system at the point of the break and introduction of contaminated groundwater while the main is depressurized for repair. This a valid concern, documented in 2004, by a homeowner finding dirty water in her tap. Another health issue is the dead end mains without means of flushing. Stagnant water in dead mains can be a source of water borne illness.

Related to the condition of the existing pipe is an impending road construction project on Smelter Avenue. The water mains in this roadway must be replaced before the Montana Department of Transportation will allow the project to be constructed.

Statutory Priority #2: Reflects greater financial need.
The applicant received 504 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 4th level and received 288 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- □ **The applicant's Median Household Income (MHI) is the 7th lowest of the 57 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 51.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 16th highest of the 57 applications.**
- □ The percent of persons living at or below the *Poverty* level is 11.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 35th highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 2nd level and received 216 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 3 and received 480 points out of a possible 800 points.

Conclusion: The applicant sufficiently demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. While the preliminary engineering report (PER) is generally complete, there were some potentially important issues that were not adequately addressed. However, it does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that there was no discussion of residential water meters or a justification of why they are not being provided. The entire Black Eagle water system area is metered through two connection points to the City of Great Falls water distribution system. Within Black Eagle, all commercial services are metered but residential services are not.

The alternative analysis focused on the timing of replacing the mains as controlled by funding options and did not consider the replacement of additional water mains outside those selected. Although all of the mains selected are clearly in need of replacement, there are others that could have also been considered because of their small size. No justification was given in the alternative screening for the selection of mains to be replaced, other than a statement about problem mains in Black Eagle are generally restricted to the old cast iron pipes. A detailed analysis of locations and types of leaks experienced in recent years would be useful to justify the selection of mains for replacement and to ensure areas currently experiencing the most significant leakage problems are being addressed.

There was also minimal discussion concerning areas of inadequate fire flow. The PER does indicate that parts of the system do not deliver recommended fire flows.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the applicant did not provide much information or documentation discussing other planning efforts.

Rationale: The applicant stated that the District assumed ownership of the system in 1982 and has since replaced deficient water and sewer mains; however, the applicant did not provide any specifics. The applicant stated that the project is consistent with its 2002 facility plan for both the water and wastewater systems; however, the application did not include documentation of the facility plan. The District stated that the project is being pursued to prepare for the Smelter Avenue reconstruction project, the main roadway in Black Eagle, because the water and sewer mains must be certified to have at least 20 years of expected life before the road project can proceed. The application included an email from the City of Great Falls identifying the Smelter Avenue project as being approved locally and that approval by the Department of Transportation is not anticipated until August of 2006.

The MDOC review team concluded that the District's operation and maintenance practices related to the water system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 4 and received 480 points out of a possible 600 points.

Conclusion: The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than TSEP. The applicant demonstrated serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all

appropriate sources to assist in financing the proposed project. The funding package for the proposed project is reasonable and appears to be viable. There are no major obstacles known at this time that would hinder the applicant from obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because the TSEP funds were not considered to be critical to the project, since the user rates without TSEP assistance would be less than 150% of the target rate.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with the District's reserves. The applicant stated that RD, Intercap and SRF loans were considered but the applicant does not want to incur debt. The applicant stated that it is not eligible for CDBG grant funds due to a conflicting Cascade County sponsored project. Both State and Tribal Assistance Grant (STAG) and U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grants were discussed, but the applicant had concerns relative to their timing.

The applicant stated that if both of the proposed grants are not secured, the project will be split into two phases rather than borrow the additional funds.

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, the proposed project would improve water delivery and allow road construction in the largely commercial part of Black Eagle encouraging new businesses to locate in this blighted part of the community thus expanding the tax base.

The applicant stated that Cascade County wants to donate land at the former Anaconda Smelter to the landless Little Shell Band of the Chippewa Cree Indians. This project would also provide the facilities necessary for expansion of a business near the community center in Black Eagle. The business is currently attempting to expand, but needs a fire sprinkler system to meet insurance requirements. The system cannot deliver adequate fire flow to support this expansion without replacing the four-inch main that serves the proposed business location. The applicant stated that if the business expansion can be completed or if the Little Shell Band land transfer is completed, it may result in several full-time jobs being created. The applicant did not include any supporting documentation from the County, the Little Shell Band of the Chippewa Cree or any businesses.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 3 and received 240 points out of a possible 400 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. The MDOC review team did not score this priority higher primarily because it appeared that the applicant only met the minimum requirements related to demonstrating that the proposed project is a high priority and has community support.

Rationale: The applicant stated that the District held two public hearings concerning the project. The first hearing was held at 7:00 p.m. on April 7, 2004, when the District had first planned to submit an application, but missed the deadline due to a misunderstanding of when it was due. The hearing was held in conjunction with a civic club meeting in the community center and attended by 22 people. The second hearing was held at 7:00 p.m. on March 1, 2006; it was attended by 16 people and was also held

in conjunction with a civic club meeting. The applicant stated that residents were informed that there would be no rate increase associated with the project at both public hearings. The District passed a resolution on May 3, 2006 increasing rates later in 2006 and again in 2007. Hearing notices, minutes, and sign-in sheets were included in the application.

The applicant stated that the people attending the 2004 hearing were fully in favor of the proposed project, which was confirmed by the minutes. The minutes of the 2006 hearing stated that it was the consensus of all who attended that there is a lot of support for the proposed project.

Project No. 57
Missoula County on Behalf of the Lolo Community – Wastewater System Improvements

This application received 2,260 points out of a possible 4,900 points and ranked 57th out of 57 applications in the recommendations to the 2007 Legislature. **MDOC does not recommend a TSEP grant, because the combined water and wastewater rates in the Lolo community are far below the MDOC target rate. These utilities have the financial capacity to borrow the entire amount needed to construct the project and still remain considerably under the target rate.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of Legislature
RRGL	Grant	$ 100,000	Awaiting decision of Legislature
STAG	Grant	$1,000,000	Application submitted February 2006
SRF	Loan	$ 757,000	Project on priority list
County	Cash	$1,000,000	Funds committed
Project Total		**$3,607,000**	

Median Household Income:	$44,680	Total Population:	1,813
Percent Non-TSEP Matching Funds:	79%	Number of Households:	810

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA	-	Target Rate:	$78.79	-
Existing Wastewater Rate:	NA	-	Rate with Proposed TSEP Assistance:	$51.03	65%
Existing Combined Rate:	$43.23	55%	Rate without TSEP Assistance:	$55.93	71%

Note: The actual average residential wastewater rate could not be computed, based on the information provided. Properties are currently assessed a single combined fee based on property values.

Project Summary

History – The Lolo wastewater system includes a network of gravity sewers, two lift stations, force mains, and an activated sludge treatment plant that discharges to the Bitterroot River. The original treatment plant was built in 1969 and expanded in 2002. The existing wastewater system is operated by the Missoula County as a rural improvement district. There are approximately 800 requests for new connections.

Problem – The Lolo wastewater system has the following deficiencies:
- there is no backup standby power generation at the plant,
- the plant may not be in compliance with future regulations regarding disinfection requirements,
- the existing disinfection system is reaching capacity,
- one of the influent transfer pumps needs to be upsized to meet future flow rates, and
- the aeration basins and return sludge systems are nearing their rated capacity and will not meet flow rates beyond 2010.

Proposed Solution – The proposed project would:
- provide emergency power generation,
- construct an open channel ultraviolet disinfection system,
- replace one of the influent pumps,
- modify the existing aeration basin and secondary clarifier to provide sufficient biological process,
- construct a new membrane tank,

- construct a new equipment building, and
- expand the capacity of the return activated sludge system.

Statutory Priority #1: Solves urgent and serious public health or safety problems, or enables local governments to meet state or federal health or safety standards.
The applicant was scored at a level 3 and received 600 points out of a possible 1,000 points.

Conclusion: The applicant sufficiently demonstrated that the public health and safety problems associated with the deficiencies in the wastewater system are likely to occur in the long-term if the deficiencies are not corrected. These serious problems have a high probability of occurrence after chronic exposure and some reasonable probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC technical review team noted that there are various deficiencies that could affect the public's health and safety in the long term, including: lack of an emergency power system, an existing disinfection system that is reaching capacity, an influent transfer pump that needs to be upsized to meet future flow rates, an aeration basin and sludge system that are nearing their rated capacity, and possible non-compliance with future regulations regarding disinfection.

The Missoula Valley Water Quality District has confirmed that septic tank effluent nitrate loadings do contribute a measurable and negative impact to the shallow drinking water aquifer and the Bitterroot River. These impacts can be alleviated over time by providing advanced wastewater treatment in a centralized system. The system must be designed and operated for both nitrification and de-nitrification for net nitrogen loadings to the environment to be reduced. Septic systems are a continual threat to shallow groundwater supplies. Additionally, if a significant power outage occurs, partially treated wastewater could be released to the Bitterroot River.

The community is making proactive improvements to ensure compliance with future regulations and prevent violations of state regulations.

Statutory Priority #2: Reflects greater financial need.
The applicant received 180 points out of a possible 900 points.

The score for Statutory Priority #2 is based on a weighted analysis of two financial indicators with a total of 900 points possible. The scores for each of the two indicators are added together, with a total number of points possible for Statutory Priority #2 based on five levels. The fifth level is assigned to the group of applicants that reflect the greatest financial need.

Indicator #1. Household Economic Condition analysis: The applicant placed in the 1st level and received 72 points. (This analysis accounts for 40% of the score for Statutory Priority #2. Each of the three sub-indicators are ranked and scored, with each accounting for 33% of the total score for Indicator #1. Being ranked the lowest indicates the most severe household economic conditions and is assigned the highest score. Being ranked 57th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indicator are added together, with the total number of points possible for Indicator #1 based on five levels. The fifth highest level is assigned to the group of applicants with the most severe household economic conditions.)

- ☐ **The applicant's Median Household Income (MHI) is the 55th lowest of the 57 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 31.7%. **The applicant's relative concentration of persons living at or below the LMI level is the 53rd highest of the 57 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 5.4%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 51st highest of 57 applications.**

Indicator #2. Target Rate Analysis: The applicant placed in the 1st level and received 108 points. (This analysis accounts for 60% of the score for Statutory Priority #2. Scores are assigned

based on how much difference there is between the applicant's user rate and the target rate. The number of points possible for Indicator #2 is based on five levels. The fifth highest level is assigned to the group of applicants furthest over the target rates.)

Statutory Priority #3: Incorporates appropriate, cost-effective technical design and provides thorough, long-term solutions to community public facility needs.
The applicant was scored at a level 4 and received 640 points out of a possible 800 points.

Conclusion: The applicant strongly demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution for its public facility needs. The preliminary engineering report (PER) is generally complete and there were only minor issues that were not adequately addressed. It does not appear that the issues would raise serious questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC technical review team noted that there was a lack of design criteria summarizing the improvements. There was also a lack of information addressing possible deficiencies in wastewater treatment plant sludge handling capability. The waste sludge facilities were given a cursory evaluation in the 2000 facility plan and were found to have deficiencies, but this PER did not address them. If these facilities don't require an upgrade, the PER should state why and present justification.

The applicant adequately assessed the potential environmental impacts. Any environmental concerns that were identified by the applicant were adequately addressed and no long-term adverse effects were noted.

Statutory Priority #4: Reflects substantial past efforts to ensure sound, effective long-term planning and management of public facilities and attempts to resolve the infrastructure problem with local resources.
The applicant was scored at a level 2 and received 280 points out of a possible 700 points.

Conclusion: The applicant inadequately demonstrated that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because of lack of documentation, and there was little discussion of other planning efforts.

Rationale: The applicant stated that over the past decade, the Lolo Rural Special Improvement District (RSID) 901 has made numerous improvements to its wastewater collection and treatment system; however, the applicant did not provide any details other than to say that the wastewater facilities plan had been updated in an effort to continue to protect the Bitterroot River and the Missoula Valley Aquifer, as well as to accommodate growth. Properties in the expanded service area, which connect to the public sewer system, would pay a sewer development fee to assist with the ongoing costs of wastewater treatment system. The fee is charged on new sewer connections to reflect a contribution by new customers toward the cost of the existing physical plant and sewer lines. This contribution compensates existing users for the wastewater treatment plant and additions that were built to allow sufficient capacity for future community growth.

Although not discussed by the applicant, the applicant included in the application an evaluation of high density areas in the Missoula area that do not have centralized wastewater systems that was prepared by the city-county health department in 1996. Even though the report stated that Lolo was one of the lower priorities, the need for the proposed project still appears to be consistent with the study.

The MDOC review team concluded that the RSID's operation and maintenance practices related to the wastewater system appear to be adequate.

Statutory Priority #5: Obtains funds from other sources.
The applicant was scored at a level 1 and received 120 points out of a possible 600 points.

Conclusion: The applicant did not demonstrate that the project would enable the local government to obtain funds from sources other than TSEP. The funding package for the proposed project does not appear to be reasonable or viable, since there are major obstacles that could hinder the applicant from

obtaining the funds from the proposed funding sources. The MDOC review team did not score this priority higher primarily because they are well below the target rate and not eligible for a TSEP grant.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL and STAG grants in combination with an SRF loan and local reserves. The applicant stated that other sources of funding were considered, but ruled out due to timing; however, no additional details were provided. The project is ranked 96th on the SRF priority list, and therefore, the County is eligible to apply for the loan. The applicant has submitted an application for a State and Tribal Assistance Grant (STAG).

Statutory Priority #6: Provides long-term, full-time job opportunities for Montanans, or provides public facilities necessary for the expansion of a business that has a high potential for financial success, or maintains or that encourages expansion of the tax base.

The applicant was scored at a level 2 and received 200 points out of a possible 500 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project represents a general infrastructure improvement that would indirectly increase business and job opportunities. The applicant did not reasonably demonstrate how any specific businesses were dependent upon the proposed improvements or how businesses would directly benefit by them. The applicant did not reasonably demonstrate that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the proposed project would not directly result in the creation of any long-term, full-time jobs. However, the improvements would allow service to be provided to additional areas designated for commercial and industrial development.

Statutory Priority #7: High local priority and strong community support.

The applicant was scored at a level 3 and received 240 points out of a possible 400 points.

Conclusion: The applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The applicant documented that it held at least one public hearing or meeting, and has sufficiently informed the public about the proposed project in a timely manner, its cost and the impact per household. The MDOC review team did not score this priority higher primarily because it appeared that the applicant only met the minimum requirements related to demonstrating that the proposed project is a high priority and has community support.

Rationale: The applicant included limited documentation for a public hearing held by the County at 1:30 p.m. on April 19, 2006. The application included a hearing notice, minutes, and the presentation. Both the minutes and the presentation by the engineer reflect the fact that the county commissioners were told what the increased rates would be; however, it did not appear from the minutes that any residents attended the hearing. As a result, it could not be determined if the residents have any knowledge of the proposed project or what the monthly user rates would be.